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School of Business and Management

Industrial Marketing and International Business

Master's Thesis

**OVERCOMING THE BARRIERS TO E-COMMERCE
IN LATIN-AMERICA -
THE INTERNATIONALIZATION PERSPECTIVE**

Pekka Rintamäki

Supervisor: Professor Juha Väättänen

ABSTRACT

Author: Pekka Rintamäki

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Latin America is considered as one of the most potential emerging markets in the world, where multinational companies are constantly trying to expand their operations in various business areas. However, despite the market size and potential, foreign e-commerce companies haven't been able to expand into Latin American markets with the same volume as it might have been expected. The aim of this Master's thesis is to find out the main reasons, which can explain the low number of foreign e-commerce companies that are operating successfully in Latin America.

The theoretical part of this thesis includes literature, which focuses on international e-commerce and internationalization of e-commerce companies. The empirical part of this study utilized method triangulation, by combining survey-method, case study and literature search. The primary data was collected by conducting online survey (n=101), and secondary data was collected through search of literature.

The findings of this thesis revealed that Latin America is suffering from very similar e-commerce barriers with other emerging markets. Most significant barriers to success were found to be scarce infrastructures, unfavorable regulations and policies, and general lack of trust. Gaining consumers' trust, possessing sufficient amount of technological and financial resources to develop services, and possessing strong market knowledge were recognized as the most critical success factors in Latin America.

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Latinalaista Amerikkaa pidetään yhtenä maailman potentiaalisimmista kehittyvistä markkinoista, jonne monikansalliset yritykset koittavat jatkuvasti laajentaa liiketoiminnan eri osa-alueitaan. Alueen suuresta markkinakoosta ja potentiaalista huolimatta ulkomaiset elektronisen kaupankäynnin yritykset eivät ole onnistuneet laajentumaan Latinalaiseen Amerikkaan odotetulla tavalla. Tämän diplomityön tavoitteena on löytää päätekijät, joilla voidaan selittää menestyksekkäästi toimivien ulkomaisten verkkokauppojen vähäistä määrää Latinalaisessa Amerikassa.

Tämän työn teoreettinen osa koostuu kirjallisuudesta, joka käsittelee kansainvälistä verkkokaupankäyntiä sekä verkkokaupankäynnin yritysten kansainvälistymistä. Työn kokeellisessa osuudessa hyödynnettiin menetelmätriangulaatiota, jossa yhdistyivät kysely-menetelmä, tapaustutkimus sekä kirjallisuuskatsaus. Työn primääridata kerättiin verkkokyselyn avulla (n=101), ja sekundääridata kerättiin kirjallisuutta hyödyntäen.

Työn tulokset paljastivat Latinalaisen Amerikan kärsivän hyvin samanlaisista elektronisen kaupankäynnin ongelmista muiden kehittyvien markkinoiden kanssa. Merkittävimpinä esteinä menestykselle nähtiin puutteelliset infrastruktuurit, epäsuosiolliset säännökset ja poliittiset linjaukset, sekä yleinen luottamuksen puute. Kuluttajien luottamuksen saavuttaminen, riittävä määrä teknologisia ja rahallisia resursseja palveluiden kehittämiseen, sekä vahva markkinatuntemus nähtiin kriittisimpinä menestystekijöinä Latinalaisessa Amerikassa.

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LIST OF ABBREVIATIONS

<i>APAC</i>	- Asia-Pacific
<i>APEC</i>	- Asia-Pacific Economic Cooperation
<i>B2B</i>	- Business to business
<i>B2C</i>	- Business to customer
<i>B2G</i>	- Business to government
<i>BRIC-countries</i>	- Brazil, Russia, India and China
<i>C2C</i>	- Customer to customer
<i>CRM</i>	- Customer relationship management
<i>CSF</i>	- Critical success factor
<i>E-commerce</i>	- Electronic commerce
<i>E-environment</i>	- Electronic environment
<i>EMEA</i>	- Europe, the Middle East and Africa
<i>EU</i>	- European Union
<i>FDI</i>	- Foreign direct investment
<i>G2P</i>	- Government to public
<i>GDP</i>	- Gross domestic product
<i>ICT</i>	- Information and communications technology
<i>IP</i>	- Intellectual Property
<i>IPRI</i>	- International Property Rights Index
<i>IT</i>	- Information technology
<i>LTO</i>	- Long Term Orientation
<i>M-commerce</i>	- Mobile commerce
<i>MNE</i>	- Multinational Enterprise
<i>OLI advantages</i>	- Ownership, Location, Internalization advantages
<i>R&D</i>	- Research and Development
<i>SME</i>	- Small and Medium-sized Enterprise
<i>WTO</i>	- World Trade Organization

1 INTRODUCTION

Internet is widely considered as the new channel of sales, which allows organizations to internationalize their operations sooner and faster, due to the disappearance of geographical boundaries and reduced number of intermediaries. Internet also reduces the social and political boundaries while expanding the global markets. (Ibarra et al. 2015) Especially online retail has taken on the role as a serious competitor against traditional offline retailing, by providing more convenient and less time-consuming way of shopping. The existing barriers to online shopping can be overcome in the near future as the Internet will continue its progressive development. (Heinemann and Schwarzl 2010)

The most successful online retailers have been able to create fully integrated multichannel systems, which have included reliable delivery services and integrated payment systems, and efficient foundation of sourcing, logistics and marketing activities. In other words, these companies have been agile and extremely lean businesses that have relied more on professional fulfillment providers, instead of building infrastructures. (Heinemann and Schwarzl 2010)

However, e-commerce hasn't been able to expand into Latin American markets with the same volume as it might have been expected (Ibarra et al. 2015). Although Latin America's rising middle class and constantly expanding internet coverage are indicating the region's potential as hugely successful e-commerce market, remains Latin America still widely untapped (Forbes 2016). In January 2016, there were only 4 foreign companies among the top 10 most popular online retailers in Latin America, based on their number of unique visitors. In addition, sovereign industry leader MercadoLibre had nearly as many unique visitors as Amazon sites, Walmart, Alibaba and Apple sites combined. (Statista 2017a)

This master's thesis focuses on finding the reasons behind this phenomenon, where foreign companies are obviously having significant problems in their internationalization to Latin America.

1.1 Background of the research

While e-commerce is not exactly a brand-new way of doing business, it can still be viewed as a relatively new concept for most people (Oliveira et al. 2017). The recent literature provides several studies from e-commerce adoption in developing countries, and also from internationalization strategies in e-commerce. However, there are few major shortages in the existing literature, primarily related to the scarcity of research on Latin America (Aguilera et al. 2017).

Firstly, there is a lack of existing literature regarding how e-commerce companies internationalize their operations in Latin America. Secondly, there is a lack of existing literature explaining why the foreign e-commerce companies have been struggling in Latin American market more than in Europe. Thirdly, recent literature has focused on studying internationalization in e-commerce as a process, which has been proved to be accurate when entering geographically nearby markets. However, Dunning's eclectic paradigm has been proved to be useful in many studies focusing on traditional offline businesses, when examining internationalization of companies who are entering geographically distant markets due to location-specific purposes. In addition, since large portion of e-commerce companies are coming from regions such as Asia or Europe, which are located far from Latin America, would eclectic paradigm with its OLI advantages provide convenient and simple framework for companies seeking internationalization.

Internationalization process, also known as Uppsala model, is one of the most used internationalization theories in recent e-commerce studies. As was mentioned prior, basic assumption in Uppsala model is that companies are internationalizing their operations gradually and that internationalization can be seen as long-term process. Schu and Morschett (2017) utilized theory of Uppsala model in their research which focused on identifying the factors that influence the foreign market selection of online retailers, while Tolstoy et al. (2016) found similarities between slow incremental growth described in Uppsala model and the expansion of retail companies' due to the development of e-commerce. In addition, internationalization process of Uppsala model was also strongly covered in the study of Grochal-

Brejdek and Szymura-Tyc (2013), who explored the internationalization modes of Polish e-commerce companies in their research, and in the study of Wang and Ngoasong (2012), who applied the business network internationalization process model to demonstrate how Chinese SMEs can adopt e-commerce to internationalize their businesses.

Only few recent e-commerce studies have focused on identifying OLI advantages of companies, who are seeking internationalization. One of few studies was conducted by Agarwal and Wu (2015), who utilized eclectic paradigm when examining factors that were influencing the growth potential of e-commerce in emerging markets. However, as was mentioned before, eclectic paradigm has been used in several recent business studies in traditional offline business, which have been indicating the usability of eclectic paradigm also in studies related to e-commerce. For example, Carnevale et al. (2017) focused on identifying the most important OLI assets for the performance of multinational companies across different countries, and implicated that OLI framework is still valid tool for internationalization studies. Then again, Batalla (2016) went further and utilized eclectic paradigm when studying internationalization of Spanish multinational companies, while trying to find out main factors that motivate these companies to internationalize through foreign direct investments into new markets. More recently, Driffield et al. (2017) studied offshoring activities of European service multinational companies, by using eclectic paradigm. It was discovered that OLI advantages are especially important in information intensive sectors, such as e-commerce, where companies are willing to protect their intellectual properties with specific desire when expanding into new markets.

After considering existing studies and shortages in the literature, the eclectic paradigm was considered to be more suitable in fulfilling the purposes of this study than Uppsala model, when examining the internationalization of foreign e-commerce companies in Latin America.

1.2 Research questions, objectives and delimitations

This thesis aims to find out the main reasons, which can explain the low number of foreign e-commerce companies operating successfully in Latin America, despite of region's market size and potential. In order to understand this phenomenon, three different aspects are analyzed. It is important to identify the main barriers that can prevent companies from internationalizing their operations successfully in Latin American e-commerce markets. After identifying the main barriers by analyzing the market, it is essential to find out the critical success factors that e-commerce companies are required to possess to overcome the barriers. Finally, distinctive features of Latin American e-commerce markets will be assessed, by conducting a survey to Latin American consumers. The research questions and objectives of this thesis are presented in table 1.

