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DIGITAL MARKETPLACES AS A MAIN ENTRY MODE FOR SAAS COMPANY: INTERNATIONALIZATION WITHOUT A TARGET MARKET

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Examiners: Professor Olli Kuivalainen

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ABSTRACT

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The aim of the thesis was to examine the internationalization of Finnish b2b SaaS companies in the context of factors that affect the entry mode choice. Special interest was placed on the digital marketplaces as a main entry mode. In addition, it was examined how the absence of specified target market affects the product or marketing. Dimensions of distance were also considered, whether they are less relevant in the digital environment. Theoretical framework was constructed around the factors that affect the entry mode choice from resource based, network theory, and transaction cost view. Studied factors were product related, distance related and risk, commitment and control. In addition to that, most typical entry modes in Saas context were described and also the different marketplaces were classified in accordance with the resources they offer and what is required for the initial entry.

Seven Finnish SaaS companies were interviewed and findings analysed using qualitative case method. The results indicate that the product standardization and possibility for self-service model are major determinants of the entry mode. In addition, the need for product localization is less relevant and don't affect to the success in marketplace. However, in the digital environments companies have to consider the issues of trust and credibility in turn for speed and efficiency of the transactions. Major finding was that despite of the global product and self-service model, companies emphasized on combining personal interaction to the customer journey in order to maximise sales and revenue and increase the share in markets beyond the possibilities offered by pure digital self-service models. Main advantages of digital marketplaces were named scalability and global reach not limited by country, allowing companies to experiment flexibly from which region or industry most traction emerges.

TIIVISTELMÄ

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Tämän Pro Gradu-tutkimuksen päätavoitteena oli selvittää Suomalaisten b2b SaaS yritysten kansainvälisen operaatiomuodon valintaan vaikuttavia tekijöitä. Erityisesti selvitettiin digitaalisten markkinapaikkojen käyttöä kansainvälistymisen muotona. Lisäksi selvitettiin miten täsmällisen kohdemarkkinan puute vaikuttaa tuotteeseen ja markkinointiin. Tutkimuksessa selvitettiin myös ovatko kulttuurin ja maantieteellisen etäisyyden vaikutukset vähäisempiä digitaalisissa ympäristöissä. Teoreettinen viitekehys muodostettiin verkosto- ja resurssiperustaisen teorian sekä transaktiokustannusten näkökulmasta vaikuttavien tekijöiden ympärille. Vaikuttavina tekijöinä tutkittiin tuotteeseen,etäisyyteen ja muodon toivottuihin ominaispiirteisiin (riskit, sitoutuneisuus, kontrolli) liittyviä ominaisuuksia. Lisäksi tutkimuksessa kuvaillaan SaaS yrityksille tyypillisimmät kansainvälistymisen operaatiomuodot sekä määritellään erilaiset markkinapaikat niiden tarjoamien hyötyjen ja markkinapaikalle pääsyn edellytysten perusteella.

Tutkimukseen osallistui seitsemän Suomalaista SaaS yritystä ja tulokset analysoitiin käyttäen monen tapauksen laadullista tutkimusta. Tuloksista voidaan päätellä tuotteen standardointi asteella ja itsepalvelu mallilla olevan merkittävä vaikutus operaatiomuodon valintaan. Lisäksi tuloksista todettiin, että tuotteiden lokalisoinnille ei ole suurta tarvetta eikä sillä ole vaikutusta menestykseen markkinapaikalla. Merkittävä löydös oli myös, että huolimatta globaalista tuotteesta ja itsepalvelu mallista, yritykset korostivat henkilökohtaisen kanssakäymisen tarpeellisuutta myös digitaalisia kanavia käytettäessä. Keskikaupan koko oli suurempi kun yritykset yhdistivät digitaaliseen online-myyntiin henkilökohtaista palvelua. Markkinapaikkojen suurimpia etuja olivat skaalautuvuus ja globaalin asiakaskunnan tavoittaminen sekä mahdollisuus kokeilla joustavasti missä kohderyhmässä tai maantieteellisellä alueella tuote herättää eniten kiinnostusta.

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22.6.2020

Piia Aaltonen - Räisänen

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LIST OF SYMBOLS AND ABBREVIATIONS

B2B	Business to business
SaaS	Software as a service
IaaS	Infrastructure as a service
INV	International new venture
SME	Small and medium sized enterprises
RBV	Resources based view
IE	International entrepreneurship
TCE	Transaction cost economies

1. INTRODUCTION

This thesis studies the internationalization of b2b SaaS companies, that are mainly using digital marketplaces as a means of internationalization. A closer look is taken on the factors affecting the choice of internationalization mode in the SaaS context and how internationalization without the actual target market affects the product and marketing. Are localization and aspects of cultural distance less relevant in the digital marketplaces? The major aim of this study is also to gain an understanding what type of b2b SaaS product is most suitable for online internationalization and does it affect the choice of entry mode. Topic is interesting as not all SaaS companies operate internationally even though international sales would be fairly easy to arrange. Some also prefer classic sales methods over the online channels even though one could think that SaaS is by definition most feasible to sell online. A description is also presented, that which online channels, platforms, and ecosystems are considered in this study as a separation to platform business as such. This chapter presents the background that led to the research, the research questions on which the theoretical framework and main concepts are based, as well as the research gap and the structure of the work.

1.1 Research background

Digital technologies and disruptive business models have changed the nature and structure of the global economy. The role of small businesses has increased as Internet technologies have provided better access to open resources, such as various technologies, information, and enabled the sharing of content and services. The shift has been fueled by new digital infrastructures such as cloud computing. Study on the international entrepreneurship has covered a large scale of different aspects of internationalization but still only on the recent years, study has taken into account the vast technological advances on the internet and platform technologies. (Watson et al. 2018)

Gartner predicts in it's report, that the strong growth of SaaS technologies will continue. The overall growth of the SaaS industry will remain consistent as more companies adopt SaaS solutions for a variety of business functions, not limited to core engineering and sales applications. As shown in table 1, Gartner predicts that by 2020 the global public cloud services market is set to reach $266.4 billion, representing a growth of 17%, up from $227.8 billion in 2019 as cloud application services or software as a service (SaaS) remains the largest segment of the cloud market. SaaS is forecast to grow to $116 billion in 2020 due to the scalability of subscription-based software. (Williams 2020)

Table 1. Worldwide Public Cloud Service Revenue Forecast (Billions of U.S. Dollars)

	2018	2019	2020	2021	2022
Cloud Business Process Services (BPaaS)	41.7	43.7	46.9	50.2	53.8
Cloud Application Infrastructure Services (PaaS)	26.4	32.2	39.7	48.3	58.0
Cloud Application Services (SaaS)	85.7	99.5	116.0	133.0	151.1
Cloud Management and Security Services	10.5	12.0	13.8	15.7	17.6
Cloud System Infrastructure Services (IaaS)	32.4	40.3	50.0	61.3	74.1
Total Market	**196.7**	**227.8**	**266.4**	**308.5**	**354.6**

BPaaS = business process as a service; IaaS = infrastructure as a service; PaaS = platform as a service; SaaS = software as a service

Note: Totals may not add up due to rounding.

Source: Gartner (November 2019)

Table 1. Gartner estimation of cloud service growth

These new technologies have enabled rapid change in the ways companies operate and can reach potential customers domestically and globally. Digital technologies and channels offer opportunities to scale to a global level faster than ever before and overcome geographical barriers (Wentrup & Ström 2019). Digitalization has also brought up new concepts like international digital competence using the organizational capabilities perspective to explain successful internationalization of digital companies (Cahen & Borini 2020). According to their study company must have these capabilities to be able to capture the benefits of digital channels like

reduced distribution costs, reaching a wider customer base and improving competitiveness. (Li et al. 2011)

According to Forrester research (Bonde, A. 2019) Business-to-business buying and selling is being disrupted the same way consumer models have fundamentally changed over the past decade due to digital transformation. Biggest disruptor is the rise of B2B marketplaces as the new center of commerce. Forrester report also states that digital maturity has been on the rise and already many line-of-business and “speed-first” buyers prefer to buy online. Considering also price transparency and convenience, marketplace adoption is contributing to the overall shift to eCommerce across all categories of B2B selling. (eCommerce will be 17% of the $11T US B2B market by 2023, per Forrester B2B eCommerce forecast.)

Interesting is also the cultural dimensions of entering the international markets through digital online marketplaces. Traditionally the international market entry has been seen as a process (Johanson & Vahlne 2009) where choosing the specific target market (country/region) plays an important role, including localization needs of marketing and product, market size, cultural and geographic distance and possible trade barriers. However, when company chooses global digital marketplace as an entry mode, there is no specific target market but instead customers from any industry, geographic distance or cultural background can be on the buyer’s seat. Does digital marketplace help overcoming the liability of newness and foreignness (Reuwer, Jansen & Brinkkemper 2013, Gabrielsson & Gabrielsson 2011, Watson et al. 2018) or are the dimensions of distance just less relevant in online channels? Multiple studies also warn about ‘virtuality trap’ like Pezderka & Sinkovics (2011) and Mohammad & Sinkovics (2006) that is misleading companies not to gather market information beyond virtual interactions.

1.2 Research gap

Even though over the last decade digitalization and the development of internet technologies have contributed to the most significant advances in the business environment, international trade theories have long dealt only with physical products and internationalization in born-digital context is still studied less. Fewer than 3% of the peer-reviewed research articles in the international marketing domain examine digital context. (Watson et al. 2018, Cahen & Borini 2018). Advantages of digital marketplaces and capabilities & resources needed for online internationalization also differ, when considering international market entry of traditional company selling tangible goods and digitizing its value chain versus SaaS (Cahen & Borini 2020). Internationalization of software companies have also experienced major leap since the advancement of cloud technologies (Boillat & Legner 2013). In a literature perspective the time when software was sellable only on a box from store self and business model was very similar to typical distribution channels for physical goods, are not too far away .

It is notable, that many studies in the digital context cover either only digitization i.e. advantages of conversing all or part of the company's business processes to digital form and its effects on profitability and efficiency (Reichstein et al. 2018). A lot of studies also concentrate in international market entry of companies providing physical goods, where transactions and internationalization can be intermediated by digital channels like Alibaba and Amazon (Tan et al. 2016) or internationalization of service high-tech companies (Satta et al 2014). Platforms as business model have also received growing attention (Nam & Kannan 2020, Brouthers et al. 2015, Li et al. 2019).

However, there are less studies that concentrate on the internationalization in B2B SaaS context, where product and used technologies are digital from inception and benefits arise from factors other than just network effects or users creating content.

In this thesis consumer platforms like Facebook or businesses like Über or AirBnb, where complementary physical resources are required, are excluded. Watson et al. (2018) also state that data-rich marketing environments remain relatively understudied even they are generally on the rise (like also mentioned in the Forrester report) and can help companies mitigate the risks of market entry and in building buyer-seller relationship. Internet-enabled internationalization is a particularly under-studied area (Wentrup 2016). Relatively little scholarly attention has been given also to the resources that INVs are able to exchange when they develop their international networks. This is especially true of small firms operating in digital markets, in which the technologies are evolving rapidly.

1.3 The objective of the study and research questions

The most traditional theories of the market entry are somewhat inadequate concerning advances in internet technologies and all the special characteristics of born digital SaaS companies. These advances together with growing digital maturity and shrinking economic distance have drastically changed the ways firms are able to get information on the markets and sell internationally (Watson et. al 2018, Cahen & Borini 2018) Therefore the latest literature on born-digitals is examined in order to find suitable framework for internationalization and entry mode selection in SaaS setting. As for the internationalization of SaaS companies, there doesn't exist one theory that would cover all the aspects, the main theoretical framework for this study can be found in the area of born-digitals in the international entrepreneurship context (Vadana et al .2019 a, Cahen & Borini 2018). Cahen & Borini (2018) suggests that digital companies could be considered as a subset of companies in the IE research.

The object of this study is to shed light on the internationalization of b2b SaaS companies, their entry mode decision and particularly internationalization through digital marketplaces. The following theories were considered most relevant: Resource based view, network theory in the context of resources and transaction cost theory. It is also aimed to view the digital marketplaces and what affects the

choice of digital marketplace as the main entry mode i.e. when the digital approach is most suitable. Dimensions of distance are also aimed to consider when studying the digital marketplaces.

This study intends to find answers on what the special characteristics of digital marketplaces are and if the aspects of cultural distance are less relevant when there is no actual target market to consider. The research questions are formulated as follows:

Main RQ: What factors affect the choice of digital marketplace as main market entry mode for SaaS company

Sub RQ1: What are the most important factors that affect the entry mode selection of SaaS company?

Sub RQ2: What are the characteristics of digital marketplaces as an entry mode?

Sub RQ3: Does distance matter in digital marketplace?

Sub rq3.1 Does not having a clear target market affect on product or marketing?

Sub rq3.2 Is the need to adapt in foreign markets less relevant?

Theoretical framework is formulated as shown in figure 1. The framework presents the theoretical perspective of the study and how the key concepts are viewed in the study. Theoretical framework considers the most common entry modes in SaaS context and relation to the factors that affect the choice of market entry mode. Framework also demonstrates the digital marketplaces as entry mode and their most important characteristics.

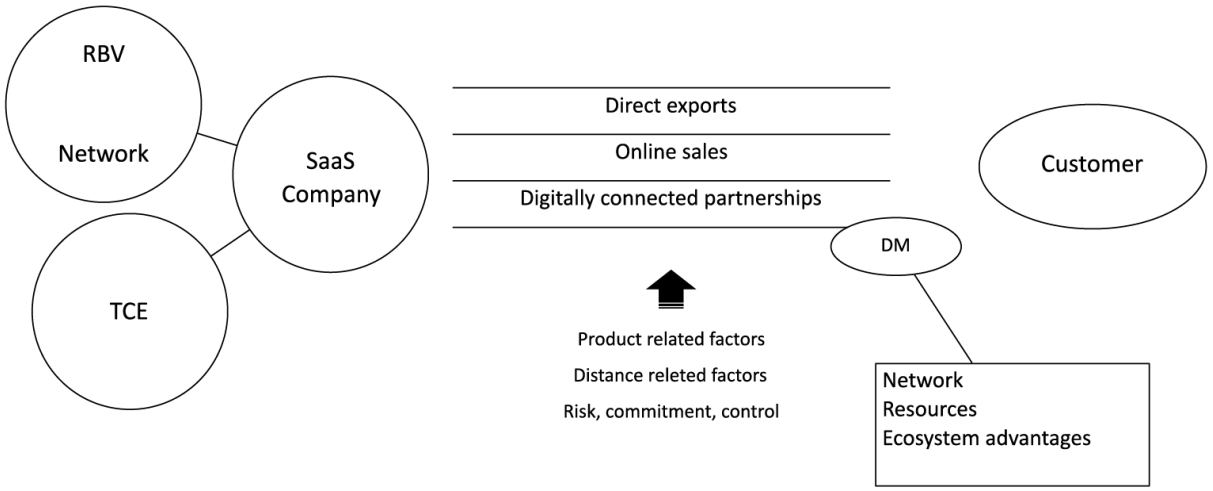

Figure 1. Theoretical framework of the thesis

1.4 Research methodology and delimitations

Wentrup & Ström (2019) state that digital business models with a B2B character are generally more glued into the offline geography and therefore more difficult to scale. Research question in this thesis addresses an interesting topic and issue that has received less attention and lack research. What type of SaaS company can benefit from the advantages of online internationalization and will the theories presented in the literature get supported by the empirical study? As presented in the research gap and due to the b2b SaaS combination, topic addressed is a quite novel study and methodology is selected accordingly. Therefore study is carried out as qualitative case study. Case study approach is used to gain understanding of b2b SaaS companies' internationalization and to describe contextual factors and their implications.

Qualitative case study is selected as it is best suited for the purposes of a new phenomenon or field of study with limited research (Hirsjärvi et al. 2016,p. 130-131), Yin 2009 p.13). The aim of the case study is to understand complex phenomena, like organisatory or executive processes and is well suited for answering questions like how and why (Yin 2009, p. 4,13) In addition, it is common for a researcher to have very little or no control in the case. The case study is similar in many ways with other

research methods, but it can take advantage of many different sources, such as direct observation of the case, case interviews, archive data as well as quantitative data. (Yin 2009, p.13-19) Qualitative case method allows topic to be explored more fully and provide explanation taking also account the context and build understanding.

The study is limited to the Finnish case study firms, that can be categorised as SaaS companies and are currently active in one or more digital marketplaces or have internationalized by other means. Furthermore, study focuses only on b2b companies offering digital products. This study is not aiming to measure the performance of the market entry but factors underlying the entry mode decision and the special characteristics that digital marketplace brings forth. Moreover, internationalization theories and entry mode selections are not studied as a whole but only the parts that are applicable in SaaS setting, which is even smaller share of the digital company context. The literature review conducted by Ojala & Tyrväinen (2006) suggests that SMEs with less asset-specific investments favored non-equity entry modes and therefore in this study the equity-modes are given less attention.

Cultural aspects represent also a huge landscape, that as a whole would be too large for this work like Hofstede's six categories that define culture. For this purposes the four dimensions of distance (cultural, geographical, administrative & political and economic) are only considered in the context of productization and digital marketplace.

1.5 The structure of the thesis

This thesis consists of seven chapters, including background. Thesis is structured to study first the theoretical literature and then methodology with empirical study and conclusion. As first, theoretical framework is studied in the SaaS context and the latest information about the internationalization of digital companies is collected in

order to determine what is considered important and affects on the background of the entry mode selection. The key concepts and terms are defined and described, like SaaS and what is meant with the digital marketplace in this thesis' context. Also the incentives behind market entry mode selection are studied and what factors affecting the choice of digital approach are most appropriate. Framework of market entry strategies is considered as a guideline and complemented with literature about digital approach. Market entry modes are described in the SaaS context and further complemented with the classification of digital marketplaces.

After the literature review, the research design and methods are presented. Actual research findings are then presented by the individual case companies and analyzed according to the affecting factors and their reflections on the choice of entry mode. Empirical research material is collected from seven Finnish SaaS companies that utilize online sales and marketplaces in their internationalization endeavors. Thesis is then summarized in the conclusion section, wrapping up the findings with managerial and theoretical implications and suggestions for further research.

1.6 Terms and concepts

The definition of concepts is also important and the terms and their meanings have changed and refined over the last decade. For example, the concepts related to eCommerce and digitalization are very broad and it is worth defining more precisely what exactly is meant. E.g. in the SaaS context some of the studies referring to traditional brick and mortar business and their results may not be meaningful and applicable.

Terms have ranged from e-commerce, ibusiness, high-tech firm, digital information goods provider, e-commerce companies, new technology-based firms, internet enabled firms, accidental internationalists to digital company (Vadana et al. 2019, Cahen & Borini 2020). At the beginning of the last decade, a lot of the term

e-commerce was used to refer to online channels, which meant the means by which a company sold products and services directly to customers using internet based sales channels. Current technology has made it possible to distinguish in the literature whether the company's own website is discussed as an online sales channel, or about a platform business that companies are using as a business model (Facebook, LinkedIn and other social networks), a platform as a reseller or a market facilitator for physical goods “platforms and ecosystems” (Über, Airbnb, Alibaba, Amazon and Ebay) or digitization of traditional business operations (technology acceptance and innovation) or digital marketplaces of fully digital products and multisided markets (Capterra, G2 Crowd, Google play, G Suite, SF appexchange). The Digital Marketplace can also be divided into more specific categories, depending on whether they are stand-alone and technology-independent, such as Capterra, or tied to a specific ecosystem such as Google’s and Microsoft's own marketplaces or the Salesforce appexchange where Salesforce add ons can be purchased, or acting as integrators like Appdirect.

In recent literature, term “born digital” and “digital company” have emerged (Cahen & Borini 2020, Vadana et al. 2019). Studies refer to digital company as one where internet plays a central role in the operation and delivery models. Their digital products can be offered and purchased around the world over the internet. However, digital companies also cater for a large variety of business models, SaaS being just one of them.