Table 1 Research questions and objectives

RESEARCH QUESTIONS	OBJECTIVES
<p>What reasons can explain the lack of foreign e-commerce companies operating successfully in Latin America?</p> <p>a. What are the main barriers to internationalization of e-commerce companies in Latin America?</p> <p>b. What are the critical success factors that must be utilized to overcome the identified barriers in Latin America?</p> <p>c. How does consumer behavior explain the distinctive features of Latin American e-commerce markets?</p>	<p>Identify the explanatory factors behind low number of foreign e-commerce companies operating in Latin American e-commerce markets.</p>

It is required to make certain limitations and generalizations in this study. Main focus in this thesis is on business to customer markets (B2C) in e-commerce. However, other business areas such as customer to customer (C2C), business to

business (B2B), business to governments (B2G) or government to public (G2P) are not in the main focus of the study. In addition, only limited number of Latin American markets are analyzed due to resource limitations. Selection process of these markets are presented in following subsection 1.3.

1.3 Market selection

This section describes the selection process of Latin American markets that are going to be analyzed in this thesis. This thesis is not going to analyze all 20 Latin American countries, but instead will focus on five most potential markets. In order to identify these markets, it was decided to use four different indicators that will provide comprehensive information of the market potential of each country. These indicators were market population, gross domestic product per capita, ease of doing business, and fixed broadbands per 100 inhabitants.

Market population was considered to be important indicator, since the size of a market is one of the main drivers for companies to internationalize their operations into that specific market. Then again, GDP per capita provides valuable information of the economical situation amongst local consumers. Ease of doing business is important indicator for companies who are planning for market entry, as it shows how business-friendly regulations the specific market is providing for the companies. In addition, number of fixed broadbands per 100 inhabitants was seen as important indicator, since the lack of Internet decreases the number of potential online shoppers. Figure 1 presents the flowchart of market selection process.

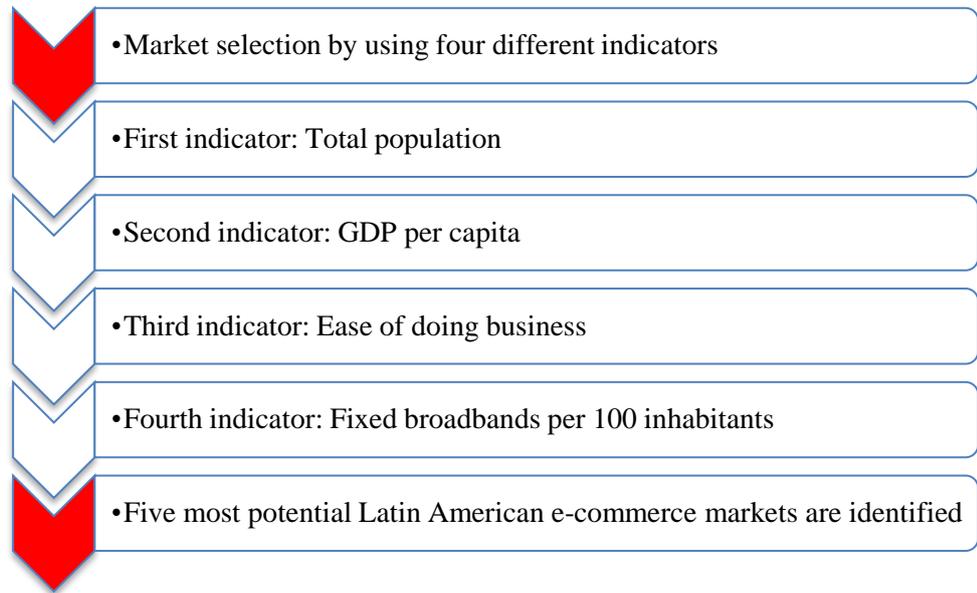


Figure 1 Market selection process

Since the ultimate goal was to select five most potential countries, it was decided that only eight most populated countries in Latin America would be included in this comparison. Figure 2 presents the eight most populated countries in Latin America, who proceeded to next comparisons.

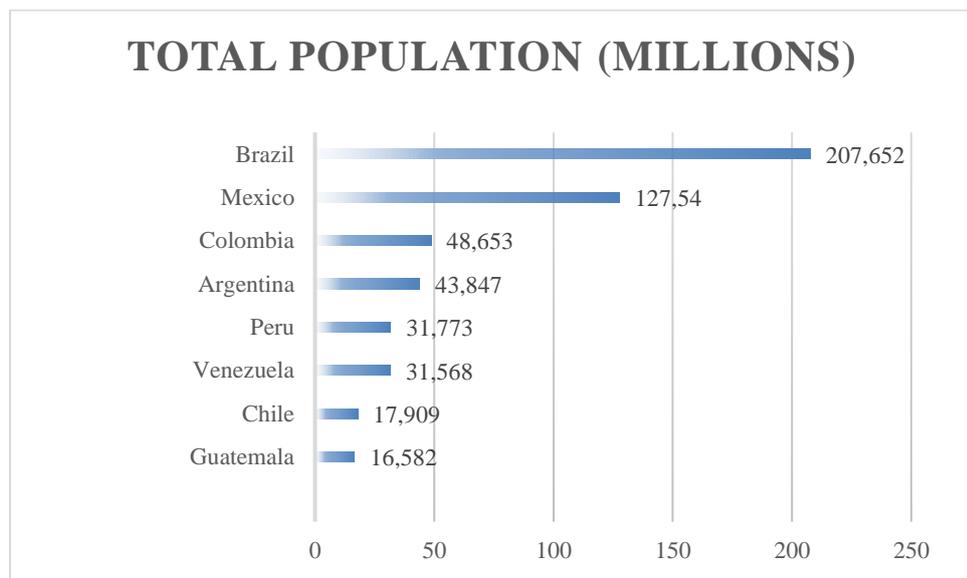


Figure 2 Most populated countries in Latin America (The World Bank 2017)

After eliminating less populated countries from the study, remaining markets were measured by using chosen four indicators. It was decided that all indicators were evaluated equally, in order to make the market selection process as simple and fair as possible. All countries were rated from 1 to 8 per indicator, based on how each country was performing against other countries. Table 2 illustrates how each country performed in the evaluation. According to this evaluation, selected countries that will be analyzed in this study were Argentina, Brazil, Chile, Colombia and Mexico.

Table 2 Identifying most potential markets in Latin America (adapted The World Bank 2017)

	Total population (in millions)	GDP per capita US\$	Ease of doing business	Fixed broadband per 100 inhabitants	Average ranking
<i>Argentina</i>	43,847	12449	116	16,94	3,25
<i>Brazil</i>	207,652	8649	123	12,97	3,5
<i>Chile</i>	17,909	13792	57	15,97	3,5
<i>Colombia</i>	48,653	5805	53	11,8	4,25
<i>Guatemala</i>	16,582	4146,7	88	3,04	7,25
<i>Mexico</i>	127,54	8201,3	47	12,67	2,75
<i>Peru</i>	31,773	6045,7	54	6,72	5,25
<i>Venezuela</i>	31,568	7490	187	8,23	6,25

1.4 Structure of the thesis

This thesis consists of two main sections which are literature review and qualitative methods implemented research area. Following chapter describes overall research structure of the thesis and provides brief summary of the research content.

In chapter one, an introduction of the thesis is presented. The chapter introduces the background and guidelines of this study, while also presenting research questions and objectives of this thesis. Finally, the structure of the report is explained. The first chapter provides the overall concepts of this thesis.

In chapter two, the existing literature of internationalization in e-commerce business is being examined, in order to gain holistic understanding of the concept. In the first subsection, the general concept of e-commerce is presented. This is followed by the presentations of eclectic paradigm and market entry modes. In addition, evaluation of market attractiveness and localization in e-commerce are covered in the final subsections.

In chapter three, factors affecting international e-commerce are presented. This chapter introduces the main barriers and environmental factors to e-commerce that have been recognized in the recent literature. This is followed by the general concept of critical success factors in e-commerce, and finally the concept of consumer preferences towards e-commerce is presented.

In chapter four, the methodology of the study is presented. At first, the research approach and philosophy of the thesis are presented. These are followed by the presentation of data collection procedures and selection criteria of the study. The main purpose of this chapter is to introduce the used research methods, and to justify the decisions and limitations of the study more closely.

In chapter five, the e-commerce environment of Latin America is analyzed by utilizing the theoretical background, which was presented in chapter three.

In chapter six, a case study involving two leading e-commerce companies in Latin America is presented. Both companies are first presented on a general level, and after this their OLI advantages and entry methods are presented and analyzed.

In chapter seven, the online consumer behavior survey and its results are presented.

In chapter eight, the results of environmental analysis, case study and online survey are presented and analyzed.

In chapter nine, a comprehensive summary of the entire thesis is given, while this chapter also provides answers to all research questions. In addition, research limitations and future research recommendations are being discussed.

The structure of the thesis is presented in figure 3, which includes an overview of the chapters and descriptions of the inputs and outputs of each sections.