2. INTERNATIONAL MARKET ENTRY OF B2B SAAS COMPANY

Advances in Internet technologies have provided SMEs with unprecedented opportunities to compete with larger firms. The Internet has essentially leveled the playing field and made it possible for SMEs to compete with larger firms without being constrained by geography, market size, or a firm’s financial limits. (Li 2011)

SaaS company represents a company that complies with the definition of digital company, with high degree of digitalization along the value chain, meaning that most of the activities are performed online. Nowadays, platform technology is available to everyone and does not in itself generate value, but rather the question is whether the company has the resources and capabilities to leverage the technology, bring it to market and generate value for customers (Cavusgil & Knight 2015). Digitalization and internet enable firms to internationalize more rapidly and overcome geographical barriers. Scalability is also possible in totally different scope than before (Wentrup & Ström 2019). Rather than geographical, the barriers of entry are more related to liability of newness and foreignness also in the digital marketplaces. International market entry strategies are also strongly related to product attributes like degree of productization, complexity and service mode. In this chapter the definition of SaaS in presented, the most common entry modes available for SaaS company are discussed and also the factors that influence the entry mode decision.

2.1 Definition of SaaS

The availability and features of the Internet have evolved at a considerable rate over the years. Today, more than 50% of the world's population has access to the internet. In the developed countries the rate is even higher and UN assessed in 2018 that the rate is more than 80% (YLE news, 2018) This has been influenced by technological developments, which have led to lower costs and improved speed and reliability of Internet access. This development has opened up completely new markets and business opportunities, a good example of which are SaaS providers. SaaS and other cloud-based services have grown rapidly to de facto business model and have replaced a significant number of traditional software products and licenses (Cusumano 2010, p. 29). It has become a common delivery model for many business applications, including enterprise resource planning (ERP), financial planning, customer relationship management (CRM), human resource management (HRM), invoicing, content management, and service desk management. According

to the software industry survey in Finland from 2018, noted that the industry growth rate has risen compared to previous years, being 11.3% in 2018.

2.1.1 Concept of SaaS

SaaS stands for Software as a Service. SaaS refers to software located in the cloud that is hosted and maintained by the vendor. SaaS services are delivered via a web browser, an application or a hybrid of these. Distribution through a web browser is the most popular of the three. Users of SaaS services do not own the software they use. The right to use the SaaS service is leased from a SaaS service provider. Thus, the pricing of a SaaS service is usually based on the amount of service or usage time of the service. The most common pricing model can be considered to be a fixed monthly price. SaaS services are in principle standardized so that they can be sold / purchased in a scalable way. In SaaS services, the so-called customer-specific customization has been taken into account by offering different product variations (plans) for the service according to customer segments and usage needs. (Nitu 2009, Mäkilä et al. 2010) Sometimes, people associate cloud computing with SaaS. However, there is a slight difference. According to Wu (2011), SaaS is a type of cloud service that is viewed as a cluster of service solutions based on cloud computing. Cloud computing makes computing, data storage and software services available via the Internet.

The drivers of the popularity of the SaaS model have been recurring and predictable returns from the supplier's perspective, as well as cash flow, low shopping threshold and faster sales cycles, scalable cost structure, cost-effective and fast product development and upgrade cycle, high customer lifecycle value and scalability. On the customer side, the main drivers have been e.g. fast and cost-effective deployment, steady and predictable costs, scalability according to needs, up-to-dateness and upgradeability, and low total cost of purchasing software (Aung, T. 2014, Dubey & Wagle 2007, Inderes 8.5.2020). This kind of model makes

sophisticated software solutions affordable also for small businesses while keeping the costs considerably lower than with on-premises software.

One significant factor has also been the change in consumer habits and mindset, as the popularity of online buying has transferred also to B2B sector along with ease of buying and increased trust to cloud services and providers. Supplier providing software to multiple customers is very often able to build significantly more secure service than an individual customer and is able to promise high reliability for its software. Usually the service down times are very low. SaaS vendors are able to take advantage of the scalability also on the security and risk management perspective.

2.1.2 SaaS business model

According to Luoma et al. 2012, SaaS-companies can be divided into two categories, Pure-Play SaaS and Enterprise SaaS. Pure-play i.e. self-service SaaS is a business model in which standard software is delivered to the customer via the Internet without customization and training. The purpose of self-service model is to minimize the personal work required for sales in order to scale efficiently and lower the costs of market entry (Tyrväinen & Selin 2011). Enterprise SaaS is often more complex and requires customization, implementation project, training and integrations to other software. Enterprise SaaS customers are also usually of bigger size and might require or prefer classic sales (Mallyan 2009). Market responsiveness (Sinkovics et al 2013) can be seen in two ways in SaaS context. In presentation by Sinkovics et al. (2013) it is considered in a meaning how well company can respond and adapt to customer requirements and needs, in SaaS context meaning customisation and integrations. On the other hand, in can be considered also that SaaS model enables easy and effortless up-dates of features and functions to clients anywhere and anytime.

SaaS multitenancy enables cost-effectiveness and large economies of scale for the business model (Chong & Carraro 2006). Multitenancy means that the same server is used to run software for multiple users. Kris Jamsa (2013) explains that scalability means that an application or site is able to use additional resources on demand. Depending on the demand, site can scale automatically. This allows single SaaS application provided to serve multiple customers simultaneously. Like Luoma et al. (2012) state, also Rotella et al. (2004) point out that from a software perspective, business model can be either product or service centric or hybrid combining both areas. Services include customization to customer needs or providing a customizable software, training, implementation and support services.

Often SaaS software is more standardized and generic than, for example, software that is customized to the needs of each individual customer. This also leads to different business models between SaaS and software service companies (Mäkilä et al. 2010). Other differences are according to O' Reilly (2007) that SaaS providers see their customers more as a partners, monitoring their services and often allowing open API interfaces for development and integrations for customers and other service providers. Nowadays vertical SaaS has gained a lot of popularity and interest, being standardized but to the specific needs of a particular industry.

Revenue logic of SaaS services are based on monthly or yearly subscriptions, defined by amount of users or usage time. SaaS providers then take the responsibility for security, infrastructure, user support, updates and training. As a result of deployment over the internet and revenue logic, the ownership of the SaaS remains with the provider. (Tyrväinen & Selin 2011) In SaaS subscription model, customers don't acquire lifetime licences for certain software version but instead always have the newest version available and can discontinue using the software anytime after the subscription period. Mallya (2009) states that it is in the nature of SaaS business model to get as many transactions as possible with the lowest cost possible. Chong & Carraro (2006) highlight the importance of low transaction costs in sales by avoiding traditional personal touch points. This is possible due to the digital

nature of the SaaS product. The SaaS sales models range from fully digital no-touch customer journeys to high-touch enterprise sales that require a lot of time an effort.

2.2 Internationalization in SaaS setting

Internet has inspired many discussions of born digitals and digital companies internationalization, but internationalization and particularly entry mode selection in SaaS setting is not yet so broadly investigated phenomenon. As SaaS companies anyway fall into one category of digital companies and in that context both network theory and international new venture theory as well as stage model see resources as one of the key influencing factors (Cahen & Borini 2020, Ojala & Tyrväinen 2006, Vadana et al. 2019).

Resource based view (RBV) is applied here, in a context that combines several theoretical implications from international new venture, network theory and stages model that consider resources as determinant factors in different perspectives. RBV is also justified as many researches imply that internationalization of digital companies is often moderated by fewer outward assets (Cahen & Borini. 2020) ,lack of resources (Cavusgil & Knight 2015) and also has offered a basis for numerous studies in the IE field. On the other hand digital companies must be able to deploy these scarce intangible resources & capabilities in order to internationalize and compete with larger companies.

Network theory is also considered in the RBV context in a sense how digital company can complement its lack of resources through networks and digital partnerships in order to gain access to new markets, acquire technological support and resources, build credibility and overcome the barriers of entry like liability of newness and outsidership (Cahen & Borini 2018, Brouthers et al. 2016). Liability of outsidership is also derived from network theory and internationalization process. Also Banalieva & Dhanaraj (2019) state that network plays an important role as a

strategic resource. Johanson & Vahlne (2011) have also updated the Uppsala model to place more emphasis on network. Both the Uppsala model and the born global paradigm emphasize the importance of networks in the internationalization process.

Transaction cost theory is also applicable, as internet has changed the size of transaction that is feasible for direct sales and made international sales possible with limited resources. For SaaS companies the costs of transferring digital products over the internet is relatively small when reaching customers online and through digital marketplaces (Brouthers 2016).

2.2.1 Resource based view

RBV theory describes how different resources firm possesses create competitive advantage and the ability of the firm to make use of the resources. RBV theory also suggest that firms should develop a strategy that is best in line with the resources it possesses (Brouthers 2016). The original concept of RBV includes capabilities as resources and Barney (1991) is considered the origin of it. RBV literature also acknowledges that SMEs are very dependent on external resources and capabilities , specially when considering market entry (Lindsay et al. 2017). They also found in their study, that especially when considering cultural and physical distances, where SMEs generally are confronted with liabilities of smallness and foreignness, this dependency is even stronger. Tangible assets can be physical representative office, networks, relationships or distributors and intangible assets can include information and local knowledge as well as reputation and brand (Brouthers & Hennart 2007). The assets available make it possible for the company to get access to relevant resources, inside or outside the organisation. According to the study by Lindsay et al. (2017), the three most influential factors that affect the entry mode and mode development decisions are information asymmetry, asset specificity and tacitness of knowledge. Lindsay et al. (2017) also suggest in their study, that companies need in some point over time to internalize the outsourced resources (etc. facilitating

technologies), but in SaaS companies that is not the case at least when considering the cloud technologies the solution is build on, like Microsoft's Azure or Amazon AWS. There is need for different types of skills, capabilities and strategies in digital companies that differ from traditional physical product related companies. Study by Cahen & Borini (2020) also refers to digital capabilities, ie. to the ability to make use of these particular resources and how to leverage them, are relevant for digital company's internationalization. Also Ripolles & Blesa (2016) confirm that the ability to optimize intangible resources is the key issue concerning the entry mode selection.

Brouthers et al. (2016) and Ojala et al. (2019) note that the internationalization of digital-based international new ventures (INVs) differs from the incremental pathway models suggested by traditional internationalization theories. INV theory combines ideas from the two theories. It focuses on the opportunity-seeking behavior, by which an INV "seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" According to the INV theory, it is not necessary for the company to own all resources, but instead it can take advantage of usage of external resources in international markets. INV theory also supports the network theory, proposing that resources could be network structures creating new opportunities as the relationships cross national borders (Ojala et al. 2019)

2.2.2 Network theory

Network theory brings also RBV aspect to internationalization of digital companies. Network theory is based on the assumption that one firm can't hold all the resources necessary to enter and exploit the international markets. Networks are sources where firms can acquire and fill the gaps in their resources in order to develop a better position in the market. (Johanson & Vahlne 2009, Johanson & Mattsson 2015). In internationalization process and to be successful, while deriving knowledge and resources from the network, the relationship between the internationalization facilitating network partner have to be mutually beneficial. Oviatt & McDougall (2005)

also state that relationships helps firms develop their resource pools without actually owing the resources. However as mentioned earlier, firm has to offer also some valuable resources in exchange. Ojala et al.(2018) suggest that the internationalization of these firms is resource dependent, and that by networking with actors controlling such resources, they can expand to the global markets. Brouthers (2016) confirms that there is evidence that companies with large networks are able to internationalize earlier and be more successful as the larger networks help companies to access better resources and information.

Cavusgil & Knight (2015) found that networks open doors for international new ventures (INVs) by providing financing, market access, distribution channels, referrals, and a pool of key contacts for learning and internationalization. They also draw from the earlier studies that employed network theory and the resource-based view to explore how networks facilitate resource development in INV firm.

Reuwer et al. (2013) refer network theory as software ecosystems, playing a key role in the firms internationalization process, driving market expansion and development activities, including choice of market and entry mode. According to Reuwer et al. (2013), network connections can serve as a new entrances and bridges to the foreign markets, allowing a much faster internationalization.

2.2.3 Transaction cost analysis

Brouthers & Hennart 2007 suggests that the most frequently applied theory in the international entry mode literature is transactions cost analysis. With Hennart's extension (2009) to TCE theory, it explains that the transaction costs are related to asset specificity (local & firm-specific), transaction size and market imperfections.

The Internet enables efficient and cost-effective communication between network partners and reduces transaction costs (Glavas & Mathews, 2014) Wentrup (2016)

also states the same about internet lowering the transaction costs and that its wide reach enables internet-based firms to benefit from a global market. Gabrielsson & Gabrielsson (2011) in addition to Sinkovics et al. (2013) also use transaction cost approach in explaining the internet-based channel strategies.

Transaction cost theory is concerned with costs of operations within a company , related to transaction of goods and services and the decision of “make or buy “originated by Oliver Williamson in 1985. In the original theory, asset specificity, uncertainty (both internal-behavioral and external market specific) and frequency are the three main factors that are hypothesized to influence entry mode decision creating two main costs:market transactions costs and control costs (Brouthers & Nakos 2004). However Brouthers & Hennart note in the study (2007) that even the asset specificity is central explanatory factor in many related studies, there are also opposite and mixed results concerning this variable. Asset specificity has commonly been measured as firm’s R&D and/or advertising intensity or asset-specific investments that include service asset specificity, technology asset specificity, human asset specificity and dedicated asset specificity (Brouthers & Hennart 2007). They also explain in their study that asset specificity might not always been properly applied, as Williamson originally developed it for explaining vertical investment i.e. when supplier or customer must make investments that are specific to the buyer. If asset specificity is problematic in some cases, technical asset specificity suits well in the SaaS context as the need for vertical investment describes well the transaction costs and decisions associated with SaaS business model and product strategy like level of customization, implementation and services needed for particular client. As part of the TCE theory are also costs associated with single transaction related to size of transaction (Rajala et. al 2003) the amount and complexity of work related to the implementation and service model of SaaS affect the costs and possible sales models and therefore to the decision about feasible entry mode. Gabrielsson & Gabrielsson (2011) note in their study that traditionally high asset specificity has been associated with high transaction size, but internet has changed the game decreasing the minimum transaction size when direct sales are efficient. Williamson

also suggests that when considering the options, firms compare how efficient one mode is compared to another.

The second main TCA variable, uncertainty, has been also viewed in many contexts. Original Williamson model relates uncertainty with asset specificity saying that high uncertainty encourages hierarchical approach in entry modes, but many studies have referred to uncertainty directly as independent concept stating quite opposite that uncertainty encourages firms to maintain flexibility and to choose market (non-equity modes) over hierarchical (equity modes) governance. The most common factors for external uncertainty are country risk and cultural distance. Sinkovics et al. (2013) relate uncertainty to environmental turbulence and market responsiveness. As transaction cost theory is also related with opportunism, Dow et al. (2018) discuss transaction cost theory in relation to psychic distance magnifying and increasing the threat of opportunism. The third main variable is frequency, justifying the costs if transactions are recurrent and/or large enough. (Brouthers & Hennart 2007)

2.4 Special factors affecting the entry mode selection of SaaS Company

Vadana et al. 2019(b) found that digitalization makes companies less dependent on cultural and physical constraints. On the other hand, they also refer to the study of Wentrup (2016) stating that some companies anyway follow a near-market gradual approach regardless of the advances internet brings to conventional channels and global reach. Rönkkö (2012) also suggest that The Finnish software firms are mainly internationalizing to Nordic countries and Western Europe. Interesting is what are the explanatory factors behind the differences in internationalization strategies. As the digital nature of the SaaS product is somewhat same across companies, regardless of the technology upon it is build, the differences must lie somewhere along the value chain. The several factors that influence the entry mode, has been traditionally divided into four categories according to Hollensen framework (Boyd et al. 2012). Categories are internal factors (firm size as resource base and especially product

related factors), desired mode characteristics (level of risk, control and commitment viewed from resource based view), transaction specific factors (cost and internet abled efficiency) and external factors related to dimensions of distance. From the perspective of digital companies, literature suggests that in addition to resources, the product strategy and business model are an important factors (Ojala & Tyrväinen 2006, Gabrielsson & Gabrielsson 2011, Rask 2005, Reuwer et al. 2013, Vadana et al. 2019 b) along with cost, risk and commitment required.

2.4.1 Product related factors

Right entry mode choice is a critical decision for company, affecting the long term success (Ojala & Tyrväinen 2006). Reasons behind the entry mode selection has been studied by various scholars with different approaches. Vadana et al. 2019 confirmed in their study that business model influences the internationalization of born digital companies. Also Ojala & Tyrväinen (2006) state that business model is one factor affecting the choice of entry mode. Business model is usually described as how firms conduct their business activities including who the customers are, what they value and how this value is delivered to the customers. Ojala & Tyrväinen (2006) further confirm and combine to the business model the affecting factors from earlier literature that are connected to the entry mode choice: characteristics of the product, requirements for customer support and customization needs. Further Ojala & Tyrväinen (2006) also refer to the framework of Rajala et al. 2003 stating the connection between product strategy, revenue logic, distribution model and service & implementation model to the entry mode choice. Product strategy is also meaningful in a sense what Cahen & Borini (2020) state, that international monetization capability is important. Company must be able to execute it both technologically and product strategy wise. In similar vein, Ojala & Tyrväinen (2006) also reports other study based on TCE, suggesting that channel volume, asset specificity, volatility and requirements for product customization are important determinants of entry mode choice.

Product strategy of the firm describes the main product offering. In software companies product strategy can vary from customizable customer specific solutions to highly generic and standardized products. Services and implementation model is also part of the strategy. It describes how the product is installed, implemented, maintained and supported. Depending on the SaaS product the spectrum can vary from zero-touch self-service by the client to high-touch services where in the extreme end firm's unit in the host country executes all phases for customer. One option is also a partner or a system integrator that implements and takes responsibility for the actions. (Ojala & Tyrväinen 2006) Hoch et al. (2000) have divided the degree of productization according to the amount of installation and after-sales services required. If product requires high level of consulting, support and maintenance it is considered to have low level of productization and if product is complete solution that customer can implement and use without additional support, it is considered as highly productized (self-service SaaS).

According to Finnish survey 'State-of-saas 2019', SaaS software can be divided also to "vertical SaaS" and "horizontal SaaS" according the variety of functions and industries it serves. Vertical SaaS is defined as solution that is defined for particular industry, serving the distinct needs or suite of functions. Vertical SaaS eases the communication towards buyers, as it is possible to use the industry specific language and address industry specific problems, so reducing the barriers for transaction compared to other companies that don't specify in their niche. Other external factors that are considered as benefits of vertical SaaS are that there tends to be less competition as every industry is different and studies show that "vertical SaaS companies realize customer acquisition costs up to eight times cheaper than traditional SaaS models thanks to their narrowly-targeted customers. They're also seeing greater valuations and report lower churn and higher upsell rates from their existing customer base". (Repsly 2019) Horizontal SaaS on the other hand serve the needs of particular departments or functions, but are not designed to be industry-specific and try to attract decision makers from several industries. Horizontal SaaS in considered to have higher acquisition costs and emphasis on marketing with large possible target group. Horizontal SaaS solutions are used across multiple

industries with different end-goals and needs. From a software development point of view, the narrower product scope allows the software to be manageable and easily scalable, due to reduced complexity of operations and features. In this sense, Vertical SaaS providers can benefit from a smaller in-house team or a small outsourced dedicated team that builds the minimum valuable and independent product.

Target group affects also the choice of entry mode. In example if target group is enterprise customers, it commonly expected that enterprise customers require more negotiations, service and classic personal sales and therefore lead the entry mode decision towards offline presence also requiring more resources and knowledge for making it successfully. Increased efforts in customer acquisition and requirement for offline presence, limit also for which pricing model and price level it is worthwhile targeting the enterprise customers. The illustration from Guillaume Lerouge (table 2) explains the dependency of target group company size and product strategy. Vertical axel illustrates the level of service required in the implementation and horizontal the target company size.

They also emphasise the importance of business model, pricing and the channels by which the customers are acquired on deciding on the go-to-market plan. To whom you are going to sell is defined as small and medium sized businesses (SMB) mid-market (MM) and enterprise (ENT). Product strategy concerning sales is divided as no/low-touch (self-service), medium-touch (inside sales /partnerships) and high-touch (enterprise sales). In table 2, green areas illustrate possible positive strategies and red areas strategies that are considered unfavourable and with very high change of failure. For example no/low-touch sales are suitable in the SMB and MM sector but not when considering enterprise market, where buying process is slow and requires multiple persons, relationship building and customisable offering to match the exact needs of each specific customer. On the other hand high-touch enterprise sales approach is not necessary in the small- and mid market, and the customer acquisitions costs would exceed the generated revenue. The type of

target organisation and the average revenue per account affects what entry mode options are favourable for consideration. (Eizenberg 2016, Ford 2017) Even the outward elements of internationalization like delivery, marketing and sales don't form a complete picture of the company's activities, they are the core activities of early internationalization (Vadana et al. 2019 b). This emphasises the notion of Gabrielsson & Gabrielsson (2011) that highlight the internet suitability of products.

<table>
<tr><td>TARGET MARKET
(revenue breakdown)

SALES STRATEGY</td><td>Very Small Businesses
(≈20% of revenue)</td><td>Small / Medium Sized Businesses
(≈40% of revenue)</td><td>Big Customers
(≈40% of revenue)</td></tr>
<tr><td>Low touch
(Atlassian, Mailchimp, Basecamp...)</td><td colspan="2">Large number of low-price deals
<u>=> automated sale</u></td><td rowspan="2">Doesn't work</td></tr>
<tr><td>Medium touch</td><td colspan="2">Uneasy middle</td></tr>
<tr><td>High touch (Microsoft, SAP, Oracle, IBM...)</td><td colspan="2">Not worth it</td><td>Small number of high-price deals
<u>=> solution sale</u></td></tr>
</table>

Table 2. Sales strategies according to Guillaume Lerouge (2014)

2.4.2 Distance related factors

Regarding international market entry, there is understanding in literature that cultural distance affects the foreign entry and trade. Johanson and Vahlne (1977) state that the higher the risk in foreign markets, less resource committing modes are preferred. Cultural distance means the difference between groups concerning e.g. values, behavioral norms, cultural issues and communication practices that causes confusion in communication (Ojala et al. 2019). They also find support in their study to product related factors, saying that product standardization can be expected to reduce the effect of cultural distance by creating a common understanding of the product and that product standardization eases the way to multiple foreign markets at time. On the other hand, they also suggest that customization and services

increase the need for classic sales like face-to- face negotiations and meetings, which in turn increases the risk of cultural differences causing obstacles. Judging from this, they suggest that software service firms are more likely to internationalize to culturally close markets. However, according to Andersson et al. (2014) High-technology products are often less culture-specific and require relatively minimal adaptation to local markets. Furthermore, the need to amortize high R&D costs necessitates small firms to expand across borders quickly.

Following the same thought, Ojala et al. 2019 propose that same applies with geographical distance. Geographical distance is specified as physical distance between home country and foreign location of the customer. In trade of tangible goods, distance usually increases the costs and time of transactions but in the software industry, where product can be delivered electronically around the world, geographical distance is less relevant but not non-existent. Specifically if services that require a significant amount of interaction with the client like specifying requirements, features, implementation, training etc. are related. They indicate that companies relying on service sales tend to internationalize also to geographically closer markets.

Ojala et al. (2019) also suggest that software companies relying on service sales tend to need more time for internationalization, gathering info and learning from the clients. Then again productization and standardization level affect positively on the speed and scope of internationalization, and also to the cost of doing business. This is due to a fact that standardized products suit the needs of multiple buyers in many locations and sales process is also less demanding. Also Wentrup and Ström (2019) suggest that the more offline-dependent the digital service is to local adaptations like legal compliance and market-specific requirements the more difficult it is to rapidly scale internationally. However, they also imply that in order for digital businesses to become attractive for local markets, offline and online adaptions is needed, and only staff with local knowledge and networks are capable of making such adjustments

and ensuring that the firm becomes an insider in the new market, both in the online and the offline space.

2.4.3 Risk, commitment and control

Brouthers (1995) and Brouthers and Nakos (2004) have studied the entry mode choice from transaction cost theory perspective and found that in the case of software firms perceived higher risk in internationalization has an effect on the entry mode choice. Hollensen (2017) framework also provides three characteristics explaining the choice of entry mode, including risk -level, desired mode of control and flexibility.

The level of risk that firm is willing to take is also often related to the resources available as it defines also what kind of commitment level is possible. Low risk usually means also low commitment entry mode. Reflecting the digital companies and their often scarce resources to the Hollensen's framework , the huge potential from global markets has to be reached with limited resources targeted to most prominent channel with low risk and commitment and possibility to enter and exit freely.

Desired level of control is defined as how much a company is willing to invest in the markets as relative to the level and cost of controlling the operations. Control is usually described as ability to influence systems, methods and decisions. In SaaS context Ripolles & Blesa (2017) note that desired level of control depends also on the product characteristics, stating that the more unique and complex the offering , the more profitable is higher commitment entry mode. In SaaS business, the nature of the product makes it possible to use low -commitment entry modes but still be in control of the strategy and coordinate actions. Flexibility as third factor, determines if the firms wants to invest in a long-term plan in the markets or be able to switch and adjust the target when needed and maintain low dependency on any single market.

2.5 market entry modes

When expanding abroad, companies must consider the efficiency and costs of one mode compared to other (Brouthers & Nakos 2004). TCA assumes that firms are expected to favour governance or entry modes that minimize the costs of carrying out particular transactions (Giachetti et al. 2019). A choice of entry mode is very important decision for any company as it involves how resources are committed, level of risk,control over its products and profit return. Ribolles & Blesa (2017) state that appropriate mode can also reduce liability of newness and foreignness. In the following section are discussed the entry modes that have received most attention in the recent literature about digital companies.

2.5.1 Non-Equity entry modes

In the literature entry modes are divided depending on the model by which they are classified. Entry modes are divided to non-equity and equity entry modes, or like by Welch et al. (2007, 4) into export modes, contractual modes and investment modes. Export modes include direct and indirect exporting, foreign agents and distributors and foreign sales offices or subsidiaries. Contractual modes include e.g. licencing, management contracts, project operations and alliances. Investment modes include different types of joint ventures and wholly owned subsidiaries (FDI). Pan and Tse (2000) combine the hierarchy with equity and non-equity modes depending if there is equity investment involved. There is a big difference between equity based and non-equity based modes when considering resource commitment, risk, return, control and other characteristics. Some studies label the entry modes according to the level of control, meaning to what extent the firm's activities in the foreign markets are owed and directly managed (Blomsterno et al. 2006, Giachetti et al. 2019). Figure 2 illustrates the entry mode hierarchy.

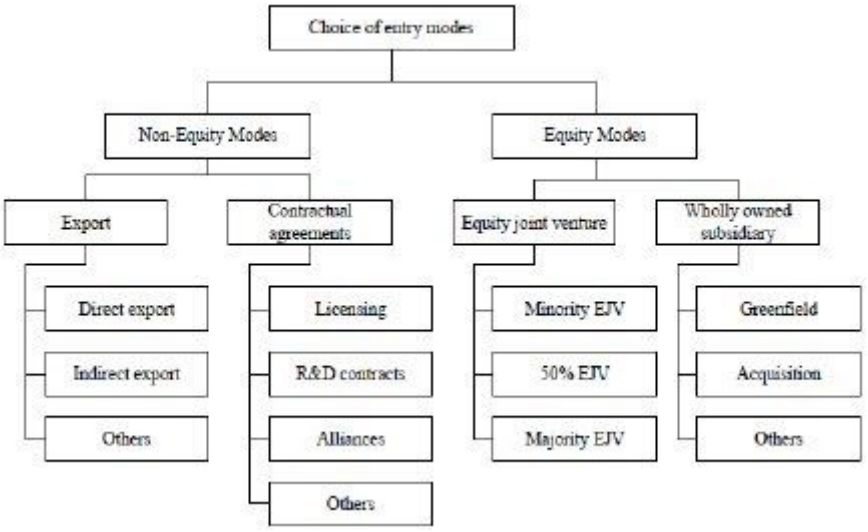

Figure 2 Entry mode hierarchy according to Pan and Tse (2000)

According to findings from Brouthers and Nakos (2004) based on the transaction cost theory, SME's with less asset-specific investments would prefer non-equity modes and firm with high asset specificity and tacit knowledge would favour equity entry modes in order to avoid opportunistic behaviour. Also high amount of pre- and after-sales service and technological support would contribute to this (Ribolles & Blesa 2017). They also state that lack of experience, negotiation power and resources make it difficult to deal with contractual clauses when protecting the tacit knowledge. However, hierarchical equity entry modes increase the internal costs of control and specially, given the limited resources, firms tend to favour exporting as the primary entry mode. Internationalization of digital companies is characterised by digital sales, digitally interconnected partnerships and other non-equity entry modes (Cahen & Borini 2020), where non-equity modes are typically rented corporate offices, employees working in shared offices, data center hubs and international partnerships. It's very reasonable, since they offer a high degree of flexibility, require low resource commitment and provide partners with the required market knowledge and local competences. Figure 3 represents the most commonly used non-equity entry modes.

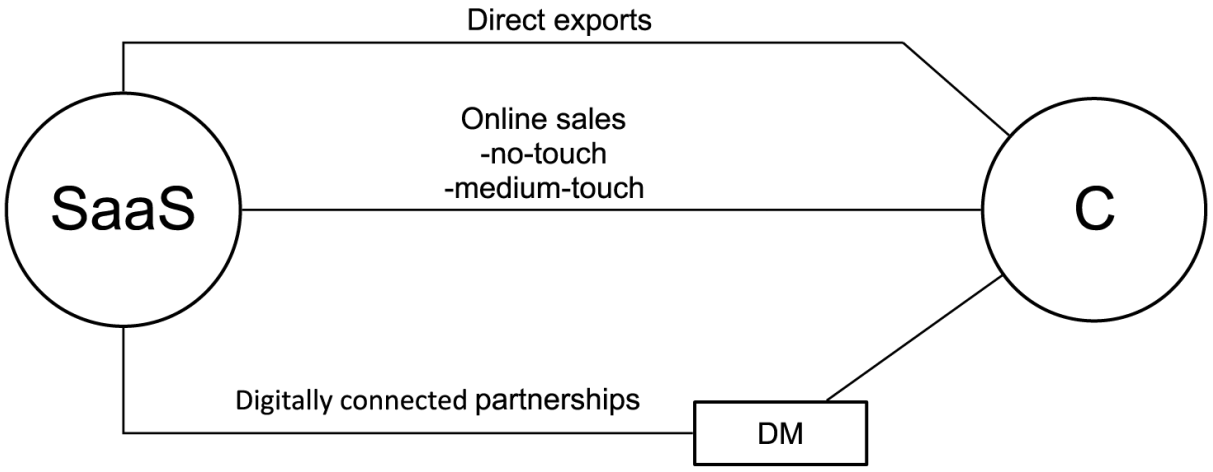

Figure 3 Non-equity entry modes of SaaS companies

2.5.2 Direct exports

As noted by Cahen & Borini (2020) and Cavusgil & Knight (2015) entry modes of digital companies are mainly in the domain of non equity modes and more precisely export modes are chosen as the main entry mode. Exports are generally seen as the most usual step to enter the foreign markets as it is the easiest entry mode. (Welch et al. 2007) Exporting can be defined as marketing and sale of goods from one country to another. Advantages of exports is considered that it is the least risky, and least resource & commitment demanding mode (Hollensen 2017). Advantages are also the change to achieve economies of scale and learning before entering more committing entry modes. Exports can be direct or indirect. Traditionally export is considered direct when supplier is in direct contact with the end customer or third party in the foreign markets (own sales office, agent, distributor) and indirect when selling to an intermediary in the own country. However, exports can take different forms depending on which functions are handled by the company itself and which by external parties.

As mentioned before, internationalization in the literature is still very much described in terms of physical entry modes like exporting products or FDI. Like presented in

the earlier born global (Cavusgil & Knight 2015) and international new venture studies , these international entry modes are not excluded from digital companies but don't fully capture the opportunities and possibilities available to SaaS company due to the internet technology and digital nature of the product. This contributes also to the fact that all definitions of export modes or studies from e.g manufacturing industries don't necessarily generalize to the SaaS context. For example Hollensen (2011, 317) and Hill (2008) states that export modes are highly externalised and provide low control (Giachetti et al. 2019) but in the SaaS context they can be highly internalized and provide high control over product and operations. Hill (2008) also states that advantages of exporting are the possibility of learning before continuing with more demanding entry modes, but then again Wentrup (2016) and Pezderka & Sinkovics (2011) warn that specially when considering online internationalization and digital presence, there might be a threat of firm neglecting the learning about foreign markets and offline business. What holds in all cases is that when demand conditions are uncertain, low-commitment and low-risk entry modes are preferred. (Blomstermo et al. 2006). Yamin and Sinkovics (2006) state it is anyway easier to internationalize online via a controlled entry mode.

2.5.3 Digitally connected partnerships

SaaS companies can also use digitally connected partnerships, and leverage the advantages of network they are in, or use global platforms to complement scarce resources and get access to new opportunities (Gabrielsson & Kirpalani 2004). Examples of these would be integration partners or global software ecosystems and platforms like Microsoft, Google, Ingram Micro or Salesforce. Digitally connected partnerships are non-equity modes, and benefits of networks and partnerships have been proven in many studies (Aspelund et al. 2007, Ribolles & Blesa 2016, Bruneel & De Cock 2016, Schu et al. 2016). Digital partnerships differ from the traditional definition of intermediary entry modes and contract agreements due to the amount of shared costs, risks, control and profits. Unlike in the traditional contractual mode, costs and risk rely on the SaaS company's side but then again it can benefit from the resources and network effects. SaaS suppliers can also benefit from the marketing

efforts of partners. Normally the liability of newness and limited resources could impede finding such partnerships or networks and negotiate decent contracts (Bruneel & De Cock 2017) . Digitally connected partnerships are easier to bind, as some may not even require personal relationships. The relationships is more about the SaaS supplier's capability and resources for technical integrations and uniqueness of the product and its perceived value than the personal relationships. Watson et al. (2018) state that even though digital partnerships might suffer from lack of person-to-person relationships, they offer a unique benefits of convenience, speed and social avoidance if desired. Unlike in traditional partnerships (Ribolles & Blesa 2016), digitally connected partnerships are usually controlled by the originator. “A digital partnership is an alluring prospect for a variety of reasons: it can provide an organisation with access to expert knowledge or skills, offer a pathway to a new customer market, or lend itself to a more agile approach. Essentially, it allows you to focus on your core business while outsourcing its growth.” (Spooner, 2016)

2.5.4 Online sales strategies

On its purest form, the online presence of the SaaS company means that the whole value chain is 100% digital and internet enabled (Vadana et al. 2019). Difference to the brick and mortar is also that SaaS company can separate the back office operations and delivery, and market can technically be operated online from a distant home market. Also support and service can be dealt on same manner, through digital channels, with or with our human interaction or by partners. Gabrielsson & Gabrielsson (2011) have combined sales channels to the internationalization process and internet, which suits well also in the context of SaaS companies.

Gabrielsson & Gabrielsson (2011) state that internet can be a way for obtaining substantial revenues and cash flow rapidly, reduce liability of foreignness and

newness in addition to resource scarcity. They also classify the usage of internet into different categories like information sharing, interaction, transaction and integration in addition to sales channels strategies that include promotion, customer generation and product fulfillment (implementation).

Watson et al. (2018) have conducted a large study about the international market entry strategies and how the development and use of digital technologies and internet now offer more opportunities to address the differences in legal, marketing, logistical and cultural determinants and decide on the market entry accordingly. In their study, Watson et al. (2018) classify the entry modes as relational, digital or hybrid approach to international market entry depending on the relation of digital and relational approaches (high-low) used. Relational approach relates to the level of emphasis on relationships and trust building in person-to-person level, digital approaches to the high use of internet-enabled technologies and hybrid to blend of relationship building and digital channels.

The options for SaaS companies in international entry mode selection are multiple, including direct sales, personally or through internet channels, partners and mixed combinations of all. In partner relationship various combinations are also possible, where e.g. supplier is only in contact with reseller, who then in turn takes care of all activities towards end customer or where partner works in cooperation with the supplier. VAR (value adding resellers) are suitable for situations where reseller can complement the SaaS with its own service or expertise. In all cases internet can be used as direct sales channel and/or for supporting sales functions with promotion and lead generation. A hybrid sales strategy can provide both automated self-service and human support from sales and customer success teams. Figure 4 and 5 by Gabrielsson & Gabrielsson (2011) illustrates the situation well. They also state that for increasing the sales volume, multiple sales channels are optimal.

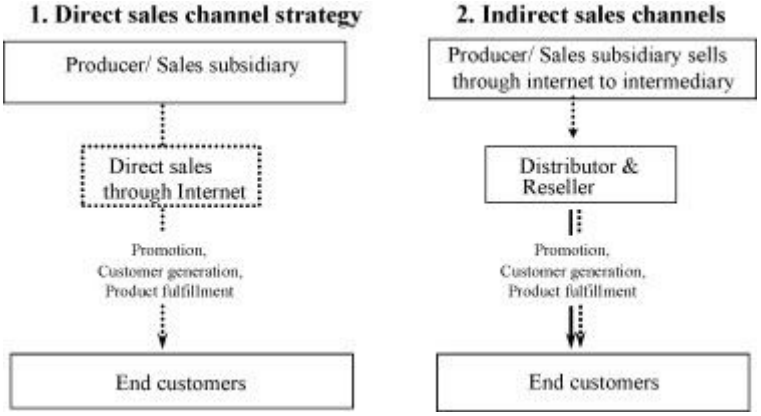

Figure 4. Direct and indirect Internet-based sales channel strategies by Gabrielsson & Gabrielsson (2011). (*Note*: Use of Internet shown with dotted line.)

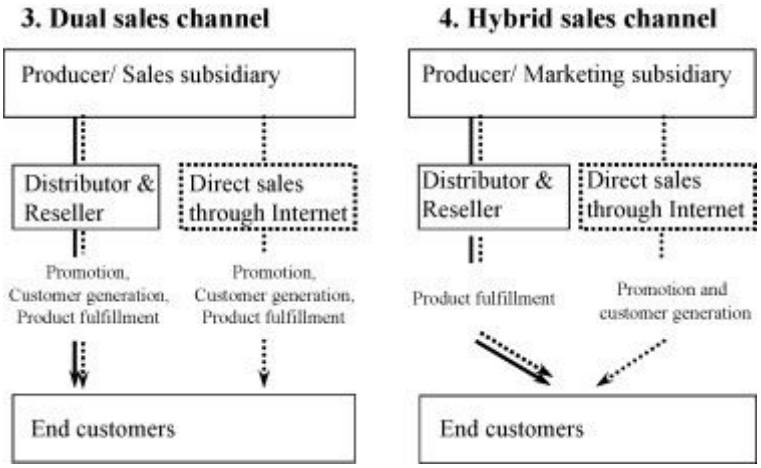

Figure 5. Dual and hybrid Internet-based sales channel strategies by Gabrielsson & Gabrielsson (2011). (Note: Use of Internet shown with dotted line.)

Fisher et al. (2012) write that for SaaS, especially for start-up, there is evidence that only direct channel works and that internet is the best alternative. Fisher et al. (2012) and Raouf (2010) also note that particularly in the beginning, before company has gained credit for its presence, it should be willing to sell their own SaaS (direct sales) as it can be difficult to find a good distribution channel. In addition to that, they state that “Savvy online marketing is a core competence (sometimes the only one) of every successful Cloud business.” (Fisher et al., 2012). Raouf (2010) also concluded that SaaS companies usually start with sales of their solution online, using inbound to drive traffic on their site and should offer free or trial licences, product previews

and online demos. Indirect sales would need a service offering around the product, and if SaaS solutions don't need that (e.g. self-service SaaS), the licence margins are typically low, and are not economical enough for indirect sales (Raouf 2010).

According to the 'State of SaaS in Finland 2019' research vertical applications are easier to sell through channels (Sales originated by third parties, VAR, OEM's etc.), while a horizontal SaaS more often requires a mixed sales model and the internet sales model being more common for horizontal than vertical SaaS. Despite the division, median growth rate vs. sales model was highest in the internet model (94%), field (50%) and inside sales (55%) model being the second largest. Field category included direct sales and f2f meetings with customer and with inside sales was meant sales that originated from company's outbound or other sales activities. Study also revealed that among the correspondents, the internet model has the highest median growth and churn, they also have most of the revenue from outside Finland (94%) compared to for example to field sales (10%). Internet companies where also the fastest growing group (200+%) with lowest spend on sales and marketing.

2.6 Summary

Advances in internet and communication technologies have enabled businesses to identify and exploit market opportunities in geographically wider areas and faster than before. (Watson et. al 2018) They also note that digital nature of the product makes it possible to find new channels partners and digital-only business model like SaaS, that easily cross national boundaries. Digital businesses automatically have the opportunity to be born global due to the real-time channels that connect buyers and sellers all over the world. Also other advancements in platform technologies like Amazon web services and the availability of online payment systems that were previously difficult or expensive to acquire, are now more available than before and within easy reach.