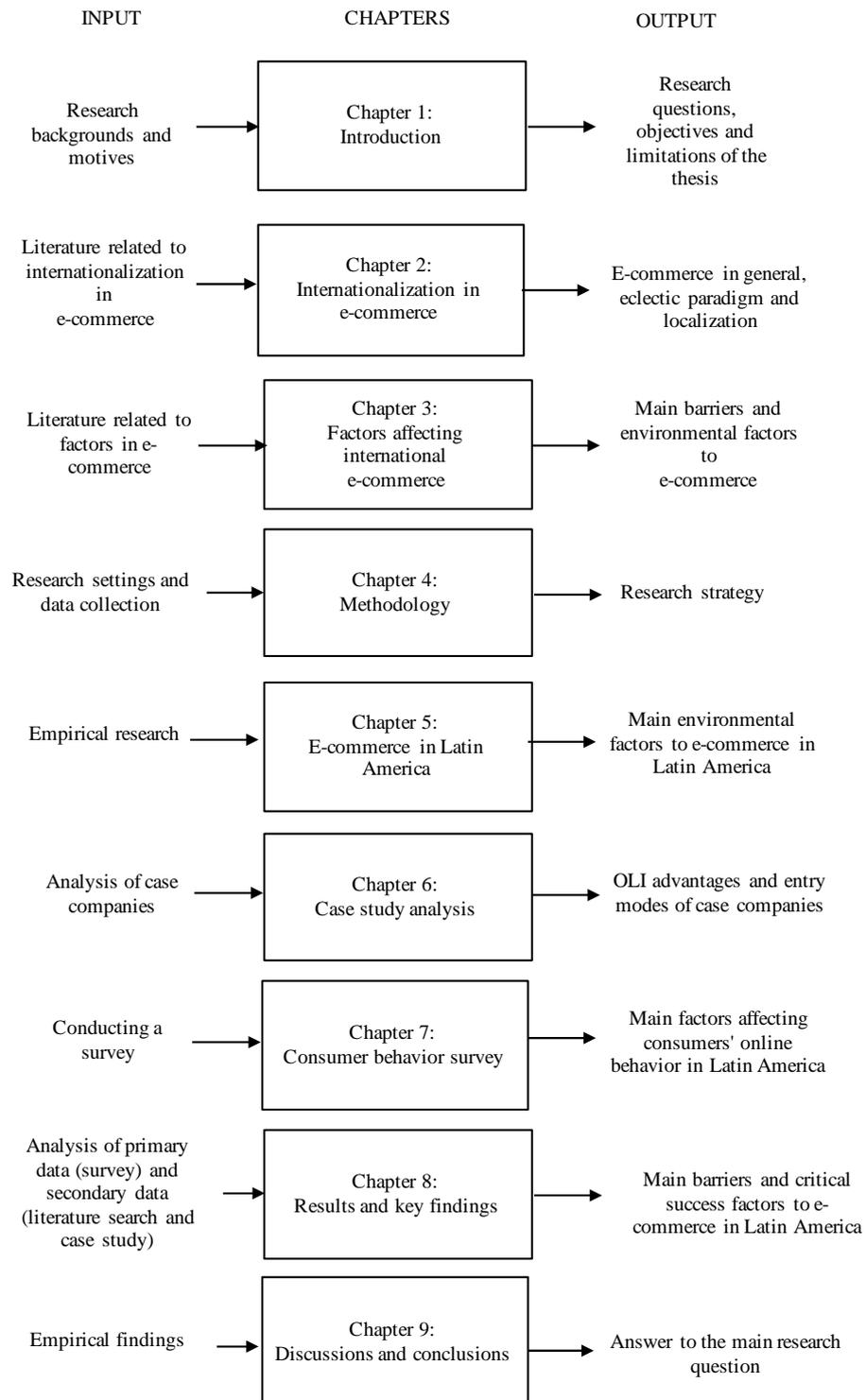


Figure 3. The structure of the thesis

2 INTERNATIONALIZATION IN E-COMMERCE

In this thesis, the eclectic paradigm represents the traditional theory of internationalization. This chapter presents the e-commerce adaptation of the eclectic paradigm, different entry modes in global e-commerce, frameworks to measure market attractiveness, and also the importance of localization in global e-commerce.

2.1 E-commerce in general

E-commerce portrays the process of selling and buying, or exchanging products, services and information through computer networks (Turban and King 2003, 3).

To be more specific, OECD has defined (2011) e-commerce as "transaction for the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders".

Although the goods or services are ordered by specifically designed methods, the payment and delivery can be conducted offline as well. E-commerce transaction can be between households, individuals, organizations, governments, and enterprises. (OECD 2011) E-commerce technologies also enable the companies to gain significant increases in productivity and cost savings, when applied to B2B relations (Savrul et al. 2014).

The term e-commerce was introduced in the early 1990s, when the Internet started to become commercialized. In 1999, e-commerce began to shift from B2C to B2B, and later from B2B to other areas of e-business, such as m-commerce and e-learning. This change has mainly been based on the growing power of social networks, which have also increased the commercial activities in social commerce channels. The changing business environment has indeed been a major driver of e-commerce, because of the technological breakthroughs, globalization, societal changes and deregulation. Companies are constantly required to respond to these changes, by frequently innovating and reengineering their operations. (Turban et al. 2015)

Figure 4 illustrates how Internet-based channels are either supplementing or replacing traditional channels at every step across the seller-to-buyer relationship. At the step of information gathering, e-commerce can make information available to a large number of consumers via the web, by utilizing inexpensive solutions such as social networking platforms, which complement or even replace traditional communication channels. At the steps of agreement and transaction, e-commerce can offer additional cost saving solutions, as the need for investments are decreased in physical infrastructures and in labour resources. Significant savings can also be achieved at the delivery phase, with specialised e-fulfillment services or on-line delivery in case of digital products. (OECD 2013)

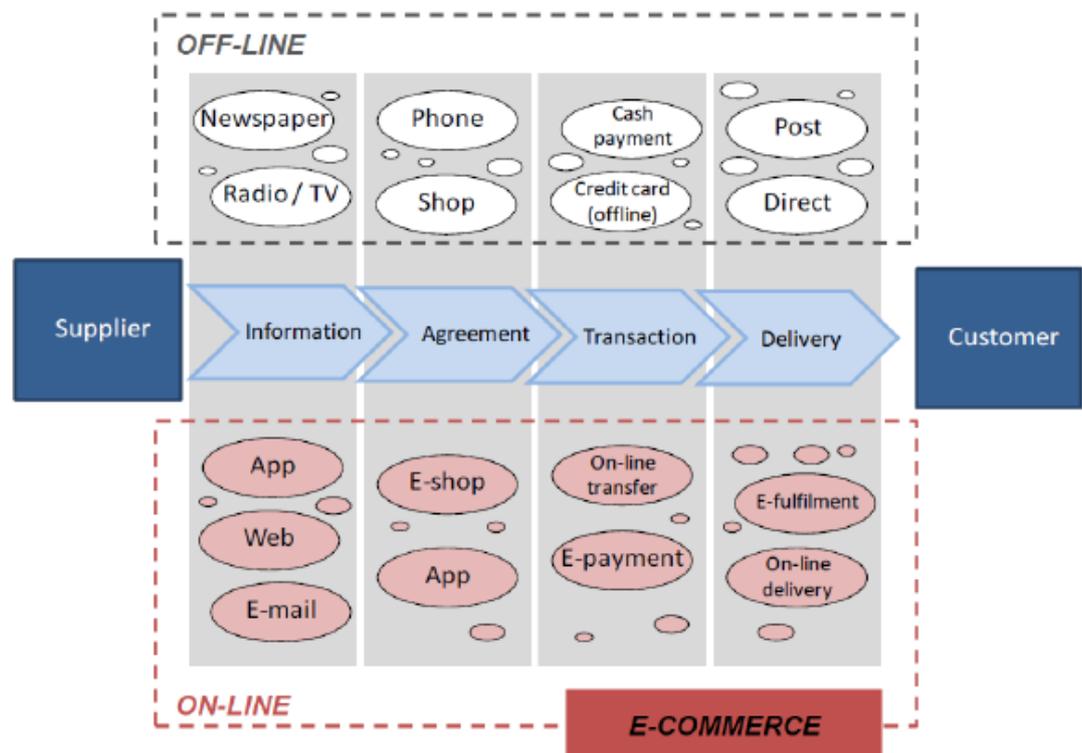


Figure 4. Seller-to-buyer relationship in traditional and Internet-based channels (OECD 2013)

In most cases, e-commerce is conducted in e-marketplace, which is an online location or electronic space to sell and buy goods and services. E-marketplaces create economic value for the users, including market intermediaries and the whole

society. The emergence of e-marketplaces has enabled several improvements that have changed the processes used in trading and supply chains. These include such changes as reduced information misunderstanding, lower search time for information, and the ability to conduct transactions at any time from any place. (Turban et al. 2015)

The online purchasing process in e-marketplace is illustrated in figure 5. To capture the customer's interest, the marketplace needs to provide competitive pricing, it needs to be visually attractive, and easy to use. Even if these conditions are met, security and privacy of the marketplace must be in sufficient level. One of the main factors is the language of the e-marketplace, since the customer wants to know the conditions and information concerning the purchasing process. Even if the customer has agreed to purchase something, there must be broad selection of payments and shipping methods, where the customer can choose the most convenient one. Finally, even after the purchase process is over, the customer needs must to be satisfied by providing quality after-sales services. Customer loyalty can only be gained by retaining customer's trust and interest towards the marketplace. (Turban et al. 2015)