Internationalization of SaaS companies is concerned with availability and optimization of resources, that companies must be able to deploy. Network theory also plays an important role, specially with complementing the resources and offering access to new markets. With SaaS business model, transaction cost economies have also major implications as online channels for distribution and sales have decreased the size of transaction that is feasible for direct sales, particularly when concerning possibly scarce resources of new digital companies.

The main factors that were studied to have an affect on the entry mode choice are product related, distance related and desired mode characteristics like risk, commitment and control. SaaS products can be divided into horizontal and vertical SaaS. Further product related issues are the degree of product standardization and degree of services and implementation needed. Service and implementation model describes how product can be installed, implemented and supported. Usually the higher the degree of standardization, the lower the share of services. Specialty of SaaS products is the possibility for self-service model, where customer journey is 100% digital without the need for human interaction. Distance related factors are concerned with the localization of the product and services due to the cultural and geographical distance. Perceived risk, commitment and control determine how much resources company is willing to invest and what entry mode is preferred.

Entry modes of digital companies are characterised by digital sales, digitally interconnected partnerships and other non-equity entry modes (Cahen & Borini 2020). Digital nature of the product allows many possibilities for different combinations of the entry modes. As internet is always the distribution channel, entry modes are also closely interconnected with preferred sales mode. Direct exports can be implemented in the traditional way, meaning personal f2f sales by inhouse or local sales representative. Direct exports can be also carried out through partners, who complement the SaaS product with their offering and adding value to the customer. Third option is the direct online sales, with either no-touch or medium-touch approach, where personal contact with the client don’t require physical presence but is conducted online. Fourth option is digitally connected

partnerships that refer to the integration partners and software ecosystems platforms like Microsoft, Google or Salesforce. Digital partnerships are easier to bind as traditional contractual agreements and offer access to resources and networks that otherwise wouldn't be possible.

3 DIGITAL MARKETPLACES AS A MAIN ENTRY MODE

The internet enables to SaaS simultaneous marketing communication, sales and distribution channel. In SaaS, internet functions always as distribution channel, which largely explains the low transaction cost. The Internet also acts as a sales channel and, due to the internet centric nature of the service, it is a natural continuum to connect sales and marketing also to same channel. Internet makes it possible, especially in SaaS business, to deploy from wide variety of channel strategies from pure digital to hybrid models. The appearance of digital marketplaces, ecosystems and platforms afford a new ways for internationalization, building knowledge and relationships and delivering value to the customers (Nambisan et al. 2019).

Watson et al. (2018) state and Forrester also writes that the data-rich technology-mediated marketing environments are on the rise. Forrester's report says that despite of the early unsuccessful experiments with the digital marketplaces in the late '90s and early 2000s, they are again in the center of rising multi-sided interest. Research director Allan Bonde from Forrester also suggest regarding online buying, that important thing is, if target group is ready for marketplace-based buying, and that it is concerned with buyer persona, company culture and type of purchase. In the next chapter is discussed the digital approach in general, definition and advantages of different types of marketplaces and challenges companies might face.

3.1 Digital approach

Watson et al. (2018) conclude that early relationships in digital environments are often confronted with transactional issues like low levels of engagement and trust, price having strong impact and the tendency to switch being also high. According to their notions, these can be mediated as the exchange frequency increases and is supported with digital communication systems. Also the brand strength in addition to technical capabilities helps overcoming the risks related to perceived trust and switching tendencies. Firms must consider that digital communications often lack the interpersonal interactions that are perceived to increase trust and commitment, but then again they increase the ease and convenience, speed and efficiency. Firms just have to acknowledge the possible advantages and disadvantages of their choice.

Online channel can replace the functions previously conducted by distributors and be as an alternative to physical presence or supporting channel (Andersson et al. 2014) Instead internet provides possibility for digital presence. Online availability or product leads also to considerations of how much information is available about the data and technology, balancing between transparency and avoiding too much leakage for the competitors. Information flows can be subject to different regulations in different areas. Government regulations may also cause, that firms are not able to operate freely online or that the technologies used don't support the availability of necessary data. There can also be various regulations concerning the protection and enforcement of digital piracy and transactional integrity (Watson et al. 2018).

The benefits of the Internet for businesses have been identified in many studies. E.g Wentrup (2016) states that internet firms can internationalize rapidly to more distant countries. The advantages are e.g. reduced distribution costs, reaching a wider customer base and improving competitiveness to mention only few (Li et al. 2011). Nambisan et al. 2019 complement with the notion, that digital platforms and

ecosystems facilitate new ways of internationalization, knowledge, relationships & delivering value to customers.

Li et al. (2011) also refers in his article to a study showing that companies in both North America and Europe have experienced significant economic benefits by adopting internet business solutions. Schu et al.(2016) also state that internet significantly reduces psychic barriers and makes early internationalization a more viable and cost-effective option as customers can be addressed and information can be exchanged at low cost. Banalieva et al. 2019 also refer to reduced transaction costs, user network economies, speed and scalability.

Watson et al (2018) state that to realize value in digital exchanges, digital marketing is also important factor, consisting of integrated marketing communication facilitated by internet- enabled technology platforms that engender trust, build commitment , improve satisfaction and increase loyalty levels among exchange partners. Chamelian (2016) also conclude that cooperation with larger organization that has high level of trust in the marketplace, is the best way to improve customer relationships and marketing communication. This will enable more rapid brand building, greater returns and faster international expansion. In other words firm reputation influences the success and effectiveness of the digital strategy (Watson et al. 2018)

3.2 Definition and advantages of digital marketplaces

Internet-enabled technologies make comparison of products easier with competitive evaluations, transparent pricing and information about product and partner attributes.

Advantages for buyers and sellers that use digital marketplaces in their activities are also rich information obtained with lower costs and reduced information asymmetry. As digital marketplaces can be used as channels for distribution and promotion and so lowering the costs and increasing the efficiency of transactions improving the

buyer-seller match, the ease of entering the marketplaces on the other hand increases the competition also to a new level as the alternative options are only a click away. (Watson et al. 2018)

Digital marketplaces, as ecosystems and platforms, are defined by Nambisan et al 2019 as “shared set of technologies,components, services,architecture, and relationships that serve as a common foundation for diverse sets of actors to converge and create value”.

Forrester defines SaaS marketplaces as: “Online spaces where SaaS buyers can discover SaaS applications, components and services. Leading SaaS marketplaces provide the ability to trial, purchase, negotiate contract terms, manage, expand subscriptions, and renew.”

Purpose is also to mediate interactions and transactions among ecosystem members i.e. as multi-sided marketplace. One good example is Apple’s iOS platform that offer building blocks for other companies to build upon and complement the offering with their unique solutions. The platform generates value for itself and for the users by allowing the complementary offering. In digital platforms and ecosystems are usually different actors that have different roles. The roles are for example orchestrator, integrator and complementor where the interdependencies are standardized within each role (Nambisan et al. 2019).

Platforms have also emerged in the traditional industries like car manufacturing etc. but here the focus is on software platforms and ecosystems. Digital platforms and ecosystems also usually cross borders, locations and industries and offer shared access to different kind of users and customers globally. The platform leader orchestrates the interactions between members. Leader also defines and supervises rules and conditions for becoming a part of the network and governs the interactions and transactions with each group. Platforms and ecosystems being multi-sided, they are characterized by network effects where one-sides benefits arise from the size of other side. Network effects can be same-side or cross-side. Same-side effects arise when users in the same side benefit from the amount of other users in the same side

and can be either negative or positive. Cross-side network effects arise when users on the one side benefit from the amount of users in the other side. (Nambisan et al.2019 ,Ojala et al 2018)

In internationalization perspective platforms act as a shared resource that influences the decision making and actions relevant to internationalization. DPEs also highlight the ecosystem-specific advantages that are non-location boundary (Nambisan et al 2019). Advantages constitute of shared assets particular to that specified platform, complementary assets and access to the specific groups of actors like customers or co-developers. Noteworthy are also the shared intangible resources like the platform leaders reputation and brand recognition and also the members' perceived reputation and quality of their outputs. Nambisan et al.(2019) also note that along using DPEs as means for internationalization, there is a shift from resource ownership thinking to resource orchestration. DPEs make it possible for the young and inexperienced firm to pursue internationalization by providing infrastructure for reaching distant established markets with reduced costs of conducting business and lowering the perceived risks of entry mode decision. Ecosystem-specific and context-specific advantages could also help in reducing the liabilities of newness and foreigners.

Product development wise platforms and ecosystems are characterized by modularity that enhances and simplifies the interactions in terms of interfaces. Open interfaces also allow wide variety of different kind of firms with different kind of knowledge and capabilities to take part due to a fact that some marketplaces offer very easy integration that caters for lead generation, trial use and payment. Membership in marketplace enable re-use of shared components and assets that advance economies of scope in production. DPEs connect companies from many geographic locations and make their access to resources, knowledge, technologies and markets easier, reducing both innovation costs and time. Structural , relational and contractual dependence is not so high in DPEs as they involve greater variety of

loosely structured partners and more flexible forms than alliances and traditional networks. (Nambisan et al. 2019)

3.3 Classification of digital marketplaces

Marketplaces differ in ways what they offer to the partners and customers and what kind or requirements are in effect for supplier to be able to be listed in the marketplace ie. what kind of resource commitment and investment is needed. There is also growing number of business area specialised marketplaces that offer only targeted solutions for example to support HR functions. In the following sections is described one categorisation and the differences in the markets places from the supplier point of view according to what kind of commitment is required in the technology level among others, for example apps in the Apple's App Store require iOS to function. In addition to technical requirements, some are free, others require substantial investment in marketing to make it worthwhile, some have specific criteria and some require revenue share. Marketplaces range from App directories to very sophisticated platforms covering entire transaction from listing to payment processing. Popularity of the site (number of suppliers and visitors) is also considerable factor. A new marketplace may have limited audience but smaller number of available solutions might also give better exposure with less competition. But then again at more crowded marketplaces, the revenue potential is much higher, though the change of being discovered diminishes at the same without significant investment on visibility. Marketplaces offer variety of resources to the companies from global reach to advanced co-marketing campaigns and technology. AWS (Amazon web services) for example offers credits or monetary project support for companies in its certified partner tier to develop new products based on their cloud services to create more business opportunities.

Great advantage of SaaS marketplaces is that they are specifically concentrated on SaaS solutions. Customers entering sites have already decided that they are looking for software and specifically interested in solving their problems with potential SaaS

solutions. Nambisan et al. (2019) and Andersson et al. (2014) support this thought by stating that business context, naming industry and market context, are more important than national boundaries. They also continue that the advantages of DPEs increase when the value proposition is same across national boundaries. In addition to this, buyers seeking solutions in digital marketplaces have already the desired qualities like maturity towards online buying, have high enough quality in digital infrastructure and technology standards and are especially looking for SaaS software to solve their challenges.

3.3.1 Software review sites

Software review sites are directories that list SaaS or Apps according to different categories. Some review sites are only concentrated either SaaS or App listings, some have both. Review sites offer visibility in different categories of SaaS solutions for buyers to compare and see reviews from other users. Review sites often offer help and support for collecting the reviews as they are an important factor of the site value, both for suppliers and buyers. It is easy to establish credibility based on better reviews compared to the competitor. For site owners the credibility of the site is very important and many trusted sites have strict guidelines and automated check-up processes for the reviews to detect fraud. E.g. it is not possible to send multiple reviews from the same IP address. Sites are often very easy to enter, getting listed might take only for very short time, given that value proposition and other info requested is readily thought over. Initial listing is usually free, but extra functionalities and better exposure are charged as extra service. Good examples of SaaS directories are for example Capterra and G2, and about app directories GetApp. Review sites are suitable for many kind of SaaS from standardized self-service products to more complex offerings as the site don't involve transactions or integrations but instead the company can guide the potential buyer to the suitable channel of its choice (free trial, sign-up,contact form, request a demo, contact sales..) Nambisan et al. (2019) state that platform leader leverages the existing user base, for example Capterra invest lot of effort on marketing for the target groups of its categories. Good example of this is, that when searching for alternatives in

software categories, usually Capterra's link is on the top of search results. In addition to the credibility, they offer a wide customer potential to generate leads and traffic and help with marketing and collecting reviews. They also offer statistics of the generated traffic. Reviews are an valuable asset for online and offline marketing & sales.

3.3.2 Technology specific marketplaces

Technology related marketplaces are ecosystems evolved around specific technology platform where platform leader defines the architecture and rules. Accessing these marketplaces usually involve important strategic decision about the product development, as they require adaptation and integration of the technology in question. In turn it opens doors for significant potential in reaching customers that are already using other products and services related to the infrastructure and will benefit for finding solutions that smoothly interact with their chosen technology. In addition to development resources committed, there is usually quality criterias as well. Many platforms have security checks and other quality standards they necessitate products to comply with. Supplier also has to comply with the manifold non-negotiable terms and conditions of the marketplaces.

Good examples of these are Google's G Suite marketplace as well as Microsoft's Appsource and Azure marketplace. G Suite Marketplace (formerly Google Apps Marketplace) is a product of Google Inc. It is an online store for web applications that work with Google Apps (Gmail, Google Docs, Google Sites, Google Calendar, Google Contacts, etc.) and with third party software. Apps are based on Google APIs or on Google Apps Script. In Microsoft's case, it is actually one marketplace but with two storefronts, of which supplier can choose according to the targeted audience. Azure is for IT professionals and developers, AppSource is for business users and business decision makers. In addition to these, if there is a native mobile app as stand alone or as extension to SaaS, there is mobile app stores like Apple store and Google play that are technology bound (iOS and Android).

In turn for greater resource commitment Google for example offer resources for developers like tools and consoles,guides and support. Technology is available for free, so companies are able to develop without owing the technology. They also have developed developer networks, where companies can interact and learn from each other about the best practises. G Suite doesn't offer direct marketing services like e.g. Capterra and the possibility to advance visibility are user ratings and Google automated recommendations. Sponsored 'recommended for G Suite' recommendations are only available as part of Google partner programs. Both Google and Microsoft offer different levels of various partner programs, that usually require certification of company staff and developers with increasing intensives related to growth created for the platform by partner. Intensives include marketing benefits, partner directory listings, co-sell initiatives and dedicated support unavailable for regular member. Marketplace is very crowded with different suppliers but Google states that in the marketplace there is possibility to reach over five million businesses using G Suite.

3.3.3 Ecosystem specific marketplaces

Ecosystem specific marketplaces are not tied to named technology but to a certain ecosystem created by a tech vendor of SaaS product. Membership is not limited to technology, various technologies can be present, but there has to be an integration to the vendors solution that complement its offering. Ecosystem specific marketplaces are a also growing trend at the moment. A lot of independent vendors are creating APIs and their own directories of integration partners to add value for their users and offer direct access to third-party SaaS.

Best example is Salesforce AppExchange, named leader in the Forrester New Wave SaaS marketplace report (Herbert et al.2018). "Salesforce was the first major SaaS marketplace and remains a powerful choice in terms of scale, breadth, and innovation." AppExchange is the Salesforce store, empowering businesses to extend

the functionality of Salesforce across many departments and industries. It's an ecosystem of over 5,000 ready-to-install solutions, 80,000 peer reviews, and 6 million customer installs to help solve business challenges. AppExchange includes all types of solutions from apps to flows. Difference to previously mentioned marketplaces is that e.g AppExchange employs revenue share model. Technology and resources are available for free, but from the transactions generated from the marketplace, Salesforce collects its prosentual share. Other examples are vendors like ADP or ServiceNow. ADP's Marketplace is the largest one-stop digital HR storefront. ADPs clients can build a customized human capital management ecosystem by purchasing and connecting easy-to-use solutions within their ADP platform. As solutions are connected to the ADP platform, ADP can manage trials, demos and payments, while offering direct access for their customers to deploy or test the solutions they need and supply leads to solution provider. Solutions are either added to their ADP invoice or billed with credit card. Noteworthy is also that ADP not only offers self-service solutions but also more complex options that require for example implementation fee, and price will be negotiated according to the complexity of the customers business.

3.3.4 Open and independent marketplaces

Open marketplaces are independent from technologies and vendors, they usually offer full service from leads and trials to payment interface and require integration to be able to cover the whole transaction for the supplier. Independent marketplaces are an easy and fast way to start selling online as they offer the trial and payment functionalities for the SaaS supplier if the product has clear and straight-forward pricing model with complete productization. Revenue share model is often used and also extra options for paid and increased visibility in the marketplace are available. SaaShop.com is an example of independent marketplace. Figure 6 illustrates the features of SaaShop.com.

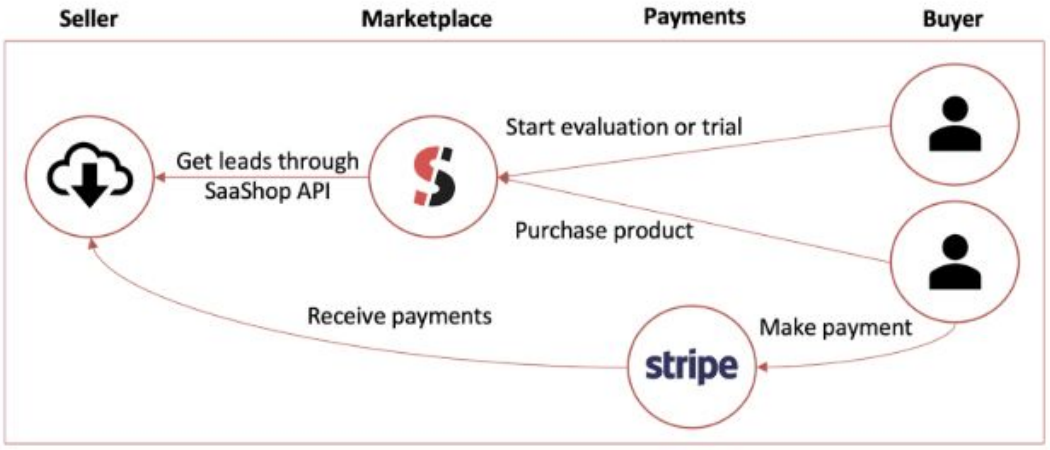

Figure 6 Features of independent marketplace SaaShop.com

3.3.5 ICT Wholesale marketplaces

ICT Wholesale marketplaces are less known in the SaaS context as they are large wholesalers who sell hardware and software and are major retailers of global IT. Nowadays they are increasingly having also cloud and SaaS in their selection but are in no means easy or fast to access. Example of these are for example Ingram Micro or Also. Ingram Micro is for example retailer for Apple in the Nordics and has strong representation of Microsoft products also.

Evaluation criteria	Criteria explanation
Availability of applications	How many apps, components, and services are in the marketplace? What types? What are the total and average number of downloads? Can a customer make a private version of the marketplace — for instance, to restrict it to a subset of apps or extend it to other apps?
Buyer interface	How strong is search? What does the vendor expose to the user? Does the marketplace offer peer reviews, ratings, and comparison? How easy is the interface to use?
Transacting	Can you buy all or some of the offerings? How? How does the marketplace handle invoicing and billing? What evidence is there that the marketplace can support a range of pricing and payment terms?
Contract terms	Do contract terms exist? Are they visible, and can buyers access them easily? Can users negotiate and modify contract terms in the marketplace, or are they static?
Due diligence and assurance	What does the security process for getting into the marketplace involve? How much vetting does the vendor do, and what checks does it provide? Does the marketplace vendor certify applications? If so, how rigorous is the security process for it, and what does it entail?
Management console	Can customers access a console to see what they have, their usage, upcoming renewal dates, and other key information? What prebuilt solutions can integrate with other relevant consoles, such as other catalogs in use or IT finance solutions?
Intelligence and automation	Does the marketplace's intelligence go beyond recommendations — such as smart bundling of sets of applications or creating cross-application workflow and reporting? Does the marketplace use chatbots or other artificial intelligence (AI)? What value does it bring?
Vision	Does the vendor have a compelling and credible vision for SaaS marketplaces that aligns with customer needs? How well do SaaS marketplaces fit into the vendor's overall corporate vision and overall customer experience?
Road map	How strong are key areas of the road map, including product enhancements, innovation, commercial model enhancements, and partner ecosystem expansion? Does the company have the resources and capabilities to deliver on its stated road map?
Market approach	Is the company executing a successful go-to-market approach for SaaS marketplaces as evidenced by growth, positioning, verticalization, geographic presence, sales presence, and support for making partners successful?

Table 3. Forrester criteria for evaluations

Forrester has classified the SaaS marketplaces according to following criteria as stated in table 3, but has only included large tech vendors relevant to large enterprises. Other criteria they applied, was to include only vendors that provide a marketplace directly for the end customer (table 4) rather than marketplaces like AppDirect or Jamcracker, that primarily sell to others who want to build a marketplace themselves.

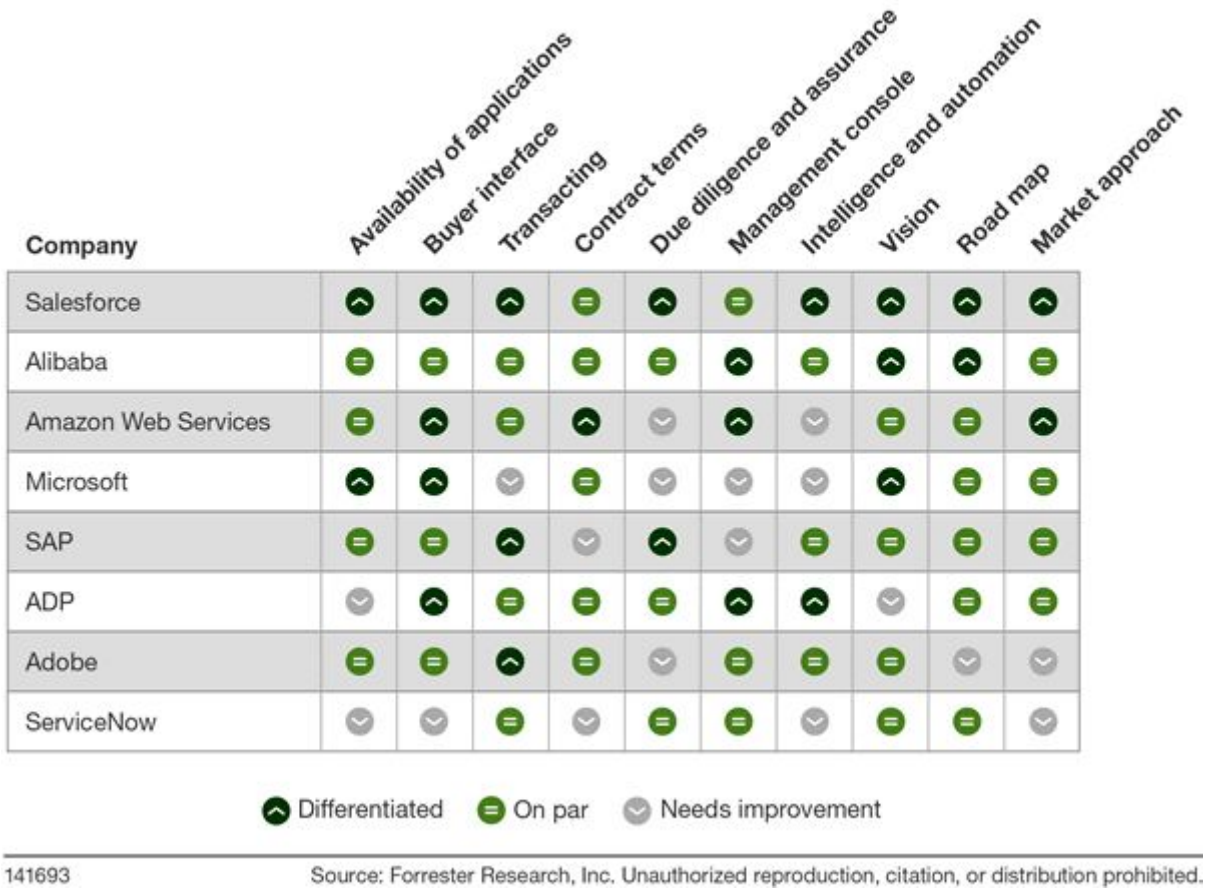

Table 4. Forrester evaluation

Advantages of technology and ecosystems specific marketplaces are also, that the solutions have passed security and quality review and customers can feel more confident in buying. Therefore it could be stated that marketplaces reduce export barriers by increasing trust and decreasing the effect of liabilities (Gabrielsson & Gabrielsson 2011, Sinkovics et al. 2013, Watson et al. 2018). Forrester also write in their report, that buyers want more self service options as a result of consumerization of b2b. Research performed by Forrester Consulting indicates that organizations will increase their adoption of application marketplaces from 29% to 75% in the next 2 years. At the core of this revolution lies the need for convenience and autonomy, more than 75% of business leaders want a self-service marketplace where they can research, buy, deploy, and manage apps (Wolfe 2019).

3.3.6 Summary of marketplaces

For the purpose of this study, the following criteria was formulated to conclude the above mentioned definitions. To compare the requirements of marketplace entry and the resources and possibilities it offers to the SaaS providers, marketplaces are categorised firstly according to the increase in these two dimensions and secondly according to the differences in main resources and possibilities. This summary is only indicative, as there are differences in the practises for example among the technology vendors. Figure 7 presents the marketplaces according to increasing commitment level and benefits.

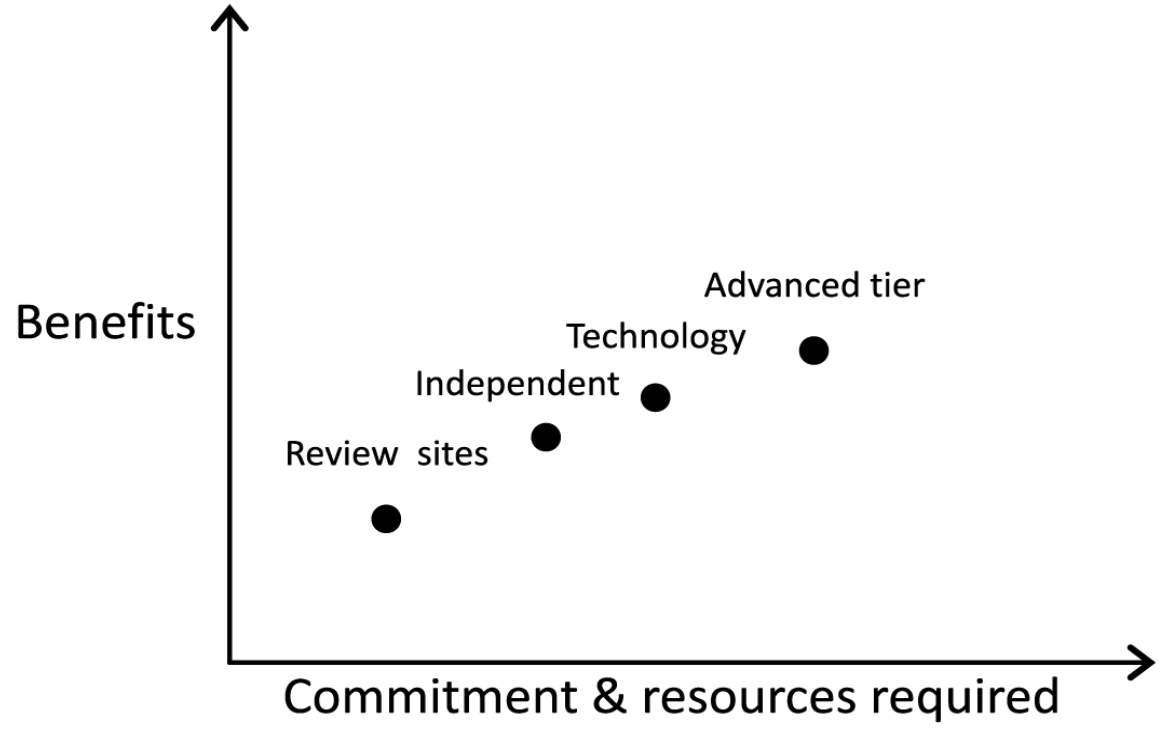

Figure 7. Level of commitment in marketplaces

Review sites are free to enter and commitment and resources required are only the time needed to create listing and provide reviews. Reviews are not mandatory to add but they improve the exposure in the listings, increase trust and credibility and help customers to find the best match for them.

Review sites usually offer the possibility to improve exposure with paid advertising but there is a great variation, what kind of marketing investment is needed it to be effective. Review sites offer help and guidance with the marketing efforts.

Independent marketplaces have the same benefits but addition to that they usually require integration as they offer also infrastructure for payment processing, trials and lead generation but they are not limited to any technology or ecosystem. Usually paid advertising is available to improve visibility. Independent marketplaces are noteworthy option if SaaS provider lacks resources like technology or knowledge to integrate online payment, lead generation and trials for their product. Independent marketplaces usually offer these with one simple integration to their platform but then again their customer base is typically lesser .

Technology vendors combine both ecosystem specific and technology specific marketplaces. Difference to the independent marketplaces is that they require either advanced integration to the technology (like Google or Microsoft) or to specific ecosystem (Salesforce, Servicenow, ADP). There is differences whether the marketplaces allow marketing efforts inside the marketplace or is the exposure in the listings strictly according to the amount of users, reviews and rating. Marketplaces that require integration also offer technology and resources for development in addition to help and guidance for implementation. Counterweighting the increased resource commitments, there is a wide customer base readily using the technologies, allowing them easy single sign-on implementation and ready integrations for complementary quality tested products. Billing is usually processed by the marketplace owner but there are differences as well a in the revenue share percentage (0-20%)

Last stage Advanced tire is separated to highlight that in technology vendor marketplaces, there is usually advanced tire available for accredited partners. Advanced tire usually offers possibility to improve listing and visibility with marketing effort, extra development resources and co-marketing and co-sales opportunities

with the platform owner but then becoming an accredited partner requires also further commitment and resources as increasing the platform sales. Figure 8 represents the marketplaces by offerings compared to the increasing commitment level.

Marketplace	Referrals	Marketing	Customer base	Infrastructure	Developer network	Co-marketing / co-sales
Advanced tire	v	v	v	v	v	v
Technology	v	(v)	v	v	v	
Independent	v	v	v	v		
Review sites	v	v				

Figure 8. Marketplace offerings by commitment level

3.4 Challenges in digital marketplaces

As platforms and ecosystems offer a very prominent opportunity for internationalization in SaaS context, there is also considerable challenges to take into consideration. One major issue with technology related ecosystems is the dependency on the technology and the platforms leaders autocracy over the goals, strategies and procedures. Another issue is, that the reputation of different members has effect on all the parties same like the legal and operational risks.

Technology related risk means that as products and services are related to the technology offered and controlled by the platform leader, supplier itself has very little possibilities to control the changes made in the technology and all the risks associated with the development, delivery or performance of the technology are

quickly transmitted to the SaaS supplier side also. (Nambisan et al. 2019) This may have an affect on the decision how dependent the core functionalities of the product can be on the provided technology. One example of this could be a product, of which core functionalities are based on the big data provided for example by Google. Changes that platform leader i.e. Google makes for example on the availability of certain data for its ecosystem partners, based on new legal constraints and regulations, have immediate and direct effect on the viability of the product. Another example is that platform leader may determine what kind of functionalities products are allowed to have and how the customers should be informed about the certain features (example could be e.g. call recording etc.) and deny access to the platform if new regulations are not applied. Also Ojala et al (2018) state that bottlenecks can occur when access to the resources are denied. Product developer has to have the resources and capability to address these changes or otherwise the product will be out of the game. Further, in a platform based network the external instabilities faced by platform leader can quickly have an affect also other parties. Nambisan et al. (2019) state that all these dependencies are important factors to recognize and contribute to the fact that companies capability to manage its resources and mitigate risks is significant.

Additional risk is related to the upfront costs that relate particularly to the technology related and integration platforms. Adapting the technology related to the platform or making necessary integrations cause upfront costs whose return may not be evident in the short term. Traction in the marketplace can be seen only after the investments are made and require also other input on marketing, communication and monetization of the product. Just a presence in the marketplace in most cases is not enough.Risk related to the entry and exit of the marketplace is usually related to the relation of upfront cost of the decision and expected revenue. Usually it is possible to enter and exit freely, so that is not a major risk or challenge.

According to Forbes, the three main reasons sellers leave a marketplace are insufficient competitive differentiation (46%), insufficient sales (33%) and

marketplace service fees (31%). Additionally, sellers claim that marketing costs (28%) and the lack of buyers (26%) are critical business issues.

As customers can perceive digital buying more risky and not so trustworthy as face-to-face approaches, Watson et al. (2018) note that the usage of traditional relationship marketing strategies in combination with digital channels (hybrid approaches) can have significant advantage for firms, particularly in complex and competitive international marketplaces.

3.5 Summary

Watson et al. (2018) state that relationships in digital environment can be often confronted with transactional issues like low levels on engagement and trust, price also having a strong impact. However these issues can be mediated with digital communication systems, strong brand and technical capabilities. In exchange of ease, convenience, speed and efficiency offered by digital channels, firms must consider how to overcome the issues of trust. Watson et al. (2018) also continue that the firm reputation influences the success and effectiveness of their digital strategy. In addition to customers insight on digital channels, digital presence is also affected with administrative distance. Internet infrastructure as well as regulations and restrictions concerning data flows can vary greatly between regions. In addition to benefits of internet to the business, digital platforms facilitate new ways of internationalization, knowledge, relationships and delivering value to the customers. Digital marketplaces offer also cost-effective way due to reduced transactions costs, even for companies in their early stages, to reach global customers rapidly and in scalable ways.

Digital marketplaces can help overcoming the issues of trust as they make comparison of products easier by offering transparent pricing, information about product attributes and reliable reviews by other users that improve the buyer-seller

match. On the other hand, marketplaces with lot of potential customers are also crowded with competitors and that can make sufficient visibility on the listings hard. Watson et al. (2018) suggest that in highly competitive environments, relational approaches combined with digital, can have significant advantages. Marketplaces are best suited for highly standardized SaaS products where self-service is possible, but other variants are also not ruled out as there are many different kind of marketplaces available. Marketplaces are usually controlled by platform leader who determines the roles and interactions between parties. As digitally interconnected partnership, they don't follow the same agenda on cost and risk sharing as the conventional contractual agreements. Therefore the power of network leader can increase the level of risk, when for example autocratic new rules emerge. Marketplaces benefit from the network effects, where the platform generates value for itself and for the users by allowing the complementary offering and where one-sides benefits arise from the size of other side.

Marketplaces differ from each other in perspective what they offer and what is required for entering the marketplace. Marketplaces are usually considered as low risk, low commitment, low cost and flexible alternative but the risk increases as the level of commitment and required resources increases. For example software review sites are very easy to enter and don't require any investment for the initial entry nor they have any product specific requirements. Then again technology related marketplaces require up-front investment in form of sophisticated integrations and adaptation to the infrastructure. Resources they offer also increase accordingly from lead conversion guides to co-development and co-sales opportunities. In general marketplaces offer access to shared resources like technology, knowledge and customer base.

Other advantage of digital marketplaces for SaaS companies is, that potential customers entering the marketplaces are already familiar with idea of online buying and digital maturity is in high level as well as necessary infrastructure to benefit from

SaaS solutions. In addition their style of business and procurement process are compatible with SaaS.

4. Research design and methods

This chapter describes the empirical part of the research and the selection of multiple case study as research methodology. Data collection and analysis methods are also discussed in addition to reliability and validity of the research.

4.1 Research methodology

The purpose of this study is to identify the key concepts that are in the light of recent academic literature relevant influencing factors in the entry mode selection of Finnish SaaS companies. Research aims to shed light on the choice of a digital marketplace as a market entry mode. The affecting factors are formulated on the basis of literature analysis and the empirical part aims to see if the findings are supported in practise. Qualitative method was chosen as research methodology. The purpose of the qualitative method is to describe the real-life situation and the manifoldness of it as comprehensively as possible, in other words to understand it (Hirsjärvi et al. 2016,137). Sampling for the qualitative research is often small because the in-depth analysis of the findings wouldn't be otherwise possible. The quality of the analysed data is more important than the amount of data. Qualitative research is suitable methodology for this study,

as the aim of the study was to obtain comprehensive information, i.e. to understand what factors have affected the choice of entry mode and how case companies have taken into account the availability of digital marketplaces in their strategy. From the research material no general conclusions were drawn, but the purpose was to see what is significant and recurring in the phenomena. Hirsjärvi et al. (2016, 181-182)

Further multicase-study approach was chosen, because according to Hirsjärvi et al. (2016, 130-131, 137) case-study is well suited for collecting detailed and intensive information from relatively small take of cases that are interrelated. Hirsjärvi et al. (2016, 131) also state that multiple data collecting methods are available for use in a case-study, like questionnaires, interviews, observation and review of documents. Like in many other qualitative researchers, interview was also selected as data collecting method in this study. Hirsjärvi & Hurme (2001,36) state that interview is well suited especially when subject matter is less researched and the results of the interviews is needed to be placed in broader context. Interviews are also flexible and allow interpretation and adjustments of the questions. Semi-structured theme interview was utilised in this study, which means that interview was carried out according to interview frame, but the questions were open and could be added with necessary adjustments around the themes and varied from interview to interview. In addition to interview, data was also collected from the company websites and public registers.

4.2 Data collection methods

SaaS companies founders or managerial lever persons were considered to be most suitable candidates for interviews, in order to get comprehensive answers to research problems. Aim was to find a sample of Finnish SaaS companies that already have experience from internationalization and preferably use digital marketplaces as primary market entry mode. Task was not so straightforward as one might think and it was not easy to find enough pure SaaS companies with pure digital strategies. Due to this, and to get a more broader view of the subject, sample was extended to include more heterogeneous group of SaaS companies that utilize also other entry modes and sales channels.

Interviewees were found with the help of The Finnish Software and E-business Associations ‘SaaS-club’. Selected companies were contacted via email and asked consent for the interview. Interviewed persons had titles like Account manager, CEO,

CMO, CRO and founder. All interviewees had necessary in-dept vision and knowledge about the topic. Interviewees were contacted beforehand by phone or by mail and told about the purpose and goal of the project. Questions were sent beforehand by mail with the same when the time of the interview was settled. By sending the questions beforehand was ensured that interviewees had time to orientate themselves on the topic and that enough information could be collected with first interview. All together nine companies were contacted and seven agreed to take part in the research. Two companies declined because they perceived that they didn't have enough experience on the topic yet.

Questions used in the interview (Appendix 1) were formed according to the research topic, research questions, framework and the literature review. The semi-structured theme interview questions were divided into two parts: background information and the main question. Main question was open, where interviewees could answer freely, use the expressions they feel comfortable and discussion could occur around the topic. Main question was complemented with list of more detailed additional questions if important issues were not covered otherwise. Additional questions were formulated so that they complement as well as possible, all theoretical issues that arises from literature review. Research topic is current and under studied (Watson et al. 2018) so open and semi-structured interview made it possible to gather information and insights how companies perceived the most important factors affecting their decisions and allowed also new themes to emerge. Compared for example to questionnaires, interview allows clarifying the themes and correcting misunderstandings if necessary.

All interviews were conducted during two weeks period in beginning of June 2020. Interviews were made through online meeting software (GoToMeeting) due to the prevalent situation with COVID-19. Interviews lasted ca. one hour each and were all conducted in Finnish. In compliance with the GDPR regulations, all interviewees were send GDPR notification about the data collection and purposes related to thesis project. All interviewees were also asked to send written notification about the

consent for participation to the study and data filing. Consent was also asked if the interviewees wished to be presented anonymised or if the company and name was allowed to be public. Only one company wished to remain anonymous. Table 5 represents the companies participating in the study.

Case company	Interviewee	Role	Method	Duration
Company A Oy	-	Account manager	Online	76 min
Applixure Oy	Harri Turtiainen	CEO	Online	82 min
Cuutio Oy	Jarno Wuorisalo	CEO	Online	70 min
Granite partners Oy	Teppo Kattilakoski	CEO	Online	56 min
Liidio Oy	Jaakko Paalanen	CRO	Online	53 min
Upcloud Oy	Antti Vilpponen	CEO	Online	51 min
VRT Finland Oy	Noora Räsänen	CMO	Online	58 min

Table 5 Case companies and the data collection method

4.3 Data analysis methods

Interviews were recorded by the GoToMeeting software. Recording makes it possible for the interviewer to concentrate on guiding the interview towards important

topics and not on taking notes. Recording also allows that the interview can be listened again and outcome analyzed and examined in more detail. Transcription is also then possible to check afterwards. Material was transcribed with the first listening shortly after the interviews. Transcription can be made with different techniques and authenticity, but the advantage of word by word transcription is the possibility to extract direct citations for the final analysis. Transcribing the interviews took circa four hours per interview and it resulted altogether 77 pages of text. Like Hirsjärvi et al. (2016, 219) advise, the analysis was started shortly after accomplishing the interviews. Transcribed text was categorized according to the themes derived from literature review. Categorisation following the same themes than in the interview questions, helps the analyzing process and comparing of the case results to each other.