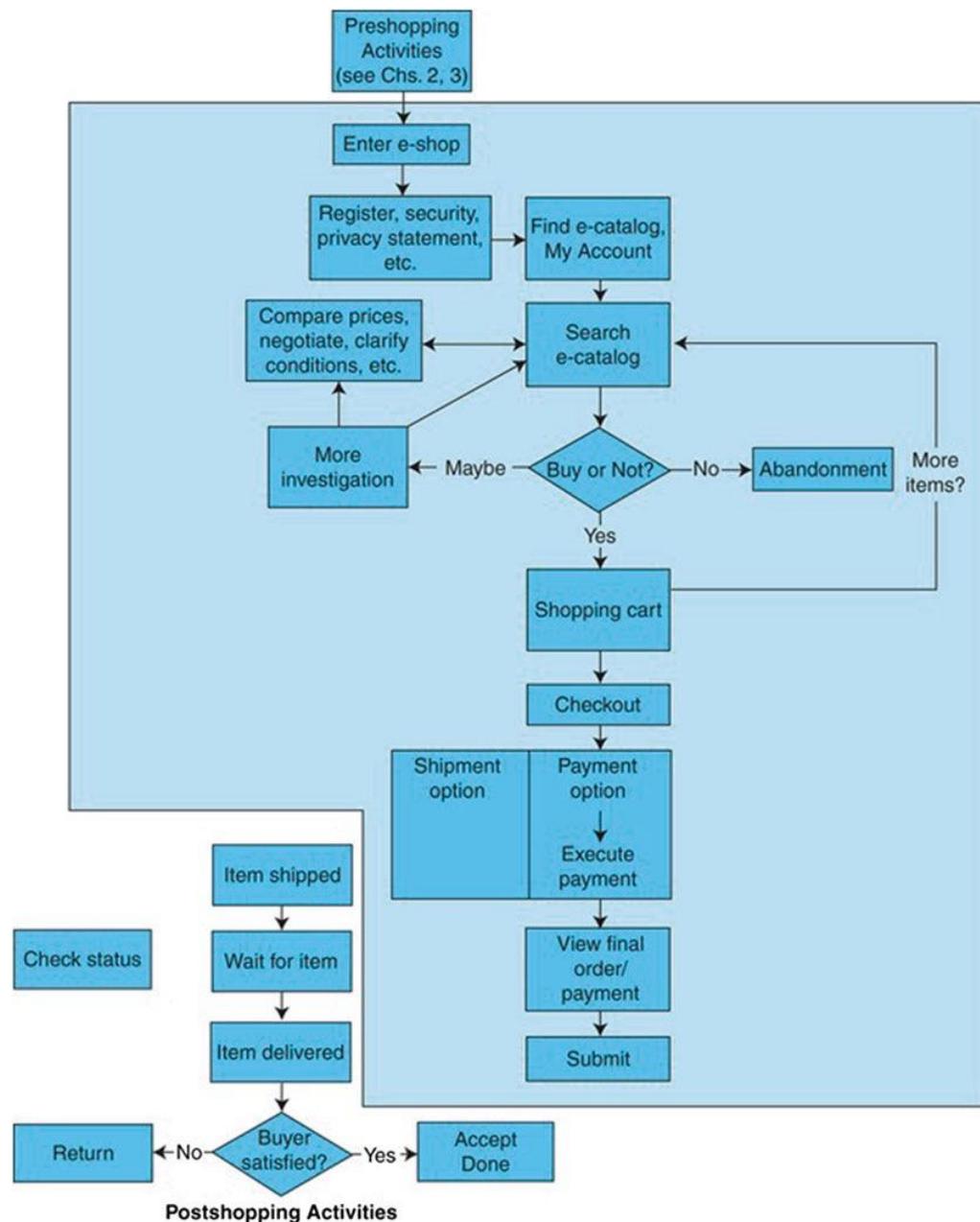


Figure 5 The online purchasing process (Turban et al. 2015)

According to Nejadirani et al. (2011), e-commerce can offer numerous potential benefits to companies, who are not only willing to adopt e-commerce into their business, but have also the patience to make comprehensive implementation plan and strategy. E-commerce offers following potential benefits to SMEs (small and medium-sized enterprises) and large businesses:

- Unmatched savings in terms of transaction costs
- The reduction of cost in advertising and promotion
- Fast communication between buyer and seller
- Companies can shorten their traditional supply chains, minimize transport barriers and reduce delivery costs
- Physical limitations of time and space are removed. (Nejadirani et al. 2011)

2.2 Internationalization and eclectic paradigm

Companies have multiple motives behind international expansion, while some of these are more strategic in nature and others more reactive (Cavusgil et al. 2012, 52). Dunning and Lundan (2008, 67-68) have identified four main motives for multinational enterprises (MNEs) to seek internationalization: 1) resource seeking to access productive factors in more advantageous conditions, 2) market seeking to enter new market and increasing the number of potential clients, 3) efficiency seeking to make the company more productive, and 4) strategic asset seeking to develop the competences and capabilities of the company. The motives for internationalization can also change, when company establishes its position as an experienced foreign investor.

Most MNEs expand their operations in a hope of accessing new markets, but as they increase their degree of multinationality, they can focus on improving their global market position by increasing their efficiency or by accessing new sources of competitive advantage (Dunning and Lundan 2008, 67-68). According to Dunning and Wymbs (2001), resource seeking investments are focused on acquiring marketing expertise in culturally diverse countries through joint ventures and alliances, while strategic asset seeking investments are implemented through mergers and acquisitions. The network-centric business seems to encourage acquisitions to reduce the number of competitors while also increasing first mover advantage.

Companies seeking internationalization can also suffer from liability of foreignness, which relates to foreign status of the companies, who are suffering

from the lack of local knowledge and struggle with local legislation. Some companies have succeeded to overcome the liability of foreignness by forming strategic alliances with local companies in target market, others have simply outsourced their operations or exported from their home country. Another approach is to acquire a local company and utilize the local business knowledge of the company. The liability of foreignness can be decreased with successful internationalization efforts and by accumulating knowledge. (Singh 2012)

The eclectic paradigm, also known as OLI paradigm, is an internationalization theory developed by John Dunning, which tries to explain the different forms of internationalization and the decision-making process behind foreign direct investments (FDI). According to eclectic paradigm, the company's international growth and market entry mode can be seen as dependent on three sets of advantages: ownership-specific (O), location-specific (L), and internalization-specific (I). (Eden and Dai 2010) Singh and Kundu (2002) have also argued about the existence of network-based advantages (N), which include electronic brokerages and network economics, when talking about internationalization of e-commerce companies. However, the N-OLI framework doesn't explain the role of institutions in the context of emerging economies, which often suffer from institutional voids at varying degrees (Agarwal and Wu 2015). Therefore, this thesis focuses on the traditional OLI-framework.

Dunning has stated (1981) that there are three basic forms of internationalization: licensing, export and FDI. As can be seen from table 3, the company is required to hold at least ownership advantages in order to internationalize through licensing. Then again, if the company also has internalization advantages, it can invest more capital by exporting. If the company also holds the locational advantage, it can choose FDI through acquisitions, mergers or greenfield investments. If the company doesn't possess any of these advantages, it should stay in domestic market. Entry modes have been presented more comprehensively in chapter 2.3.

Table 3 Advantages and entry modes (Adapted Dunning 1981)

		Type of advantage		
		Ownership	Location	Internalization
Mode of entry	Licensing	Yes	No	No
	Export	Yes	No	Yes
	FDI	Yes	Yes	Yes

Although researchers such as Cavusgil et al. have stated (2012, 199) that the eclectic paradigm is one of the most comprehensive theories of FDI, it has also faced a lot of criticism. Batalla (2015) has gathered five main criticisms that the eclectic paradigm has received from researchers:

- 1) the eclectic paradigm doesn't take into account the role of the managers,
- 2) it can be considered too static to manage the dynamic evolution of multinational companies,
- 3) it pays too much importance to ownership advantages,
- 4) it limits the interaction between the environmental policies and companies that are managed by business strategy,
- 5) it doesn't consider the influences that institutions have on the company.

Following subsections concentrate on OLI-advantages and how they can be utilized in e-commerce business.

2.2.1 Ownership-specific advantages in e-commerce

According to Dunning (1980), companies are required to possess certain ownership-specific advantages in their home countries, assets which their competitors don't possess, before they are able to make successful entry to new market. Another definition has been made by Cavusgil et al. (2012, 199), who argued that multinational enterprises are required to possess ownership-specific advantages that are relative to other companies, which are already doing business in the market. Companies are more likely to succeed, if they possess greater competitive advantage than their competitors in the target market (Dunning 2000), and ownership-specific advantages can be considered as company characteristics that are parallel to competitive advantages (Hashai and Buckley 2014).

Ownership advantages are described as firm specific, which should be hard to imitate by other companies. For example, trademarks, brand names, technology, managerial skills and economies of scale are examples of ownership-specific advantages. These advantages also include knowledge, skills, capabilities, key relationships and other mainly intangible assets which will increase the competitiveness of the company. (Cavusgil et al. 2012, 199) Other important advantages consist of complementary asset advantages of common governance and advantages arising due to multinationality, since some of the ownership advantages can be transferred across national boundaries (Dunning and Wymbs 2001). However, the distinction between ownership advantages and other advantages can sometimes be difficult to make. For example, many location-specific advantages are transformed into ownership-specific advantages, once the company has gained access on them. (Rugman 2010) For this reason, it is necessary to describe the characteristics of ownership advantages in e-commerce environment, in order to separate them from location advantages.

Singh and Kundu (2002) suggested that there are four categories of ownership advantages that are affecting the growth of e-commerce companies: web site-based, knowledge-based, innovation-based, and intangible asset advantages. Web site-based advantages consist of factors that attract and retain customers online, while knowledge-based advantages consist of utilization of web metrics to identify customer preferences. (Singh and Kundu 2002) The development of technology in the information age has broadened the boundaries of ownership advantages, and emphasized the importance of innovation-based advantages. In modern information age, these advantages not only contain capabilities that companies are possessing themselves directly, but they also include capabilities or resources that can be accessed externally through different networks. (Alcácer et al. 2016)

The e-commerce has changed the scope of the core competences of companies. Especially in emerging economies, technological innovations and entrepreneurial activities have led to the faster growth of e-commerce, because of the high competition and positive knowledge spillovers to local companies (Agarwal and Wu 2015). In e-commerce, one of the major intangible ownership advantages that

company can possess, are Intellectual properties (IP). IPs consist of assets, such as inventions and ideas, and they are protected by patents, copyrights and trademarks. (Turban et al. 2015, 694). Companies can also gain ownership-specific advantage simply by protecting their IPs. The weaker the local IP protection regimes, the more likely the local companies are trying to learn new technologies by imitating foreign companies, instead of discovering them through R&D. (Agarwal and Wu 2015)

2.2.2 Location-specific advantages in e-commerce

Presence of location-specific advantages is the second condition determining if the company should internationalize via FDI or not. Location-specific advantages are market- and country-specific factors that are available to all companies operating in that specific market, while some companies can utilize these advantages more efficiently than their competitors in the market. These advantages include such factors as market size and potential, available resources, and skilled labour. (Cavusgil et al. 2012, 199-200; Dunning and Lundan 2008, 101-102) If the conditions concerning ownership advantage are satisfied, the target market must provide such locational advantage that makes it profitable for the company to launch full venture through FDI (Dunning 1979).

Unlike ownership advantages and internalization advantages, location-specific advantages can be influenced by the host country's government policy. MNEs are not interested in making FDIs to countries, where location specific factors are negatively affecting to the achievement of long-term business interests of the company. Favorable investment environment consists of political and macroeconomic stability, where host country has open-minded attitude towards FDIs. (Petrovic-Randelovic et al. 2013) Then again, unfavorable regulations combined with political hazards will slow down the growth rate of e-commerce in the target market. However, MNEs can diminish the effects of political instability, by forming alliances and connections with host-country governments. (Agarwal and Wu 2015)

The study of Ramirez-Aleson and Fleta-Asin (2016) pointed out that the importance of location factors differs, when countries are at the different stages in economic development. For example, the market size is more important factor in economically less developed countries, while qualified and efficient labor forces become more important factors in developed countries. In addition, Alcácer et al. (2016) stated that global cities have significant locational role for MNEs to overcome the complexity costs in foreign markets, which are being created by uncertainty, distance and reduced legitimacy. Global cities have high connectivity to both local and global markets, which attracts market-seeking companies to locate into these cities, while efficiency- and asset-seeking companies with production activities prefer to locate outside of global cities. (Alcácer et al. 2016)

Although e-commerce companies have limited amount offline presence, they can still gain locational advantage. Companies can gain competitive advantages from the social capital invested in the local networks, for example by gaining innovative ideas and technological competencies, enhance the accessibility of web site location, and also by utilizing web site interactivity. (Singh and Kundu 2002) Location-specific advantages for e-commerce companies can also arise from increased access to international online markets without trade barriers, and from more comprehensive government policies. Especially the level of IPR protection can be the decisive factor for the e-commerce companies to invest or not to invest in the market. From consumers' point of view, the insufficient consumer protection can form a great barrier to conduct e-commerce transactions. The development of infrastructures, such as distribution systems, telecommunications and financial networks, play also an important role in the potential customer reach in target market. (Agarwal and Wu 2015) In addition, MNEs in e-commerce business will hurt their other competitive advantages as well, if they fail to recognize the requirements and conditions of the host country (Zeng and Glaister 2015).

2.2.3 Internalization-specific advantages in e-commerce

According to Hashai and Buckley (2014), there must be an advantage of internalization if the company decides to keep its key assets instead of selling or

leasing them to other companies. These assets include foreign-based manufacturing, distribution, and other stages in the company's value chain (Cavusgil et al. 2012, 200). It should be profitable for the company to utilize its ownership and locational advantages outside its home country, as otherwise foreign markets would be served by exports and domestic markets by domestic production (Dunning 1979; Hashai and Buckley 2014).

Internalization advantages also arise from minimization of transaction and opportunity costs, when entering into different markets (Brouthers et al. 2009). By internalizing its operations, the company can avoid costs of broken contracts, costs of moral hazard and information asymmetries, and can also avoid the costs related to search and negotiations with business partners. However, information asymmetry isn't as important factor in e-commerce as it is in offline business, because the internet has increased the available information to all parties for informed market decisions. Internet has also provided solutions, such as online auctions, for internalization problems concerning bounded rationality. (Dunning and Wymbs 2001) Then again, companies can also seek benefits from innovating production or marketing scope economies through mergers and acquisitions, while increasing their market power (Dunning 2000). Ultimately, the decision concerning FDI should be made by comparing the advantages and disadvantages of internalization versus utilizing external partners, such as licensees, distributors or suppliers (Cavusgil et al. 2012, 200).

According to Agarwal and Wu (2015), companies can gain competitive advantage in e-commerce business through internalization of vertical or horizontal activities. Then again, Turban et al. suggested (2015, 617) that e-commerce companies can also gain an access to new technologies without consuming too much resources, by outsourcing their R&D. However, it should be noted that lack of experience with outsourcing and negotiating contracts in the new culture, can create risks that mitigate the potential advantages of outsourcing to minimum. Through internalization, e-commerce companies are able to bypass dealers and other intermediaries, which also reduces such risks as intermediary going out of business. (Turban et al. 2015, 617)

2.3 Market entry modes

According to Root (1994, 3), there are three different rules for entry mode selection that can be utilized when deciding the right entry mode: the naive rule, the pragmatic rule, and the strategy rule. By following the naive rule, the company uses the same market entry mode for all foreign markets, while completely ignoring the changing entry conditions and the heterogeneity of country markets. The company also tries to choose target market based on their entry mode, rather than choosing the market with most sales potential. Then again by following the pragmatic rule, the company uses a workable entry mode for each target market, which by any means is not the best possible choice but at least minimizes the risk of choosing completely wrong mode. Finally, when the company decides to use the right entry mode for each target market, it is implementing the strategy rule. This rule is much more difficult and time-consuming to follow than the pragmatic rule, but it also helps managers to make better entry decisions. (Root 1994, 3)

When choosing the right market entry mode in e-commerce, there are several steps that need to be taken. First step is to conduct comprehensive market research and competitor analysis on the target market. Important aspects are finding out the growth and size of each market, number of active online users, growth of online spending, and also the share of online sales compared to total retail sales. Next step is to size company's opportunity. One way to do this is to analyze company's conversion rate, which consists of the percentage of website visitors who perform a desirable action (Marketingterms 2017), and another way is to analyse the share of online retail from total market share. Third step is to determine e-commerce technology requirements. This includes customizing and localizing the website content for local markets, in order to achieve better online customer experiences and also to drive online traffic to company's website. Final step is to consider logistics, customs duties and legal frameworks, and to find out how the requirements change in each target market. (Speccommerce 2015)

After evaluating its capabilities and supply chain power, the company needs to decide how to enter the proper e-marketplace. Rohm et al. (2004) have developed

a simple framework, which can be utilized when making entry decisions. This framework can be seen in figure 6, and it contains four different options for the company, depending on IT capabilities and supply chain power of the company: choosing intermediary, launching portal, joining existing marketplace, and building private marketplace. When developing their own e-commerce capabilities, companies face the challenge of acquiring the systems and technical proficiency that are required for online interaction. Then again, it is easier for the companies with prior experience in e-commerce to overcome the organizational, cultural and political hurdles when developing required capabilities. The framework is especially useful in emerging e-commerce markets such as Latin America, where companies are trying to position themselves competitively in constantly changing economic and political environment. (Rohm et al. 2004)

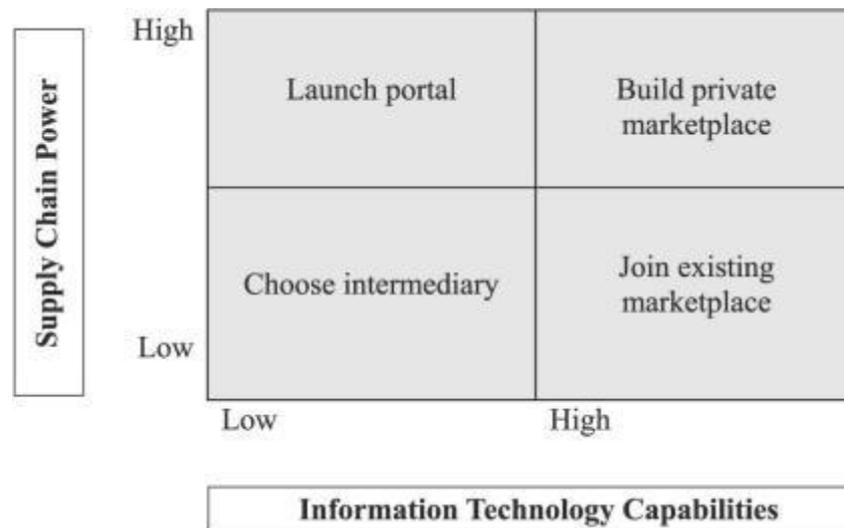


Figure 6 A decision framework for e-commerce (Rohm et al. 2004)

Companies shouldn't rely too much on prior success, although it might be tempting to use the same successful entry strategy when expanding international operations in new markets. The importance of localization and understanding cultural differences can be critical factors separating successful businesses from failures. The choice of right entry mode can also be influenced by the amount of available resources reserved for the expansion. (Ofili 2016)

Following subsections present three entry modes from eclectic paradigm: licencing, export, and foreign direct investment.

2.3.1 Licensing

Licensing is part of contractual entry modes, which differ quite much from exporting and foreign direct investment. In licensing, the company loans or sells its technology, patents or copyrights in return for a fee or royalty. While this entry mode doesn't require direct investment from a company who would like to enter international markets, the company still has potential risk of losing proprietary knowledge to the partner, who might utilize the learned information to build their own technology instead of renewing the licensing agreement. (Singh 2012)

2.3.2 Export

In indirect exporting companies with less international experience can utilize a third-party as a foreign intermediary, who not only has required market knowledge but also has the right connections to make a successful market entry (Singh 2012). This entry method is usually the easiest to implement as it only requires an addition of international shipping to an existing domestic website, while enabling the retailer to learn about demand patterns in new markets. However, as this method makes market penetration really difficult without investments in a marketing campaign, it should only be considered as an introduction in international e-commerce markets. (Deloitte 2014) Third-party can be an export management company, which offering can range from logistics services to providing full global multichannel e-commerce solutions, or an export agent that only specialises in one market and provides limited services (Singh 2012).