4.4 Reliability and validity

The reliability of a study is generally assessed using reliability and validity. Reliability describes the reproducibility of research results and validity means how well the methods or metrics used in the study express what they have

intended to measure (Hirsjärvi et al. 2016, 231). In the literature the reliability and validity of the concepts have been found to be ill-suited to assess the reliability of qualitative research, as they have been better viewed to evaluate quantitative study. Therefore it is even more important that the researcher presents the data and the findings that have appeared in the best way possible.

The internal validity of this study has been aimed to improve by carefully studying the theory of the different aspects of the research and linking the theory to the theoretical frame throughout the research. The conclusions describe the discussion between the empirical data and the research theory and answer the research questions, which has been aimed to improve the external validity of the research. In addition,

external validity is reinforced by a critical review of the study and possible future research proposals.

The overall reliability of the study can be enhanced by the accurate description of different phases of the study. The steps of producing the material must be described clearly and truthfully. For example, in an interview study, one should tell the place and circumstances where the interviews took place. In addition, the time spent on interviews, possible distractions, misinterpretations and the researcher's own assessment of the situation should be mentioned. Central to the analysis of qualitative data is the making of different classifications. The origin and criteria of the classifications, on which the interpretations of the results is based, should be clarified to the reader. Direct quotes from the interviews are a good way of emphasising and confirming the interpretation made. (Hirsjärvi et al. 2016, 232-233.)

Efforts have been made to improve the overall reliability of this study by describing the research process in as much detail and precision as possible. Attention was paid to the quality of the material by drafting clear interview questions, which were reviewed with the study supervisor. The interviews were conducted in a quiet state and only the interviewee and the interviewer were present. The interviews were recorded with online meeting software. The spelling was done word by word, allowing direct quotes from the interviews. In addition, the reliability of the study in enhanced by the fact that the researcher knew only one of the interviewees before hand and the researcher did not have any personal contact with any of the case companies.

5. RESEARCH FINDINGS

This chapter introduces the findings of the empirical research. Findings are described by organisations according to the factors that have been found to affect the entry mode decision based to the literature review.

5.1 Company A

Company A is a Finnish SaaS company, established in 2014. Turnover according to public register is 0-0,2 million euros and staff 1-4. Product offering consist of b2b SaaS product for business management purposes. Turnover is generated only from the product licences, no additional chargeable consulting, training, customization or implementation services are offered in general. Internationalization has been in the scope of the company from the very beginning. It was clear in their strategy, that the product would be designed for global markets from initiation, instead of entering the markets first only in Finland and then adjusting the product gradually for internationalization. Internationalization has a strong role, due to the fact that the product is so called volume product. Meaning that domestic markets alone are not enough as the overall market size in Finland is quite moderate in all industries when comparing to other countries. As for the degree of internationalization, currently, company has customers from over 30 different countries from all continents but the data about the share of international customers from the total turnover was not available . Headquarters are located in Finland and company has virtual address at one important overseas market. Websites are in Finnish and in English and the .com domain is used to serve all markets.

Company A is the only company from the interviewed, that has 100% digital direct online mode with no personal contact involved. The whole customer journey from marketing to sign-up, payment and usage is digital i.e. pure self-service SaaS in its true meaning. Digital marketplaces play also important role in in the customer acquisition from global markets. Software reviews sites are in use as well as one technology specific marketplace, where they are at advanced tire. In this case advanced tire means, that their product is not only integrated with the technology and available at the marketplace, but invoicing is also handled through the platform leader coupled with other services the platform leader provides for their customers. Both channels are assisted with inbound marketing. Customer target groups include companies from variety of industries and sizes and target group is not limited to any

specific vertical or geographic area. Company A has also enterprise size clients but the sales model used in this target group, varies from the main model. They have also considered different pricing model for enterprise customers in the future, allowing them to invest more traditional resources for the sales.

Product could be described as horizontal SaaS as it suits variety of customers regardless of the size and industry, for solving a specific issue. Product is highly standardised i.e. same for every customer and there are neither customer specific configurations or implementation made nor need for after sales services. Customer support channel is available for users and integrated in the product. Otherwise FAQ and video tutorials are available online. Business model of the company A is strongly based on the self-service model and licence sales. In pricing category product is situated in the low end of the spectrum. Interview covered also issues concerning the localizations needs, and the product was described as global as there is no localizations made or any divergent features included due to the different markets or geographic locations. Perceived relevance of distance seemed to be quote low. They haven't noticed any common characteristics or special needs that would arise from cultural or regional differences/similarities. Pricing is also same for all destinations, and payment options are presented in euros and dollars. Current sophisticated online payment softwares allow necessary local considerations in payments, eliminating the complexities in international monetization of the product. For now, English and Finnish are the only language versions available as they see that the resources required to offer and support multiple language versions , exceed multiple times the perceived benefits.

Concerning the market entry, Company A states that the price and standardization degree of the product were the most influencing factors. High degree of standardization and low degree of personal interaction necessary, perceived simplicity of implementation and usage increases the likelihood of online direct sales to be successful. Digital online sales and digital distribution allow company to internationalize and seek volume from the larger markets with feasible transaction

costs even with low priced product, but on the other hand price also determines and limits what kind of sales models and channels are viable. Therefore company has chosen the digital marketplaces as a means for internationalization from the beginning. Well established global software reviews sites were chosen first over any specific target market as they were already acknowledged as reliable source of information for customers and there were other suppliers is the category, meaning that there would be also enough interested buyers present. Software review sites offered them a low cost, low commitment and risk-free possibility to get the product in front of large volume of customers. No upfront investment were needed and marketing inside the site can be increased flexibly from zero to hundreds and up according to the cost-effectiveness. Price of the product combined with expected volume and other benefits from the marketplace has influence on the level of resources and money that company is willing to invest. Company A is also present in more exclusive technology specific marketplace that required more commitment, time and effort in form of integration and technical resources but in turn company expects that being selected to exclusive partner program and reviewed trusted partner and solution by the platform leader also increases the trust and interest of the customers and provides increased exposure to the massive customer base leading to greater returns. Even though some platforms offer a possibility to limit the visibility by geographical area, that is not considered a sensible option. Only marketing outside the platforms, e.g. Google ads, is targeted according to countries or specific target group as keywords etc. allow marketer to target interested customers regardless of the country or industry where English is either native language or otherwise acceptable work language All answers from Company A reflected the importance of efficient and economical transactions that consider the return in investment.

5.2 Applixure Oy

Applixure Oy is a Finnish SaaS company, established in 2012. Turnover category is 0,2-0,4 million euros and personnel 1-4. Product is a b2b SaaS product for automated viewing and tracking of end user IT state an condition. Business model is

based on licence sales and additional services play a minor role in the company. Customers who require configuration or have special requirements are handled by an external partners, whose offering complement the solution provided by Applixure. Their internationalization journey is in the beginning stages, currently <10% of the turnover coming from outside off Finland. The goal is to have the percentage raised to 50% in two years' time and now they are experimenting to find the optimal market entry strategy. The role of internationalization is highly important as the market size in Finland alone is not enough to reach their growth targets. CEO sees strongly that Finland is part of the global markets:

" It's not just about the internationalization itself that matters, but about the fact that there is a huge market out there.. from where you can choose the appropriate vertical or other target group"

Ideal customer size is organisations from 250-1000 persons in order to cover the cost of sales. In enterprise category the procurement procedures are mostly seen as obstacle for sales and being too heavy considering the sales margin even if there would be a product fit. In their experiences enterprise customers usually also require amendments for terms and conditions that in SaaS model are often very standardized. Product wise customer target group is not limited to any specific industry or sector as it is very general and not tailored to any specific industry. Vertical target groups are only considered in marketing communications context and it helps in allocating and measuring the marketing results.

Product is highly standardized and customization services are not offered even though they are possible. Therefore service and implementation model is based strongly on self-service, as the implementation requires only few minutes from the customer and no deployment projects or training is needed. Support is offered by email and online inside the solution. Product is global and offered in English, there isn't either any region specific localizations made except in Germany where there are legal limitations to what type on information is allowed to collect about the employee devices. Other than that, they haven't confronted yet any other distance related factors. They expect though that on back end side there will emerge some country

specific requirements or preferences about the data usage and where data can be stored. At price level product is considered economical, rather in the low or medium end of the spectrum.

At first entry mode was supposed to be traditional direct export with personal sales, where external sales representative in the target country would open the doors settling the initial appointments and inside sales people would then fly over and continue from there. By change the local help was prevented from the project and company took a time-off to consider the options and came to a conclusion that the initial mode would be too resource consuming and not enough scalable and cost efficient considering the price of the product. At the moment their entry mode is what they describe as product lead inbound sales model. Inbound is used to attract customers to sign up for a trial and then all incoming leads are contacted by customer success team. Self-service with credit card payment is possible and even though their ideal goal is pure online self-service, at the moment personal sales are still involved in the process as they have noted that improves the close-rate and customer satisfaction. Also with the self-service onboarding they are constantly offering customers the change to contact customer service effortlessly. Scalability and transaction costs where the main reasons for choosing this entry strategy and also the fact that they are able to experiment constantly and learn fast what creates most traction. At the moment they haven't targeted any special country but they are experimenting on the EU level. Even it is low cost and risk-free mode, enabling them to control all processes, CEO noted that it requires a lot more effort than they first expected. “Producing tailored, apt and appealing content that would be as effective as direct personal sales is hard work and no so easy!” On the other hand, if they succeed, the transactions costs are considerably lower than in their initial mode and they can scale much faster than starting with direct personal sales in one country at the time.

5.3 Cuutio Oy

Cuutio is a Finnish SaaS company established in 2011. They offer business customers SEO tool for rank tracking and competitor monitoring. Turnover category is 0-0,2 million and personnel 1-4. Business model is based on licence sales and consulting services, licences accounting for about 60% of the turnover. CEO sees that as their product is quite niche technology, it requires consultative services to go along. Turnover generated from international markets has been larger in the past, but currently it is about 10% due to changes in pricing model. They see that the potential is great but the time they are able to invest on it at the moment, is less than before.

Customer size is more important in their perception as their product is not fitted to suit only certain industries or sectors. They have found though more traction e.g. in traditional industries or educational institutions like universities that are interested how they rank among international students. SME sized businesses are ideal size as price is out of range for most micro businesses but not enough to cover the expenses incurred from traditional enterprise sales. Considering other software in their category, the price level is at the medium spectrum.

Product is standardized and minor customization options are available but not preferred by the supplier. Even though product concept is self-service SaaS and it is also available as self-service, preferred service and implementation mode include implementation services as they see it increasing the customer lifetime value, customer learning and commitment and cash flow at hand. They also acknowledge that the availability of self-service is a must for scaling growth and as more and more business buyers also prefer self-service. Implementation services can't also be 'forced' on the customer even though recommended. Online tutorials, user support, email automation tools and chat services are available. CEO feels that it is important that customers have the feeling that support in person is available when needed. It is also important for the supplier, that they take care of the customer support themselves as then they know better what is going on with the product on customer

point of view and are able to learn from it. Easily available support material has also cut down the amount of email service requests significantly. Product is global, excluding e.g. China and Russia where the available data don't support their product and where Google is not influential. Product is offered only in English and they also state that the cost of additional language versions and matching support is not yet feasible. Other product localizations are also not made and there is also no market specific legal requirements as they don't process personal data.

Cuutio's main market entry at the moment is trough exclusive partnership in Holland. Partner is responsible for sales for their own partners and all leads generated from Benelux area are directed to this special partner. One of the main reasons for choosing the partner model is that Cuutio's CEO strongly feels that the most important thing is the local knowledge about market conditions, competitors and business habits and that the time invested nurturing the partnership will be returned with higher interest that direct sales or just online channels. But the main influencing factor was the entrepreneurs personal relationships and network, where he had become acquainted with current Dutch partner and was convinced of their integrity, professionalism and enthusiasm. Also entrepreneurs' experience about the network and seeing how much resources and commitment establishing own offices requires, the partner mode was an obvious choice. Partner model is perceived as easiest path to organic growth and the benefits of partnership is their available customer base that they know very well and that they function also as an important technical resource with product testing, bug reporting and certain phases of product development. " The feedback from the partner is incredibly valuable, although sometimes rough, but even more valuable as they have totally different touch with the markets than we from the distance" Also the market selection occurred because of the partners location but market analysis also supported the country choice. Partnership require time commitment, upkeep, product training, maintaining personal relationships and regular meetings, preferably in person. Perceived risk with finding a new partner is the loss of committed time and investment and the opportunity cost of it, if the partnership turns out to be nonfunctional. Other risks are the reliability of partner and what kind of position Cuutio's solution would actually get

in partners product assortment. Anyhow they state that the perceived risk is lesser than making an own commitment to the markets with form of sales office. They also see that the control over partners processes and actions could be better but would require more established modes of control and depends also on the state and type of partnership how much control can be obtained example over their sales process. Lastly the CEO strongly states that even though product could be global, marketing must alway be local. In this light, they don't see digital marketplaces as very noteworthy option at all, even though not harmful either.

5.4 Granite Partners Oy

Granite Partners Oy is a Finnish SaaS company, established in 2005. Turnover category is 1-2 million euros and personnel 10-19. Product is b2b SaaS product for business risk and compliance management. Business model is based on licence sales and product related services play also an important role also. Company is in the beginning of their internationalization path but they have already attracted trials and customers from all over the world. Currently circa 10% of the turnover is coming outside Finland. Their product is general and not tailored to any specific industry but they have noted growing interest from industries that are important for social infrastructure or safety like electricity, water supply or where legal compliance is important like finance sector. Ideal target customer is medium sized company as product price point is not eligible for micro or very small businesses or enterprise sales.

Product is niche and even the self-service is available and would be possible with standardized settings, implementation and configuration services play an important role. Some customers require a lot of configuration but the most common use case is standard product with few customer specific amendments. If configurations have been made, a small implementation project is needed. Only very few customers so far have signed-up with 100% online self-service. Standard version of the product is global and the available language is English. Company also states the same as the previous interviewees that other languages would require so much more resources

in development, customer service and support etc. that it is not feasible at the moment. English speaking customers offer enough potential for now. They also note that from distance related factors different time zones is the only factor that has have an effect on operations. “ With Mexican we have online meetings in the evening and with Asians in the morning, in implementation phase particularly, time zones are significant factor.” Otherwise they don’t see distance being very relevant in their context. Concerning pricing, product is medium priced. Self-service is billed with credit card, otherwise traditional invoicing is in use. Self-service is billed on monthly basis and customer requiring implementation and configurations service are billed according to corporate licences based on amount of users. CEO also notes that the medium price from sales involving personal contact is higher than self-service medium in general.

Granite Partners entry mode could be described as direct exports combining digital marketplaces with personal sales. They attract customers with inbound marketing to take free-trial and then sign-up leads are contacted by inside sales team. Software review site play an important role as their main channel. In domestic markets they use traditional sales and partners, but for internationalization purposes they noted that partners are not the right mode for them. Partners that showed interested in them, were focusing on enterprise target group and Granite Partners feel that it doesn’t match with their sales model, as the enterprise sales are considered too heavy and resource consuming. Also they didn’t want to decentralize their scarce resources on too many channels and wanted more scalable model as the finding and training of suitable partners would be time consuming also. Company sees digital marketplaces as more scalable, faster and iterative mode. They have chosen Capterras software review site because the low resource commitment needed, the initial entry is free and it doesn't require any commitment to specific technology or integrations. Successful engagement though requires acquiring customer reviews

“ Getting a profile there is no big deal, but the most effort was needed to get the reviews in place, no one wants to be the first one to review”

Capterra offers companies a lot of guidance and help for starting with the reviews and also what kind of landing pages etc. benefit the company most. Granite Partners also state that one reason for choosing Capterra was because there are also other solutions in their category, they see that if there is enough alternatives, there are also enough potential customers. They see also that as Capterra has already established its presence as reliable site for solution providers and customers, it was their natural first choice. Marketplace was chosen over any particular country and the statistics from Capterra help them to allocate their resources later on to best potential verticals and regions.

" If we would choose country first, it would probably turn out to be a bad choice"

Other factors that have had an effect on their decision making, was that with Capterra it was possible to start with low investment in marketing (e.g 100€ /month) compared to e.g G2 that would require budget of 10 000 -20 000€/year to be effective and they didn't want to do that kind of commitment before having experimented how review sites work for them. Company also states that Capterra is easy to exit and enter, offer control over the process how sales are handled and they can adjust their planning flexibly. CEO also emphasises appreciating the effort Capterra makes marketing the categories and the fact that review sites attract crowd they otherwise wouldn't have resources to reach directly and that lead acquisition cost is lower than e.g. in adwords or linkedIn. Also the leads that come from the review site are already well on the way on their buying process i.e. they have already decided that they are looking for the type of solution that Granite offers and they are also mature for online buying.

5.5 Liidio Oy

Liidio Oy is a Finnish SaaS company, established in 2012. Turnover category is 2-10 millions and personnel 10-19. Product is a b2b SaaS product for tracking website visitors. Business model is based purely on licence sales, though additional consulting services are under consideration. Company is already further in their internationalization path as 80% of the turnover is generated outside Finland and they have personnel in many locations in Europe and also in United States.

Internationalization has always had special importance to them, as in the first three years they were not allowed to sell in Finland due to non-compete term from previous exit. Target customer group is not limited to any specific industry, country or sector, all b2b companies are preferred. Ideal customer size is SME businesses, they also have enterprise clients but limited to a smaller team or department inside the enterprise. CRO made the same notion about the enterprise customers than previously interviewed, that the issues arise from the procurement process and contract terms that SaaS companies are not so inclined to adapt. “ Have you ever heard anyone getting modified terms from Salesforce for example? “

Product is highly standardised, customization is only possible in forms of different third party software integrations that are available for customers to connect, like CMR etc. Features are not customizable. Service and implementation are based strongly on pure digital self-service. They are doing a lot of free educational content and trainings but not any paid implementation or deployment training. They have front line customer support for all users, both free and paid plan customers. Product is global, excluding countries where due to the lack of reliable data, the solution doesn't work in optimal way like China or Russia. Concerning product localization issues, product is available only in English and they haven’t made any amendments. Technical aspects like the data availability, is the only thing limiting their interest and scope in certain regions. When asked about the effects of distance, CRO notes that distance related factors are not playing so relevant role as they can easily test the market with inbound to see if there is a product-market fit as it is. However, when they have established presence in certain region, customer support can be region specific and offered in the local language. Price is at the affordable end of the spectrum.

Liidio has a two stage entry mode, that could be described as direct online export with personal sales. First they enter the markets with inbound and 100% digital self-service and provide customer support in English. Then after establishing solid enough customer base on the market, inbound in supported online in their own

language with locally hired sales personnel or at least from the same time zone. Specially sales leads with potential higher value are contacted personally by local or regional sales team, but still remotely and not in person, as for example customer success manager in Holland can serve also German markets. Reason for this arrangement is that Liidio has also noted that personal sales accelerate growth with higher return in sales but remote model offers them high flexibility and possibility to hire talents all over the world. Liidio also didn't make any market selection prior to operations but instead they targeted English speaking markets as a whole first. After seeing the markets with most traction, they started to allocate resources more specifically. Reason for their remote model is that is has lower risk and cost structure than establishing offices, it is flexible and offers them high control of the operations. in addition to that, product should be ten times more valuable to account for sales in person. To summarize, their product is global and always in English but outbound operations are localized. Considering the digital marketplaces, they see them more as offering support for marketing and as tools sales team, as people can find their product from the marketplaces or sales can prove their arguments by showing the well ranked reviews that usually are better than competitors. They are present in Capterra, G2, Salesforce appexchange, Google analytics partner gallery and in Mailchimp listing. G2 is especially appreciated as it offers really well validated reviews that are broke down to open comments that increase trust. Salesforce partner program offers them help in marketing inside Salesforce and in their ecosystem, and then charge 15% commission from sales. Considering the marketplaces, they conclude that with the gains and investments in integrations, it's kind of breakeven. Except considering the U.S. markets, to be able to sell there successfully, they see that presence in Salesforce appexchange is a must as "In U.S. even the smallest shops require Salesforce integration" So the presence in SF marketplace offers them better position in the markets over the tools that are not integrated. Considering the digital presence, CRO strongly states that digital presence is enough only to a certain point. "It makes me laugh if some company claims that inbound (digital) is enough, then they don't have big enough growth goals! It is not wise to be dependent only on one channel, it doesn't take you far enough, fast enough."