In direct exporting, the company doesn't have to spend time on finding foreign distributors or sales agents, as the internet provides direct access to target market. The company can either export directly or simply use its own foreign intermediaries in target market, who will then sell company's products through their websites while getting a margin based on the selling price of the product. Even though these will help the company to reach its foreign consumers directly and also having a

lower transaction costs, it is sometimes required to have local partners to help managing the operations. (Singh 2012)

2.3.3 Foreign direct investment

Investment entry modes include some sort of ownership in the target country. Joint venture is a popular investment entry mode especially in emerging markets, where local knowledge and participation is essential for a successful business. Joint ventures are partnerships between two or more companies, who share the ownership and control, and who usually represent a local company. This entry mode provides in-depth understanding of marketing and distribution in target market, which not only helps the company to gain international credibility, but also spreads the expansion risks among the partners. (Singh 2012) Having a partnership with an existing retailer in the market can be a huge asset for new retailer, who wants to gain sales and brand awareness in the new market. It is also important to co-operate with a partner who has similar brand positioning with the retailer, as otherwise the partnership can lead on having less control over the brand. (Deloitte 2014)

In an acquisition, the company takes over another existing company, without any partnership or merger. Acquisition is used for gaining rapid growth, but it also can be extremely expensive and hostile approach, if the takeover target is not willing to sell. (Singh 2012) Companies may favor acquisition over greenfield investment, since acquiring an existing company can provide immediate stream of revenue and also access to existing customers and suppliers. Then again, merger is a special type of acquisition, in which two companies combine their assets to form a new, larger company. Companies of similar size are more likely to merge, as integration of their operations can be done on a relatively equal basis. Through mergers companies can increase economies of scale, cost savings and have greater market power. However, cross-border mergers have to face several challenges related to cultural differences and competition policies, which highlights the importance of comprehensive planning and commitment. (Cavusgil et al. 2012, 444-445)

A retailer faces a complex regulatory landscape combined with cultural differences when entering emerging markets, which make them particularly challenging to enter. However, in strategic alliances two or several companies are working together in order to improve each other's strengths and complementing weaknesses. By choosing an established e-commerce player to help with market entry, the company can gain several advantages which otherwise would be extremely hard to achieve. For example, utilizing secure payment systems, existing infrastructure, and ease of driving traffic on the website. (Singh 2012) However, strategic alliances require similar strategic interests between foreign and local business partners, in order to avoid potential brand damages and knowledge leakages to third-parties (Accenture 2011).

Finally, when company conducts direct investment and takes full charge of operations and capital, it is called a wholly owned subsidiary. If the target market has been identified to have a significant demand for the brand and it also has been tested, this entry method can be considered as the most effective entry option. It has the greatest risk level, but also the highest revenue potential, as a retailer is completely in charge of its operations in the target market and can take full advantage of local labor and tax incentives. (Singh 2012)

2.4 Evaluating market attractiveness in e-commerce

Market attractiveness can be measured with several indicators: total market size, GDP growth, growth trends and income distribution, to name a few. It is important to identify the risks and barriers within the target market, while also finding out the opportunities to neutralize competitive threats and to overcome existing entry barriers. (Accenture 2011) Companies also face challenges while competing against other competitors in the market. The level of competitiveness and the attractiveness of the market depends on five different factors: the competitive intensity, competition from foreign and domestic companies, the competitive structure and presence of oligopolies and cartels, competitive political influence, and competitive practices related to pricing, promotion, branding, packaging, distribution and manufacturing. (Singh 2012)

One of the most popular frameworks when evaluating the competitive landscape of the target market, is Porter's five competitive forces. It contains threat of substitute products or services, bargaining power of suppliers, bargaining power of buyers, barriers to entry, and rivalry among existing competitors. Porter (2001) identified multiple ways how Internet influences each of the five competitive forces. Turban et al. (2015) revisited Porter's study and modified it to include impacts of e-commerce on industry competition.

Bargaining power of suppliers: E-procurement has provided to all buyers an equal access to suppliers, as the availability of suppliers and use of online auctions have been increasing. Suppliers are also focusing more on standardized products, which has decreased price differences between different suppliers and lowered the switching costs. Overall, bargaining power of suppliers is low in e-commerce. (Turban et al. 2015)

Bargaining power of customers: With the price comparison engines and social networking, customers are able to gain information and knowledge that reduces their switching costs to zero. Overall, bargaining power of customers is high in e-commerce. (Turban et al. 2015)

Barriers to entry: As start-up and fixed costs are relatively low when starting online businesses, there are constantly new startups appearing to online. The information can be easily accessed and in most cases, it's also very accurate. Brands can also gain good reputations in no time via word of mouth, so overall barriers to entry is low in e-commerce. (Turban et al. 2015)

Threat of substitute products or services: Customers can find substitutive products and services faster and easier, as new services can be developed and launched quickly on a global basis, with significant amount of reviews and recommendations. Overall, threat of substitute products or services is high in e-commerce. (Turban et al. 2015)

Rivalry among existing competitors: There are less localization advantage to be gained, as the number of competitors have constantly been increasing. Major online

retailers, such as Amazon, have reduced the market prices and made the competition even fiercer. It is also relatively easy to gain information from competitors in e-commerce markets. Overall, the rivalry among existing competitors is high in e-commerce. (Turban et al. 2015).

2.5 Localization in e-commerce

In international business, companies try to standardize as much of their products and services as possible. However, at the same time consumers are becoming more demanding and knowledgeable, which increases the competitive advantage that can be gained through localization. According to Grant and Bakhru (2004), the globalization has broadly been recognized as the main driver behind successful business expansions in various markets. However, companies are required to adapt their operations to the specific requirements of national markets, as every market has their own opportunities and threats that needs to be considered. One of the most critical strategic implications of local adaptation is the importance of country-specific resources, such as deep market knowledge, distribution networks, media buyers, and local suppliers.

Lasserre (2012) has identified four factors, which are working against globalization: cultural factors, commercial factors, technical factors, and legal factors. Global standardization is ineffective if the consumption of a product or a service is linked to cultural values, for example traditions and religion. Also, some regions have social codes that prefer personal relationships rather than legal contracts when conducting business, and where time and effort are necessary to build these ties. Although English has become more global language than ever before, there are still plenty of benefits that can be gained by offering services with market-specific language. Finally, country-specific regulations concerning work permits, taxes, customs duties, censorship, and even local content policies, often work against globalization.

Without a wide brand recognition, there isn't much of a success to be expected. In many cases, the whole brand equity needs to be completely reconstructed in a new market, which emphasizes the importance of a well-executed marketing campaign.

Cultural aspects should be considered carefully, when developing localized content for promotion purposes, and also the most effective forms of media can differ from market to market. (Deloitte 2014) According to Lasserre (2012), companies can gain multiple different benefits by choosing localization instead of globalization. Firstly, the company can better understand the customer's value curve, when its operating close to the market. Secondly, the company can better adapt to consumer demand in different dimensions of the marketing mix, and is able to customize its offering. Localization of the company's product mix is crucial, as cultural norms, language, demographics and other factors usually differ from the home market. In order to build brand loyalty in the target market, local needs and preferences should be considered and understood. (Deloitte 2014) Thirdly, companies are able to respond more quickly to specific customers' demands, and by combining all the mentioned benefits together, they can provide valuable competitive advantage in the target market. (Lasserre 2012)

2.5.1 Standardization-differentiation in e-commerce

Grant and Bakhru (2004) argued that one of the most used forms of national differentiation in e-commerce is language, as its an obvious differentiating factor that provides an access to local resources and broadens the potential customer base. However, Singh stated (2012) that language is only one of the various country-specific requirements that should be adapted when launching an international web site. Because of the scarcity of resources companies must find balance between standardization and localization, when developing web content for international markets.

In standardization, the company assumes that all consumer needs are homogenous, and that the need for coordinating local subsidiaries for local marketing strategy is minimized. Then again, there are lot of arguments which emphasizes the importance of localization in marketing, stating that companies must consider global variations in cultures and other peculiarities when determining their marketing mix. Also in worst case scenario, lack of localization strategy can lead to consumer boycotts and sanctions, if the mistake is severe enough. (Singh 2012)

Singh proposed (2012) that the company should take a balanced approach towards the decision, which operations it should centralize or decentralize. Scalable core processes such as global brand management, CRM applications, or security and validation, are capable of generating economies of scope and scale if centralized, while decentralizing processes that benefit from localization. Some of the most important factors that should always be decentralized include customized country-specific website content and services, local advertising and promotion, search engine optimization, and the collection of local market intelligence.

When deciding whether to localize or not, the company must also consider the optimal level of localization. Some countries even require specific content in web site because of the legislation. It should also be decided if it is necessary to translate all the information of the company and hierarchy structure of the head office to all the different languages. Then again, issues related to regulations, consumer behavior, and infrastructure can even prevent companies from performing full-scale e-commerce in a country. (Singh 2012)

It is also important for companies to understand the needs for global integration, while trying to respond to market-specific conditions in individual countries. If the company wants to be able to compete against domestic companies in foreign markets, it needs to succeed in finding a balance between global and local value-chain activities. The main idea in global integration is to standardize products and services as much as possible, so that the company is only required to make minimal adaptations when entering a new market. When value-chain activities have been centralized and operating costs have been minimized, are companies able to utilize economies of scale. Companies emphasizing global integration are mainly competing in a regional or worldwide basis, while country-by-country approach is too challenging because of their lack of adaptation. Then again, local responsiveness drives companies to adjust their practices in order to respond in distinctive needs and conditions in each country. This requires adaptation to local customer requirements, language, culture, regulations, the competitive environment, and the distribution infrastructure. (Cavusgil et al. 2012)

2.5.2 Cultural values in e-commerce

Hofstede et al. (2010) have defined culture to be something that is not inherited from parents, but is learned through prevalent social environment. In order to understand different cultures, you need to adapt on the existing situation and respect the rules and beliefs that belongs to that culture. The cultural divide has been diminishing with the increased level of web technologies and social networking, and companies have been able to minimize the effect of cultural distance without having to make any massive investments in market-specific factors. (Singh 2012) Brouthers and Brouthers identified (2001) a cultural distance paradox, where companies tend to invest more time and resources in culturally distant markets to understand them better, while choosing more cooperative entry modes in low investment risk markets.

Geert Hofstede has created a cultural framework, where national culture consists of six dimensions that distinguish countries from each other. The model also allows to compare different cultures with relative country scores (The Hofstede Center 2017a):

- 1) **Power distance:** expresses if the power is distributed equally within the society, and how society handles inequalities among people. Countries with a large degree of power distance accept more hierarchical order, while low power distance strives people to equalize the power distribution. (The Hofstede center 2017a) According to Liao, Proctor and Salvendy (2008), countries with higher power distance are more likely to perceive research data from research organizations with a heigher weighting while making a purchase decision, than countries with low power distance. In addition, customers from countries with high power distance have less trust towards online shopping than customers from countries with low power distance (Yoon 2009).
- 2) **Individualism versus Collectivism:** if the individualism of the country is high, individuals are expected to have more responsibility and control over themselves and their families. If the individualism is low, individuals are

more dependent on other group members, and their self-image is defined in terms of “we” instead of “I”. (The Hofstede center 2017a) Liao et al. argued (2008) that individualists tend to trust others, such as e-commerce companies, unless they are given specific reason not to trust. Then again, collectivists’ trust is based on their personal relationship with sellers, which may lead to a lack of trust towards e-commerce due to lack of direct interaction.