5.6 Upcloud Oy

Upcloud is a Finnish SaaS company, established in 2011. Turnover category is 10-20 million euros and personnel 20-49. Product is actually IaaS (infrastructure as service) offering superior cloud hosting but their business model is completely identical with SaaS. Business model is based on 'pay per use' sales and services play only a minor role. Upcloud is already well established in internationalization as over 55% of their revenue is generated outside Finland. In addition to Helsinki headquarters, they have offices in Singapore, London and Seattle and they have over 10 000 customers from 130 different countries. Finnish customers account for less than 20%. Cloud hosting services are offered from eight data centers around the world. Internationalization is a vital condition for them as domestic market is not enough to cover their growth targets, they see a huge potential especially in Europe, Asia and U.S. Even their small or medium sized competitors have reached total turnover of 300-400 millions. Ideal customer size is SME businesses as they also feel that enterprise customers often require special customization that doesn't suit Upcloud's service model. Product is general and is not limited to any specific country, industry or sector but marketing is targeted to businesses that are heavily dependent on internet and need efficient and reliable services to host their offering.

Product is standardised, it was their strategic decision from the very beginning that the product must be as highly standardised, scalable and global as possible. Reason behind this is that the customization increases the production costs exponentially if there are many different instances to be simultaneously maintained and tested that they all work. Service and implementation model is based on self-service and the role of implementation and deployment services is very small. Their customers are experienced professionals familiar with the solutions and any specific training is very seldom needed. Documentation and tutorials are usually enough. For customer specific configuration needs they utilise different cloud consultants from their partner network, that take over the configuration bundled with other services the consultant offers to the customer. Product is global but marketing is done locally. English is for

now only language version and they have considered weather to publish also local websites. Concerning customer service, they have noted differences between the preferred communication channels. For example, in Asia, customers are keen to using Whatsapp instead of calling or emailing. U.S. customers like to deal things over the phone and Finns and Europeans prefer email. Time zones is other significant single distance related factor they mention that has affected how they organise their functions. Otherwise they have same product and operations model globally. Pricing is also global at medium range and automatized online payment software allows them to offer also local choices. Credit Card and Paypal are used globally, even though they state than concerning the global scale, credit card utilization rate is quite low.

Market entry mode is described as direct online self-service supported by personal sales and service. Inbound is used to attract visitors to the website and then potential customers will be contacted by different means by their sales offices. Facts that supported the choice of this entry mode, were that inbound and onlines sales are not limited by geographical boundaries, it is most effective with lowest transaction costs and same model can be applied globally where suitable. “ If we would try to sell companies in traditional way by calling and sending emails, it is not scalable enough to get us where we are going” CEO strongly states that even though pure 100% digital no-touch self-service model would be possible, they want to enhance the customer experience and offer extra value by personal sales and customer service. They want to be available for their customers and be perceived as a partner rather than just supplier of service. Due to this, they have decided to invest in local offices. Local offices can regionally serve their clients with local touch in their own language and understand the cultural innuendos. Local offices also make it possible to offer customer support globally 24/7, as every office is responsible for customer service according to their time zone in eight hour turns. “Everyone is allowed to work during the normal office hours instead of in the middle of the night, and are fresh and at their best” Another reason behind market entry mode was that with partners, they couldn’t quite reach the state of customer service they wanted to provide and it was also seen too costly. Initial market choice was affected by fact, that they wanted to

establish certain amount of data centers. Legal compliance requirements concerning locations of data centers has also affected their investment decisions. Upcloud started first in Europe, followed by U.S and then Asia. At the moment they invest heavily on marketing to increase interest and support growth to find the regions where sales and marketing investments have highest return compared to transaction costs. Even though data centers are their greatest commitment at the moment, they see that the actual risk doesn't lie there. CEO also states that funding is important in the internationalization as it regulates how far you can go and what kind of means and tools are available in addition to what kind of risk company is able to take and tolerate before getting returns. Company is present only on a few software review sites, they haven't taken up any integrations to other marketplaces. Derived value from the software review sites is that it helps their clients to make better decisions in accordance with what they value. As Upcloud offers business critical services for their clients, they feel that digital presence requires them to be extra trustworthy and relevant and offer quality references. However, CEO explicitly notes that for building trust among their potential customers, more important than digital presence, is their ability to be humane and accessible for their clients. "Customers need to perceive that we are a real humane company with real people"

5.7 VRT Finland Oy

VRT Finland Oy is a Finnish company, established in 2010. Turnover category is 2-10 million euros and personnel 20-49. Their business model has previously been based solely on service sales and SaaS product has just recently been developed as a response to the customer needs and to accompany their services. Share of SaaS sales of the turnover is still relatively small, but they are investing on it as they see that it holds great growth potential and would have larger target group. SaaS product is a tool for 3D reporting and asset management. Company has aimed to international markets already since day one as their original product is so niche that the markets in Finland are too limited. Therefore 90% of their turnover is generated outside Finland and the internationalization has a major role as their customers are located all over the world. For now, major target group has been harbours and

underwater inspectors, but they expect that SaaS product hold potential to reach wider customer base within different industries. Customer sizes vary greatly from expert consultants to enterprises with thousands of employees, but for now they concentrate on larger customers as the idea and way or work of their SaaS solution is so new that it requires a lot of personal sales in all cases.

SaaS product is standardized and holds all the components for online self-service, but as the concept is still so new, service and implementation play a major role. Customization of the product is available if transactions size is large enough for it to be profitable. Future aim is that implementation services are no longer needed and basic customer support will be enough in case of problems emerge. For the moment personal customer service is available in addition to online guides, email support and build-in chat. Product is global and english is the only language available for now. CMO states that luckily their target industries are used to international activities and connections globally, so english is eligible language in their industry setting nevertheless of the country. Pricing is in euros and same for all regions. Other currency options are on the way but pricing will still be kept global as their customers are used to global pricing. Price category is considered being at low range compared to traditional software pricing in their target industries. “ With your product you can start with few grands a year, which is very affordable compared to five digit numbers normally needed in software investments in their industries“ Considering distance related factors they state that industry context seems to be more relevant than distance related factors, but then again they note that their experience don’t cover all possible regions yet. Situation with COVID-19 has also changed perceptions of their customers to more favourable towards online interactions instead of f2f meetings. So far they also haven’t countered market specific technical or legal requirements or problems with availability of suitable location data format.

Entry mode is for now strongly affected by the newness of the product. As the solution is new to the markets and offers all new and unique way to do things, it requires a lot of education and information concerning the advantages and

possibilities. Potential customers don't even know to look for that kind of solution to their problems yet. Entry mode is direct export with traditional personal sales (f2f) as sales require a lot of interaction with the customer and sales efforts are important in this stage of product life-cycle. Also inbound marketing in different channels is used to attract potential customers to sign-up for free trial, and all leads are contacted by the sales team, online or in person. At the same time international agent network is build up to support their inhouse sales as well as integrations with large software providers that already offer solutions to their potential customer and whose services they can complement. Direct f2f sales is also supported by the fact that product is so new that it is important for them to learn directly from the customers and also skills and knowledge of the agent network is not yet high enough for them to conduct sales independently. Local agent network and integrations partners offers them access to new customer base as the agents and software vendors have established credibility already and have better changes to set up initial meetings with the customers as the unknown vendor of disruptive solution. Agent network still requires a lot of education and support for sales. Inbound and self-service make product available globally and CMO states the same as other interviewed, that they have started testing with wide scope in order to determine the most viable regions for more targeted actions. Their previous experience from the service sales and contacts with existing customers have guided their initial market selection " Existing customers were an easy start for active sales" First SaaS sales came from western Europe and Nordics but they have also attracted interest from various locations all over the world. CMO states that above industry and geographical locations is the factor that potential customers are early adopters concerning technological innovations and interested in developing their processes.

Concerning digital marketplaces, they have started experimenting with software review site Capterra to increase their credibility and SEO and to look for early adapters but agents and inside sales are for now considered more viable option at least when considering large operators and customers. Increasing digital presence requires still a lot of work concerning content creation and the topics because customers don't know what to search for or that there even exist a solution for their

problem. “ To be able to scale we still need to do a lot of local personal sales” Risks of their combination of entry modes are considered quite low, as the only cost incur from travelling and time spend. In this early stage of product development company also wishes to maintain high level of control and direct contact with the customers in order to learn from their experiences.

6. DISCUSSION

The main purpose of this research was to examine what factors affect the entry mode selection of SaaS companies and how digital marketplaces are perceived as an entry mode. In this section is presented the findings of the empirical research in the context of the theoretical framework based on the literature review. Section points out what findings support the theoretical assumptions and what findings state the opposite. Findings are analysed according to affecting factors and entry mode decision.

6.1 Factors affecting the entry mode

Following chapter discusses the factors that according to the literature review are most influencing factors in the context of digital companies. Factors are divided to product, distance and desired mode related factors. Table 6 presents the case companies according to their business model and share of SaaS from their turnover in whole and turnover generated from outside of Finland.

Case company	Business model	Share of SaaS licence sales from Turnover	Share of International turnover
Company A	SaaS	100%	not available
Applixure Oy	SaaS	100%	<10%
Cuutio Oy	SaaS + consulting	60%	10%
Granite partners Oy	SaaS	high, not available	10%
Liidio Oy	SaaS	100%	80%
Upcloud Oy	SaaS (IaaS)	100%	>55%
VRT Finland Oy	SaaS +service sales	low, not available	90%

Table 6. Overview of case companies business models

Except for VRT Finland Oy, which has just launched their first SaaS product, all case companies have based their business model on SaaS from the very inception. VRT and Cuutio Oy are the only two companies of which turnover, other than directly SaaS related services, play an important role. All other companies generate all or major share of their turnover from Saas licences or 'pay per use' sales. Granite Partners Oy is the only company where SaaS related expert services have some role. This is in accordance with Rönkkö et al. (2010) that with typical SaaS companies the share of expert services is quite low. Low share of expert services is also related to service and implementation model, that in many cases is based on self-service.

6.1.1 Product related factors

Product strategy, service & implementation model and revenue logic play an important role in the entry mode decision. Table 7 presents some of the product related factors of case companies.

Case company	Product strategy	Implementation & service model	Customization	Pricing
Company A	Highly Standardized	self-service	no	low
Applixure Oy	Highly Standardized	self-service	no	medium
Cuutio Oy	Standardized	self-service	minor	medium
Granite partners Oy	Standardized	Hybrid	yes	medium
Liidio Oy	Highly Standardized	self-service	no, only integrations	low
Upcloud Oy	Standardized	self-service	possible, but not offered	low-medium
VRT Finland Oy	Standardized	self-service	possible	medium

Table 7 Product related factors by case company

In pure SaaS companies low turnover of expert services and self-service model can be said to be interlinked. The service and implementation model presented by Rajala et al. (2003, p. 12) is based in pure SaaS companies on self-service, which reflects as a low revenue share of professional services, while In hybrid models, different expert services play a role in SaaS service implementation. Notable is that in

literature SaaS companies are often divided into two strict categories. They are presented either pure digital self-service (no services, no customization, online digital sales without human contact) or enterprise SaaS (high customization, high level of services and human interaction). (Luoma et al.2012) However, research findings indicate that the variety of combinations deployed is much larger. From the case companies only A represents a company that would fully fit the pure SaaS definition. For example even though Upcloud Oy deploys a self-service model, customizations would be possible, they are just not preferred due to the exponential effects on production costs. Contradictory to the definition, they also offer personal online customer support and sales. With Granite, self-service model is possible, even though product is customizable and minor configurations are usually made coupled with small implementation project. Then again Applixure has also self-service, no customizations available but they still prefer human customer support and sales contacts with the customer (mostly online). Cuutio also presents different model, as their product is self-service, customization is not necessary for normal clients but still partnership model is preferred over direct sales. Chong & Carraro (2006) have also highlighted the importance of avoiding personal touch points in order to achieve as low transactions costs as possible, but since that time and now even more due to the COVID-19 situation, personal contacts have moved online allowing personal touch but still considering the efficiency and transaction costs. In conclusion, keeping the product,development and sales scalable, holds a great importance for all of the companies.

" It is important that we keep it (product) as it is and aim where that particular model fits, not making amendments for every occasion and place and creating a whole that is hard to handle"

"Customers would be willing to pay for it, but we are not willing to customize"

Cahen & Borini (2020) state that international monetizing capacity is also important, however technical capability didn't hold much importance among the case companies as sophisticated online payment softwares are available for easily solving the monetizing issues globally by offering necessary local options. Cuutio though

noted that as it concerns business critical issue, selecting the right solution provider is utmost importance. Pricing is also interesting topic, all companies consider their pricing to be either low or medium range, but still there is remarkable differences in the actual pricing, variation is from tens to thousands per month. So pricing is very much context related and in comparison to their perceived competitors. It is obvious that low transaction size of 19 euros compared to other 'low' of 1000 euros has different implications for implementation & service model and entry mode and sales channel selection. Scalability of pricing differs also among companies.

The more scalable the pricing is, the more flexibility it offers to consider different target groups and sales channels. If price don't scale according to perceived cost of sales, then the target group is out of scope. Chong and Carraro (2006) also presents that suitable target groups for SaaS companies extend all the way to the micro businesses as the economical transactions size has diminished due to the SaaS business model. According to all other case companies except Company A, this isn't supported as they all prefer at least SME companies, saying that micro businesses are anyway usually to small for their price range. At the same time all case companies agree with Mallyan (2009) that even if there would be product fit, transactions costs from enterprise sales are usually too high, as they are often more time and resource consuming due to the high level of personal sales, customization and special integrations needed. In addition to that procurement procedures that are not compatible with the general and standard SaaS terms of use. On the other hand all interviewees have also noted the arising change in the enterprise culture, turning the attitudes more favourable towards online buying like Forrester suggest in their research. Enterprise customers have also noted the advantages of SaaS services and the possibility to experiment with free trials without any risk before making heavy investments on software solutions. Liidio and Company A both state that with the enterprise sales, sensible level that balances between the above mentioned, is to have just one team or department inside the enterprise as client. According to Gartner, enterprise customers of all sizes buy over half of their services from SaaS marketplaces, making them a cornerstone of a successful go-to-market strategy for providers looking to sell SaaS.

Standard digital infrastructure with plug-and play capabilities enables small companies to compete with larger firms and put themselves in from of global customer base.

6.1.2 Distance related factors

As all case companies note the important role of internationalization for increasing their market size and share, the implications of cross-border differences, their perceived impact and risk are also important and seem to differ regarding the dimension in question. First of all, for digital businesses, the availability of advanced internet infrastructure, ie availability of internet functionalities and interactivity across boundaries is a must, in order that the customers are able to get access and use SaaS products. “Without proper internet connections our product is out of question as we don’t offer offline functionality. Slow and unreliable internet connection is a limitation to the functionality of our product” Another important factor is the availability of public data in different countries and regions. “e.g China’s and Russia’s internet infrastructure doesn’t support the functionalities of our product, so that kind of regions are not interesting for us where we are not able to offer decent quality” Applixure reports that data collecting laws and information security laws has had an impact on their product features, as for example in Germany, there are strict rules about what kind of data is allowed to be collected from employee devices. Then on the other hand, for products that don’t process personal data, legal compliance don’t have so much effect. UpCloud and Applixure both note that data locations is also important factor in some regions and can act in favour or against them. This supports the notion from Wentrup and Ström (2019), that if the market specific compliance requirements are offline dependant, it has effect on scalability and the resource commitment level.

From the point of view of geographical factors, all case companies of which operations involve personal interaction in addition to self-service, agree that rather than geographical closeness or remoteness, different time zones are most important

factor. Case companies have made different operational decisions, depending on their available resources and the perceived importance of personal customer contact and services. Granite has extended their working hours in order to offer online implementation services to customers in different time zones and Upcloud has local offices so that they are able to support their customers during office hours globally. Liidio also has local customer support in most important market areas that have different time zones.

In traditional relational strategies , Watson et al. (2018) draw a conclusion that firms must account the differences between cultures (languages, tastes), currency and physical distance and that culture largely determines if the product can be sold 'as it is' or should there be made significant changes specific to the chosen markets. This does not seem to hold in the b2b digital context. Based on the research findings , all companies have strong tendency to do their utmost to avoid localizations on the product level. As what holds common between these otherwise very different companies, is that there wasn't any localizations made, all products were very standardized and even global in that relation, also the language. Only one company was considering the necessity of next language version. Localizations were made only on basis of legal regulations and on technology level. English was in general level regarded to offer enough market potential globally. This supports the findings from Ojala et al. (2019), stating that product standardization can actually reduce the effects of cultural distance and that standardization eases the way for simultaneous multiple market entry. Product localization would increase the product development costs and resources committed to development team, in order to be able to support and test multiple product versions, increasing the transaction cost and diminishing the efficiency of operations. "Marketing can be localized but we want to keep product as global and standard as possible"

In the recent SaaS business literature has emerged a lot of discussion about the rise and benefits of vertical SaaS solutions and how there are a lot of advantages compared to horizontal solutions. This seems to be supported by the research

findings as many companies find rather industry specific requirements and practises more prevalent and important than geographical or cultural differences. This is also supported by Anderson et al. (2014) stating that high-technology products are often less culture specific and require relatively minimal adaptation to local markets. Applixure also confirms that the effect of industry specific factors is more important than the localization

" When considering SaaS business, if you are able to win one vertical niche, you don't have to conquer the whole world as the global potential of specific niche is already enough to build a big business"

High level of productization and standardization has positive effect on speed and scope (Ojala et al. 2019). VRT also confirms that industry specific norms, terms, concepts and language used, are common across different regions in their clientele and more prevailing than the cultural factors. In conclusion cultural localization in product context is less relevant than in customer support and marketing. Cahen & Borini (2018) also note that b2b products are often general and neutral, stripped of cultural references.

6.2 Entry mode decision

The traditional entry mode classifications have been made usually made based on the transaction of physical goods, services or on-premises software. Therefore not all the assumptions made, could be directly applied to digital companies as they don't fully capture the advantages of SaaS business model and the digital nature of the product. However, based on the literature review it was presented that usually digital companies prefer non-equity modes and specially direct exports. Concepts of non-equity and exports are included for clarity, because previous research and definitions are largely based on those classifications. Further Cahen & Borini (2020) presented that internationalization of digital companies is best described with digital sales, digitally interconnected partnerships and other non-equity modes. Based on the research findings, this seems to be quite valid definition. All case companies fall under the categories presented in the literature review being the most common

choice in the SaaS context. Important notion was also, that sales model is quite inseparable part of the entry mode. Table 8 represents the entry modes and sales models of the case companies with product related variables

Case company	Product strategy	Implementation & service model	Cust.	Entry mode	Sales model
Company A	Highly Standardized	self-service	no	Direct export+DM	online, no-touch
Applixure Oy	Highly Standardized	self-service	no	Direct export	online, medium-touch (+partner)
Cuutio Oy	Standardized	self-service	minor	Direct export	Partner
Granite partners Oy	Standardized	Hybrid	yes	Direct export +DM	online, medium touch
Liidio Oy	Highly Standardized	self-service	no	Direct export + DM	regional online, no/ medium-touch
Upcloud Oy	Standardized	self-service	no	Direct export	local online, medium-touch (+partner)
VRT Finland Oy	Standardized	self-service	yes	Direct export	Agents+online + f2f

Table 8. Case companies by entry mode and sales model (DM = digital marketplace)

As noted from the figure 8, if high degree of productization and low degree of servitization can be considered as less-asset specific, then the findings support Brouthers & Narcos (2004) stating that low asset-specificity would support non-equity modes. It is also clear, why TCE is one of the most frequently used theory in internationalization.

All case companies first of all noted transaction cost and efficiency as a reason for their product strategy and secondly five out of seven companies stated it as a reason for their entry mode selection and sales model. Glavas & Mathews 2014 and Wentrup (2016) state aptly the benefits of online model as lower cost, benefits from global markets and efficient & cost effective communications. Scalability was also mentioned by all case companies as one of the main factors behind their entry mode choice. Cuutio was an exception as their main factor was entrepreneurs network relations that determined the entry mode and sales model. Like Reuwer et al (2013) stated in Cuutio's case business networks play a key role in the firms internationalization process, driving market expansion and development activities, including choice of market and entry mode. VRT was other exception, where liability of newness was the main factor and they seeked agent network in order to overcome the liability and build trust and credibility.