- 3) **Masculinity versus Femininity:** country with high masculinity has more competitive society, where personal success and achievements define individuals. Then again, societies with low masculinity appreciate caring for the weak and quality of life. (The Hofstede center 2017a) According to De Mooij (2004), people from masculinity cultures consume for the show, while people coming from femininity cultures consume for use.
- 4) **Uncertainty avoidance:** expresses how society deals with the fact that the future is always full of uncertainty as it can’t be predicted, and whether the societies should try to control the future or just let it happen. Countries with strong uncertainty avoidance, maintain rigid codes of behavior and are intolerant of divergent ideas, while countries with weak uncertainty avoidance have more relaxed attitude towards rules and principles. (The Hofstede center 2017a) Liao et al. (2008) suggested that people from countries with high uncertainty avoidance pay more attention to security and privacy of an e-commerce website, logistical and legal issues, while also putting more emphasis on concrete product benefits. Yoon (2009) has also identified that in high uncertainty avoidance countries, consumers are more reluctant to engage in online shopping, as e-commerce is perceived to create uncertain outcomes.
- 5) **Long term orientation versus short term normative orientation (LTO):** countries with high LTO are more pragmatic, as they prepare for the future by encouraging thrift and efforts, while countries with low LTO view

societal changes with suspicion. (The Hofstede center 2017a) LTO is especially useful when segmenting countries as to the potential of e-commerce (De Mooij and Hofstede 2002), and it also increases the impact of trust to use e-commerce websites (Yoon 2009).

- 6) **Indulgence versus restraint:** countries with high indulgence have more fun having and life-enjoying approach towards life, while countries with low indulgence are more regulated by means of strict social norms. (The Hofstede Center 2017a)

De Mooij and Hofstede argued (2002) that e-commerce adaptation is essential when expanding to markets, where cultural differences are high. Without adapting to these differences, e-commerce companies can face serious losses. Gracia et al. stated (2015) that even slight cultural differences can reach a high influence in online consumer behavior, and therefore shouldn't be taken as granted when considering internationalization marketing strategies. Especially cultures that are more masculine, individualistic and less pragmatic, will require a special attention on the quality of the e-services offered. Companies should consider cultural differences between countries, while analyzing the what kind of investments are needed in website designing and the management of online strategies. (Gracia et al. 2015) However, the Hofstede's cultural framework should only be viewed as a useful tool, which can provide a deeper understanding in cross-national interactions with different customers, business partners and value-chain members (Cavusgil et al. 2012).

3 FACTORS AFFECTING INTERNATIONAL E-COMMERCE

E-commerce companies have to deal with multiple barriers when internationalizing their operations into new markets. In order to overcome these barriers, the company must possess specific critical success factors that enable the success of the company. It is also important to identify the general consumer behavior in specific market, as according to Dunning and Lundan (2008) one of the most common motives behind the internationalization of e-commerce company is to increase the number of potential clients.

3.1 International e-commerce barriers

Several researchers have agreed that international e-commerce faces multiple different barriers, while some of these barriers are more unique than others. Studies also argue, how these barriers should be categorized. For example, Kshetri (2007) has identified three main barrier types to e-commerce in developing countries: economic, sociopolitical, and cognitive barriers. These included barriers mainly related to localization, infrastructure, and security. Then again, Lawrence and Tar (2010) suggested that there are actually four different barrier types that are hindering e-commerce adoption in developing countries. Those are infrastructure barriers, socio-culture barriers, socio-economic barriers, and lack of government policy & support barriers. These barriers introduced logistics and payment systems, while also including same barriers as Kshetri's study (2007).

Instead of talking about barriers, Singh (2012) rather proposed that web marketers must adapt their content to the international e-environment, which can be divided into four sections: socio-cultural, geopolitical, economic, and legal. More recently, Turban et al. (2015) have also recognized the existence of political, social, economic, legal, and infrastructural environments. In other words, it is essential to evaluate the market comprehensively from several different perspectives.

Every e-commerce environment consists of smaller market-specific factors, which either increase or decrease the competitive advantage of the e-commerce company,

depending on how it can handle these factors. Many of these factors can be seen as barriers to global e-commerce, and they will become more difficult to overcome when international impacts are considered (Turban et al. 2015). According to Singh (2012) the localization can be one of the biggest barriers for international companies, as in global e-commerce the importance of considering cultural differences is crucial. Cultural attributes not only determine how consumers interact with companies, but also how companies should interact with the consumers. Cultural differences include language differences, measurement standards differences, and currency differences, to name a few. (Turban et al. 2015)

Within online markets, foreign entrants can have disadvantage to domestic competitors, where the latter have the advantage of legitimacy and an established brand (Grant and Bakhru 2014). Therefore, e-commerce platforms and commercial websites should always be customized to local consumers. If the company doesn't have knowledge or capabilities to establish their own digital marketplace, they should focus on co-operating with other players within the industry and take these deficiencies into account when considering the right market entry mode. Companies need to take into account how they are going to organize the website translations, currency conversions, payment infrastructures, and customer support. In order to meet the expectations of the local customers, online retailers need to provide high-quality customer support. Customer support can include online chat service, full in-country call center, or other similar channels. (Turban et al. 2015)

E-commerce companies also have to battle with legal issues and regulations, which can be either global or local barriers. Grant and Bakhru stated (2004) that taxation and regulatory issues might actually favour companies that are nationally focused, because taxes are charged in the country of purchase as determined by website location. WTO and APEC have already formed working groups, which are trying to reduce these barriers existing in pricing regulations, customs, import and export restrictions, tax issues, and product specification regulations. Also, economic and financial issues in global e-commerce, including government tariffs and taxation, can become a major barrier for e-commerce companies. (Turban et al. 2015; Singh 2012)

Geographical barriers are mainly based on the transportation infrastructure between and within countries. However, they also rely heavily on the type of product or service being delivered, for example geographic distance doesn't matter in online software sales. (Turban et al. 2015) New market entrants should always consider the cost of shipping, associated customs, duties and taxes when deciding if they should be shipping from the home country or running regional distribution center. Local distribution center can improve delivery time, but also requires major capital investments and time to launch. (Deloitte 2014) It is also important to remember that consumers tend to prefer companies, who use logistics providers with good reputation (Entrepreneur 2015). Inadequate logistics networks also decrease confidence to use the Internet for digital trade (Meltzer 2016).

Another major barrier in global e-commerce is insufficiency of electronic payment systems. E-commerce companies should have great variety of payment methods to offer, so that consumers in different countries are able to pay for their online purchases. Also, it is important to offer wide range of payment methods, as it can increase website adoption and brand awareness. Companies should always find out, what kind of payment methods are most popular in target market, before entering the market. When providing payment methods, the company must consider how they can protect the privacy of their consumers and prevent possible fraud attempts. Companies should also be aware of the fluctuating exchange rates and other risks as well. (Turban et al. 2015)

According to Turban et al. (2015), the success of e-commerce payment system depends on several different factors. Online payment methods should always be integrated with existing information systems, and most importantly they must have high security. By providing such payment methods as e-cash, companies allow consumers to keep their anonymity, which encourages more reserved consumers to buy online. Another important feature that online payments should have, is the ease of use, since great number of consumers are looking for the most convenient way to shop online. Finally, the company should provide payment methods that can be easily adapted to different markets, but which at the same time don't violate any regulations or laws.

Another major barrier in emerging markets relates to security and privacy issues. According to The Nielsen Company's study (2016), more than half of their online respondents had doubts about how e-commerce sites are able to keep customers' personal information secure and confidential. Companies should always make sure that their customers' data are well-secured and protected, as every information leakage can cause serious damage in customer confidence, even if its related to technical problems (Heinemann and Schwarzl 2010; Chung and Cruz 2014). However, providing strong e-commerce security isn't the simplest thing to do. Although stronger security methods can offer safety for others, it can also make shopping inconvenient because of the multiple different authentication phases that might slow the shopping experience. (Turban et al. 2015)

3.2 Critical success factors in e-commerce

In order to maximise the value and potential from e-commerce, businesses need to identify the benefits and barriers in online trading. To overcome the prevalent barriers and challenges, it is necessary to concentrate on finding the critical success factors, also known as key success factors, in e-commerce business. Boynton and Zmud's have defined (1984) them as "those few things that must go well to ensure success for a manager or an organization, and, therefore, they represent those managerial or enterprise areas that must be given special and continual attention to bring about high performance". In other words, critical success factors are often described as strategic factors, in which managers need to distinguish themselves to strengthen their competitive positions. These factors can also be influenced by management of the company. (Kuzic, Fisher and Scollary 2002; Colla and Lapoule 2012)

E-commerce success stories appear mainly in niche markets, but also in major industries as well. Online businesses have been able to translate critical success factors from the old economy into e-commerce success, as companies have been expanding their operations and services more and more to online. Table 4 presents the comparison of critical success factors between old economy and e-commerce,

and how e-commerce players have been able to translate old factors to fulfill new requirements. (Turban et al. 2015)

Table 4 Critical success factors: old economy and e-commerce (Adapted Turban et al. 2015)

Old Economy CSFs	E-Commerce CSFs
Vertically integrate or do it yourself	Create new partnerships and alliances; stay with core competency
Deliver high-value products	Deliver high-value service offerings that encompass products
Build market share to establish economies of scale	Optimize natural scale and scope of business; look at mass customization
Analyze carefully to avoid missteps	Approach with urgency to avoid being left out; use proactive strategies
Leverage physical assets	Leverage intangible assets, capabilities, and relationships - unleash dormant assets
Compete to sell product	Compete to control access to markets, and build relationships with customers; compete with other websites

According to Turban et al. (2015), critical success factors enable companies to overcome the major potential limitations of their growth, and that the limitations should always be viewed as market-specific. Recent literature has several different approaches towards identifying success factors. For example, Laosethakul and Boulton (2007) discussed about company's internal value chain success factors and external success factors. Then again, according to Chung and Cruz (2014) success factors can be divided into three key contexts, which are needed in order to achieve a competitive advantage in e-commerce business: organizational context, technological context, and environmental context. More recently, Choshin and Ghaffari (2017) discovered that such factors as retaining customer satisfaction, lower costs, customers' awareness and knowledge, and adopting appropriate infrastructures also have significant and meaningful relationships with e-commerce success.