RBV suggest that especially SMEs are very dependant on external resources (Lindsay et al. 2017) and network theory that networks can fill in the gaps. Research findings however imply that when considering the market entry mode, they were more optimizing the use of their existing resources in most efficient way like Ripolles and Blesa (2016) suggests. Interest in external resources was however highlighted if digital marketplaces or partnership played more important role as entry mode.

6.2.1 Desired mode

Risk definition and reflection to the Hollensen framework describes how case companies also view risk: The huge potential from global markets has to be reached with limited resources targeted to most prominent channel with low risk and commitment and possibility to enter and exit freely. Findings also support the fact that higher the risk in markets (demand uncertainty) less commiting low risk modes are preferred. As demand increases, more commiting modes are deployed. The empirical evidence from the interviews support this finding specially to minimize transactional hazards. All interviewed companies stated that they have first tested markets online with large scale to find out which markets demonstrate the most traction and is worth investing more in terms of marketing and sales (and technology). Online mode is perceived particularly as risk aversing (Liidio) and flexibility is stated not only highly important but as prequisition by Liidio and Applixure. Software review sites were considered as specially low commitment modes, commitment increasing as more resources is demanded like integrations or commitment to local sales and customer service. “ The more exclusive the marketplace, the more resources and commitment it requires”

6.2.2 Sales channel strategies

As it was mentioned before, that product standardization reduces the effects of culture in the b2b context, it explains the notion from the findings how companies have been able to proceed without explicit target market and take full advantage of the online sales models supported by inbound marketing.

Digital approach don’t necessarily limit the sales strategy to be pure digital. As Watson et al. 2018 state, and result from the empiria confirm, combining the advantages of digital approaches and relational approaches, it is possible to expand to the foreign markets. Findings from Upcloud and Liidio support this thought.

Wentrup also states that regardless of the digital value chain and internet enabled functions, companies tend to establish offline presence as the company grows and geographical impact and the localizations issues become more important. Upcloud and Liidio support also this notion, with the exemption of localizations limited to sales and marketing. Watson et al. 2018 still specify that hybrid approaches need to address core relational issues such as trust, privacy, security and information sharing. Upcloud explicitly states that in addition to superior customer service, those are exactly the reason they have invested in local offices and customer support personnel. Their product is of critical importance to their customers and trust is important.

One contradictory notion was made, as one might presume that the lower the human touch in the sales model and the higher the degree of digitization of the customer journey, the higher the scalability, but particularly Liidio and Upcloud state quite the opposite, and their notions are supported by Applixure. They strongly present figures that with medium-touch model the median sales are greater and that human touch is needed if company wants to increase their market share and continue strong and fast growth. Almost all respondents (except company A) agreed that in addition to self-service or better despite of the self-service model, (online) personal sales are essential in maximising the sales and revenue.

6.2.3 Digital marketplaces

All case companies except Cuutio, were present in one or more digital marketplaces. Case companies had experience on software review sites, technology vendors marketplaces and about more exclusive stage in marketplaces. Digital marketplaces were considered in the research especially on the network and resource point of view suggesting that they can contribute to the internationalization by complementing the scarce resources with considerable low risk, cost and commitment. However, Company A , Granite, Liidio and Upcloud state that presence in digital marketplaces is most of all building trust and credibility toward customers, helping them to make

better decision according to what they value against the benefits offered by product and company. Company A also states that the more exclusive the marketplace and the more they are involved in its infrastructure, the more credibility it creates towards customers. In example when product is sold and invoiced by the platform leader. This is in accordance with Sinkovics et al. 2013 and Gabrielsson & Gabrielsson 2011 who state that building trust and proving credibility is important .

Watson et al. (2018) also emphasis the need to establish effective online relationship-building strategies with channel partners. Finding is also supported by the study of Ojasalo et al. (2008) suggesting that the best way to improve customer relationships and marketing communication is to cooperate with a larger organization that has a higher level of trust in the marketplace. This approach will help in brand building and speeding the international expansion.

Company A also states the technology resources being important " We wouldn't have managed to do the integration without their (platform leader) support and assistance on the technology issues. As for example Granite is not involved in any technology related platform, because they feel that it would bound them and their resources too much on that specific technology, but they emphasise on the marketing support they have received in addition to help and advices for collecting the reviews. Liidio sees the reviews as an additional resource for their sales and customer success team. Granite also notes that marketplace gives them an access to 'right kind' of customers, that already have maturity towards online buying, have high enough quality in digital infrastructure and technology standards and are especially looking for SaaS software to solve their challenges.

In order to exploit the network benefits from integrations to technology vendors marketplaces, more resources and commitment are needed. Experiences from Company A and Liidio confirm this. Liidio also notes, concerning successful access to e.g U.S markets, technology integrations like Salesforce are almost mandatory. Liidio also notes that with increasing commitment also dependency on the technology vendor is increased. Interpreting their answers concerning risk statement

“ we are not so dependent on specific technology vendor anymore” , it could be suggested that they have experienced the technology dependency at some point too high, causing too much operational risk, but since have reversed with dependency to acceptable level.

As an entry mode and specially with the review sites low risk is emphasised and the fact that it is easy to reverse and it is possible to enter and exit freely thus same giving the opportunity to reach global customer base. All case companies also note same with the marketplaces they use, as with the inbound marketing, that they are not country or industry bound first, before they have established demand that implicates otherwise. Specially with Capterra was noted that monetary commitment can be flexibly increased and the initial investment needed is considerably low.

In general the more benefits is available the more resource and time commitment is needed in form of technical integrations, monetary investment and co-sales.

The resources that SaaS company is able to offer, is more content to platform provider. The more relevant and reliable software, good reviews etc. the platform has, the more it attracts visitors, i.e potential customers for SaaS, the more it attracts also other providers. So the relationship is beneficial for both parties, enhancing the network effects. Therefore platform providers ie. Capterra, Google and Salesforce provide info and collaboration how to succeed in the marketplace. Capterra offers helps with acquiring reviews and driving conversion. Google for example provides support for technical development and projects that aim to get more clients to use the services, so platform leaders also extract value from the customers of the platform participant. The more sales are generated through the advanced tire partners, the more platform leader offers benefits like co-selling and co-marketing opportunities and possibility to increased exposure on the product listings.

7. CONCLUSIONS

The purpose of this chapter is to summarize the empirical findings and results of the study and reflect them to the theoretical framework and findings from the literature review. By combining the findings and theory, research questions are answered. In addition, theoretical and managerial implications will be provided. At the end of the chapter, the limitations of the research are discussed and possible topics for further research are presented.

The aim of this thesis was to examine the internationalization of b2b SaaS companies and particularly the characteristics of digital marketplaces as an entry mode. The research aims to understand the factors affecting the entry mode choice and in addition to that, special interest was placed on the dimensions of distance, weather or not they are relevant in the global digital marketplaces. Dimensions of distance were mainly considered in the product related context for the purpose of this study. Factors affecting the entry mode choice were categorized and studied according to the findings from recent academic literature.

Seven companies took part to the empirical research, they were all Finnish SaaS companies with different degrees and stages of internationalization. They offered an interesting view how SaaS companies aim for international markets and what are in their point of view the most influencing factors behind their chosen entry mode. Below is first presented the answers for the sub questions, followed by the findings for the main research question.

Main RQ: What factors affect the choice of digital marketplace as main market entry mode for SaaS company?

> Sub RQ1: What are the most important factors that affect the entry mode selection of SaaS company?
>
> Sub RQ2: What are the characteristics of digital marketplaces?

Sub RQ3: Does distance matter in digital marketplace?

Sub rq3.1 Does not having a clear target market affect on product or marketing?

Sub rq3.2 Is the need to adapt in foreign markets less relevant?

What are the most important factors that affect the entry mode selection of SaaS company?

From the perspective of digital companies literature suggest that the entry mode decision is affected by product related factors, distance related factors and desired mode characteristics including perceived risk, commitment and control. In addition, transaction specific factors have also significant emphasis concerning the cost and efficiency of operations in all factors as well as resources related. Product related factors according to Ojala et al. (2006) are characteristics of the product (highly standardized vs. customized) and the service and implementation model that describes how the product is implemented, maintained and supported. Service and implementation model is defined according to the level of support needed for implementation. Usually SaaS products that are sold online deploy the self-service model, but other variants are also possible. Other product related factors are pricing and preferred customer target group that affects the sales model that in turn has effect on the choice of available entry modes. Distance related factors include cultural distance and geographical distance. Cultural distance being the difference between groups like values, behavioral norms, cultural issues and communication practices. Aspects of risk, commitment and control are also major factors in entry mode choice, and are also strongly related to the resources firm posses. Also two more factors raised strongly from research findings, all case companies emphasized on the scalability of the entry mode and also ability to increase trust and credibility among potential customers.

What are the characteristics of digital marketplaces?

Digital marketplaces are platforms and ecosystems defined in the literature as follows ” shared set of technologies, components, services, architecture, and

relationships that serve as a common foundation for diverse sets of actors to converge and create value" Digital marketplace offer companies opportunity to reach wide range of markets simultaneously in scalable, fast and cost efficient way. On the other hand due to the lack of interpersonal communications, digital marketplaces are confronted with issues of trust and credibility, price also having a strong impact due to the decreased information asymmetry allowing customers easily compare the products and options. Due to the shared relationships in the digital marketplaces, the reputation of the platform leader has also effect on the other members. Chamelien (2016) emphasis the cooperation with larger organization that already has established trust in the marketplace. Marketplaces benefit from the network effects that are both same sided and cross sided.

Digital marketplaces offer access to shared resources particulate to that platform like technology, knowledge, networks and customer base that wouldn't be in transaction cost point of view otherwise possible to acquire. Nowadays there are global marketplaces without any industry specific limitations and also marketplaces that are specialized their offering for certain types of business functions only like human resources etc. Marketplaces are classified according to what they offer and what are the requirements for entering the marketplace. Marketplaces range from software review sites to exclusive marketplaces that require sophisticated integrations and commitment to co-selling opportunities. Software review sites are easiest to enter and exit, requiring just a suitable listing with no initial or up-front investment and offering exposure to millions of potential customer globally that are searching for SaaS products to cater for their needs. Review sites also share their knowledge and help with collecting the reviews and lead generation and also allow marketing inside the platform to improve visibility on the listings and search categories. Valid reviews increase trust and credibility and help customers to choose from the vast selection of SaaS suppliers and products. Next step are the different open marketplaces and technology and vendor specific marketplaces that have specific and even strict requirements for the SaaS product to be able to be listed in the marketplace in addition to the necessary integration to the technology or vendors software. In turn with increasing commitment to the technology and vendor, ecosystem members get

access to the technology, developer network, support for the development and most importantly, can benefit from the brand reputation of the platform leader in a form on increased trust. Platforms also offer possibility (or require) to use their infrastructure for payment processing and trial use, this is specially useful if SaaS supplier itself lacks resources in product development. Marketplaces where it is required to use their infrastructure for payment processing and trials, revenue share model is often applied. Challenges might occur due to limited possibility to influence on the rules and interactions on the marketplace determined by the platform leader or

or availability of shared data.

Does distance matter in digital marketplace?

Concerning the dimensions of distance especially in the marketplace context, where products are standardized and share of related services required are low offering the option for self-service, the effect of distance seems to be less relevant. Also Ojala et al. (2019) and Andersson et al. (2014) suggest that as high-technology products are usually less culture-specific, they require less adaptation to the local markets and that high level of standardization also reduces the effect of cultural distance. Industry specific context seems to be more important than cultural issues. Common understanding of the product allows companies to reach wider customer base at the time, which is specially important in the digital marketplaces in order to reach their full potential.

Does not having a clear target market affect on product or marketing?

All case companies stated that their product is standardized and global and not targeted to any specific region or market, so they have planned from the inception product not to be market specific. I.e it can be stated that the absence of clear target market results product development placing strong emphasis on averting the localized product versions and keeping the product as standard as possible. Same can be applied with the product customization. Marketing is on the other hand affected by the absence of target market, but in a positive relation. All companies but one reported that they have benefitted from the fact that they can market the product

in industry related context or according to product category first and experiment and test where it draws most traction. Then only on a later stage, when certain region, market or industry vertical seems to produce more revenue than others, marketing can be made in more targeted manner to capture the whole potential of the market. This method also helps companies to allocate their limited resources to most feasible direction at the time and keep the customer acquisition costs in a desired level.

Is the need to adapt in foreign markets less relevant?

Research findings and literature support the notion that in SaaS context , specially with standardized products, the need to adapt the product to the local markets is less relevant. All companies noted that they haven't made any localizations to the product itself. Case companies also made a notion that customers acquired through online channels seems to be less prone to dimensions of distance and the common understanding of the product or industry characteristics has more effect. Domurathet al. (2020) show that early, rapid and widespread internationalization can occur – and be sustained – regardless of whether the firm adapts to international markets or not (see also Hennart, 2014; Tippmann & Monaghan 2018). Their findings also question long-held assumptions regarding the need to adapt in foreign markets, and suggest it may be less relevant for born digitals.

What factors affect the choice of digital marketplace as main market entry mode for SaaS company?

To conclude the findings from empirical research, the factors affecting the choice or entry mode can be viewed from many perspectives. Concerning the choice of digital marketplace as an entry mode, the most important factor that raised from the case company interviews, was the scalability of the mode and that it is not limited by country boundaries. Product related factors like standardization and self-service model influence behind the choice, making it possible to enter the digital marketplaces in the first place. Maybe it could be stated that requirements for scalability and cost efficiency determine the entry mode, that in turn has effect on product strategy minimizing the customizations and localizations of the product and

keeping the service level low and enhancing the self-service mode. Also the price point was low or maximum at medium level with all case companies that support the finding that transaction cost perspective was also very important to all companies in the entry mode choice, in product related issues (no adaptations made due to the high impact on product development and maintenance cost and customer support) and in sales model considerations.Customer acquisition costs were considered lower in the digital marketplace than for example trough paid advertising in Google Ads etc. From the resource perspective, most important factor that favored the digital marketplaces was the access they offer to the customer base in multiple markets. Technical resources didn't receive as much emphasis. One factor that was also highlighted in concerning the digital marketplaces, were their ability to increase trust and credibility towards customers. Specially if personal interaction was not involved, the reviews rankings and the platform leaders brand reputation in the marketplace are of great importance in reducing the barriers for user adaptation.

Digital marketplaces were also considered as being low risk entry mode. It is possible to test the market traction with low cost and risk before making any major investments. Even with increased commitment to the technology specific marketplaces, the risk still wasn't considered to be very significant compared to the advantages on building more trust. Marketplaces are also very flexible and easy to exit and enter compared to for example setting up an office in foreign markets. Even when platform leader sets up the rules and infrastructure, there is still quote high level of control over the processes. When customer signs in from the marketplace for free trial or actual purchase, it is up to SaaS supplier how the customer is handled after that.

7.1 Theoretical contributions

As mentioned earlier, even with growing importance of internet mediated technologies and their impact on internationalization, internationalization in born-digital context has received less attention. The purpose of this study was

examine particularly the SaaS context and the possibilities it creates for internationalization. According to the findings from interviews it can be noted that in general level the entry mode choice is based like Cahen & Borini (2020) and Ripolles & Blesa (2016) state, to the ability to make use of the resources that the company poses and leverage them in an optimal way. This can be confirmed also from the transaction cost point of view, as the utmost goal of the researched companies was the efficiency and scalability of the entry mode. From the research findings could be found support also what Rajala et al. (2003) stated in the TCE context ,that he amount and complexity of work related to the implementation and service model of SaaS affect the costs and possible sales models and therefore to the decision about feasible entry mode. In the SaaS context the addition of sales model closely to the entry mode decision was a new a necessary connection. Based on the research findings, this was especially important when leveraging the issues of trust and liability of foreigners in the digital environment. This could be eligible explanation why companies that have the opportunity with standardized self-service SaaS and technical infrastructure to implement 100% digital online sales, prefer to offer personally intermediated sales and support in contrast to suggestion from Chong & Carraro (2006). Liidio and Upcloud that were already more established in the international markets, support the statement of Wentrup (2016) and Vadana et al. (2019) that the offline presence increases with the market commitment. Both Liidio and Upcloud have presence in their most profitable markets offering local support and doing outbound sales in order to increase trust, credibility and commitment. Interesting notion was that the presence is important also due to the fact that 100% digital no-touch inbound sales reach their limits in the markets at some point and in order to grow further and with desired speed, medium-touch sales model is necessary allowing the human connection. This also confirms the findings from Watson et al. (2018) that brought forth the hybrid model, combining both digital and relational approaches.

If brand and reputation can be considered as an intangible asset, then research findings also support the fact that network structures like digitally mediated partnerships are important sources of resources for the companies. Including also

what Ojala et al. 2019 state, that network structures can be also considered as resources when they create new opportunities cross national borders. Access to the global markets and customer bases was a major issue for the case companies regardless of the actual entry mode (partners, online sales or digital marketplaces). It confirms also the study of Reuwer et al. (2013) stating that network connections can serve as an entrances and bridges to the foreign markets, allowing a fast internationalization.

7.2 Practical implications

In practical level interesting finding was that usually when considering scalability, it is suggested that the higher degree of digitalization the higher the positive effects on scalability (100% digital no-touch customer journey) . Findings from the research implicate however otherwise. Several companies from the interviewed stated that the no-touch model has its limits and to enhance continued growth in the markets and to scale further, personal relations are necessary. Three companies noted explicitly that build on the online presence, human intermediated connections increase the revenue, median sales and trust compared to the pure self-service model, even when product still kept as it is i.e standardized and no extra services are added. Transaction costs i.e costs of sales are however noted as personal interactions are mostly conducted online. Considering for example how many f2f meetings one person can have during a day and within relatively small area compared to the possibility offered by online meetings. Like Granite wittingly mentioned, in the morning we conduct implementation project for the Mexican customer and in the evening for Asia. When considering digital environments, companies have to balance between the levels of trust, transaction costs and market share and take into considerations the limitations of digital environments.

However, considering the software review sites, they offer companies a very low cost and low risk opportunity to experiment with the markets and see where the

product-led-growth emerges. This being subject to the fact that the potential customers are present in the marketplaces i.e they consume online channels and their digital maturity is high. In addition to that the customers procurement policies and processes have to be suitable for SaaS products. Another implication from the research findings is that for initial scalability and efficiency, it is preferable to build the self-service onboarding model first and make sure it is functioning and then expand with other sales models according to the risk and commitment level company is willing to take.

7.3 Limitations and future directions

Cross-case study results in unavoidable limitations due to its qualitative nature, as the result are not generalizable. However, the choice of case study as a research methodology can be justified as it presents an in-depth understanding of a less researched phenomenon. There are also limitations on the data as there were only seven companies interviewed with great variation on the size, experience and degree of internationalization. Some companies were just in the beginning of their internationalization, which might result that their practices are still in process and just forming, and some had already experimented with multiple strategies. Also, all research data were collected from the Finnish companies and the data presents only small part of the companies. Findings are also suitable only in SaaS context. One more limitation to consider is that even though all companies describe their price point being low or medium, there was still great variation in the price that naturally affects the feasibility of different sales models and the transaction cost considerations.

For future studies, larger sample of companies could be addressed, that have either same degree of internationalization or have product that address the same price category more precisely. It could be also considered to use a sample of SaaS companies from different regions and countries to enhance external validity. Interesting new topics also raised from the research findings, possible new topics

could be for example to study the price point more closely compared to cost of sales, that when the personal interactions in online sales model become feasible. Future research could also address the personal interactions from the point of view how business critical the product Is for the customer, are then the online channels not adequate and personal involvement is needed? Other interesting phenomena could be to study how customers view the marketplaces in distance related context, are they really so indifferent in b2b context as the literature review and research findings suggest.

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APPENDICES

APPENDIX 1 – THE INTERVIEW STRUCTURE

THEMES FOR THE INTERVIEW

Background information

Share of SaaS products from the total turnover

Main entry mode

How do you describe the level of internationalization of your company?

Role of internationalization in your company?

Main question

What factors have affected your choice of entry mode?

Checklist themes

Product related factors

-Target group, level of standardization, service and implementation model

-Price level, global vs. local product, sales model

Distance related factors

-Has geographical or cultural distance had any notable impact?

-Is distance considered relevant?

-Has there emerged any market-specific requirements?

Rick, commitment and control

-perceived level of risk and commitment with the chosen entry mode

Resources

-Any specific resources retrieved from the network or partnership?

Digital marketplaces

-Was specific market or marketplace chosen first?

-What is the most important benefit of the chosen entry mode?

Anything else to consider?