3.3 Consumer behavior in e-commerce

According to Tompkins (2016), one of the most important factors to e-commerce success is customer centricity. It can be achieved when the company places the customer at the center of its business strategy, and concentrates on responding to the consumer's needs and desires. Online customers' acquisitions are partly dependent on their first impression of the website homepage, as it most likely

determines whether the website will be adopted or not (Campbell et al. 2013). Kulyk and Michalowska argued (2016) that e-commerce companies must constantly increase their reputations in the eyes of their customers, by promoting themselves and making an effort to meet consumer expectations. The evidence also suggest that the shopping experience motivates online customers more than price discounts (Kim et al. 2009). In addition, also Kumar highlighted (2016) the importance of customer satisfaction in the success of the e-commerce, and emphasized the significance of the customer ratings and reviews alongside with the price.

The Nielsen Company (2016) implemented a survey, which indicated that there are five main factors motivating consumers to shop online. Firstly, people are looking for convenience as online shopping requires less time and effort than traditional shopping, and this is why online retailer should be constantly looking for new ways to enhance their purchase processes. Secondly, consumers prefer product assortment because online retailers are able to provide better accessibility and wider number of choices than traditional retailers, which are extremely strong motivators in many developing countries. Thirdly, consumers require as much information as possible to support their decision-making process, and in e-commerce this information can be easily reached with reviews and comprehensive website information. Fourthly, consumers are seeking for the best price possible and finding this information has become effortless because of the price comparison engines. Fifthly, consumers appreciate useful online features, such as building online shopping lists and baskets over time, which will make the shopping experience more enjoyable. (The Nielsen Company 2016)

Another essential factor that motivates consumers to shop online, is trust. It has been described as one of the most important factors in e-commerce (Yoon and Occeña 2015), as trust increases consumers willingness to pay higher prices to trusted online retailers (Lee and Lee 2005), who can provide sufficient amount of security and privacy to their users (Wang, Beatty and Foxx 2004). Recent studies also suggest that trust should be viewed as the determinant of online purchases instead of price, since customer's loyalty can't be bought with mere price

competition (Reichheld and Schefter 2000; Cai and Xu 2006). This is why online retailers should focus more on promoting their trustworthiness, as it can be considered critical when transforming potential consumers from curious observers to loyal customers (McKnight et al. 2002). According to Oliveira et al. (2017), there are six major sources of trust that have direct effect on consumer's intention to purchase online. These include:

- consumer characteristics, which describe consumer's trust stance and attitude towards online shopping
- firm characteristics, such as reputation and brand recognition, which have influence over consumer's trust towards online company
- lack of integrity
- privacy and security
- likability towards website infrastructure
- interactions, which include service quality and customer satisfaction.
(Oliveira et al. 2017)

3.4 Summary of the affecting factors

To summarize the main barriers and environmental factors affecting global e-commerce, table 5 illustrates the main factors that have been recognized during the literature review.

Table 5 Main factors affecting global e-commerce

Political	<ul style="list-style-type: none"> -Lack of ICT policies -Closed telecommunication markets -High import duties -Lack of free trade -Changes in government policies -Role of government in development of telecommunications -Taxation
Economic	<ul style="list-style-type: none"> -Credit card penetration -Economic conditions -Payment systems
Socio-Cultural	<ul style="list-style-type: none"> -Lack of trust -Lack of local language websites -Cultural differences -Consumer preferences
Infrastructural	<ul style="list-style-type: none"> -Internet penetration -ICT skills and infrastructure -Delivery infrastructure and services -Logistics
Legal	<ul style="list-style-type: none"> -Financial transaction laws -Laws governing contracts -Intellectual property rights -Privacy -Regulations

4 EMPIRICAL RESEARCH METHODOLOGY

The aim of this master's thesis is to explore the reasons behind the lack of successful foreign e-commerce companies operating in Latin America. Due to lack of relevant studies regarding this subject, it was decided that this phenomenon needs to be analyzed as comprehensively as possible, in order to increase the credibility of the research. To gain more credible results and more in-depth understanding of this phenomenon, Latin American e-commerce markets are studied by utilizing method triangulation, which combines three different research methods: literature search, case study and online consumer survey. The following chapter will present empirical methodology used in this master's thesis, starting with the research approach and purpose, followed by the presentation of criteria behind the selection of case companies, and finally the description of data collection process is presented.

4.1 Research approach and purpose

This study has adopted qualitative research approach, which is commonly used in business studies due to its usefulness in gaining broader understanding of the studied phenomena in real-life context (Yin 2002). According to Saunders et al. (2009, 480), every non-numeric or non-quantified data can be considered as qualitative data. It can include data all the way from open-ended online questionnaires to transcripts of in-depth interviews.

Due to lack of relevant literature concerning the research subject, the main focus was to gather as much data as possible, while also increasing the credibility of the research. For these reasons, this thesis utilizes three different research methods: literature search, case study and survey. According to Gable (1994), this kind of integration can be useful to gain richer source of detail in order to increase the validity of the research. This data collection technique is also known as triangulation, in which two or more different methods are combined together, ensuring that the data can't be misinterpreted by researcher (Saunders et al. 2009, 146). According to Hair et al. (2011), the main benefit of triangulation in qualitative research is to establish more credibility towards the study. However, increased

credibility is not the only benefit of using triangulation method in business studies. Using different research methods with same object provides greater insight and detail level of the phenomenon, than using singular research method. It can also present more holistic illustration of the phenomenon that has been studied, and provide more data that can be used in order to support author's arguments regarding the quality of the study. This thesis utilizes method triangulation, which includes using several different methods and comparisons of findings. Other types of triangulation are research, data and theory triangulation. (Farquhar 2012, 44-47)

Figure 7 illustrates the research process of the empirical part of this study.

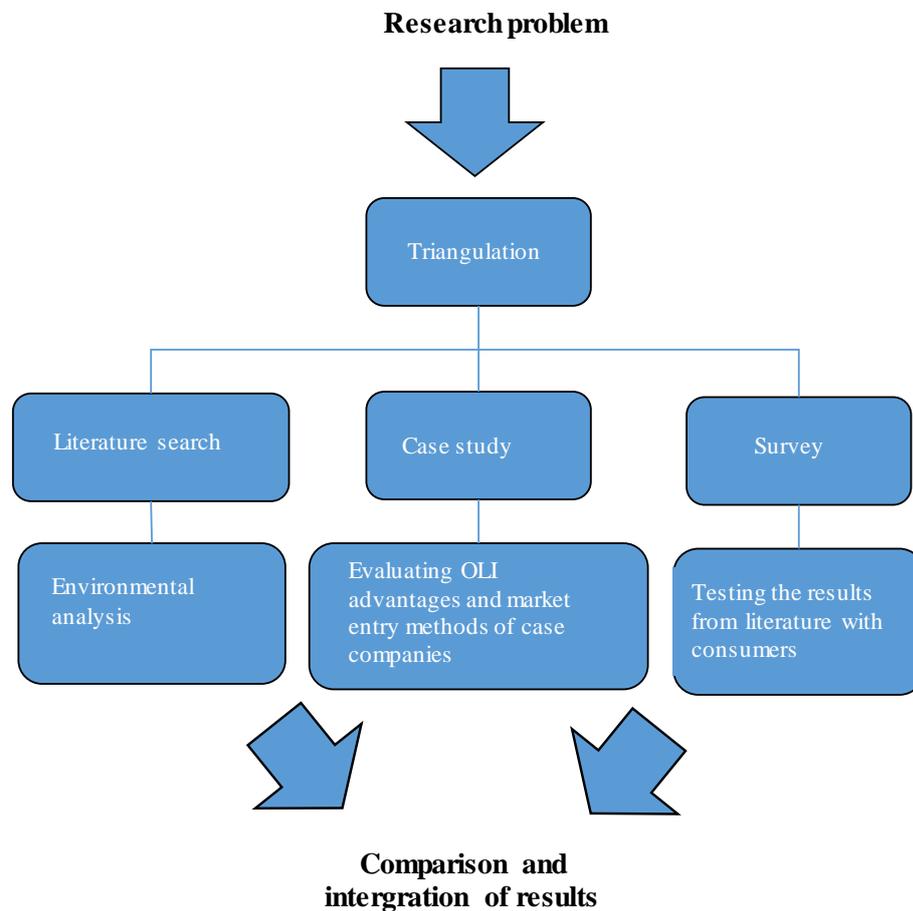


Figure 7 Research process of the empirical part of thesis

As can be seen from figure 7, empirical part of thesis has three different purposes. In order to finally provide answers to composed research questions and objectives, the purpose of the study must be decided. This thesis follows guidelines of exploratory research, which tries to find out what is happening and why. In other words, it tries to understand and analyze phenomenon, which in this is the lack of foreign e-commerce companies operating successfully in Latin America. It is especially useful when the researcher is unsure of the precise nature of the problem. Exploratory research can be conducted in three different ways: a search of the literature, interviewing experts in the subject, and conducting focus group interviews. (Saunders et al. 2009, 139-140) According to Shields and Tajalli (2006), exploratory research can include any kind of research questions that can assist the researcher to understand the phenomenon.

By conducting literature search, an environmental analysis will be made, which focuses on identifying the market peculiarities and requirements in Latin America. The selection process of the markets that will be analyzed, is presented in chapter 1.3. After analyzing the market, case study will be conducted by examining OLI advantages and market entry methods of selected case companies. Main purpose of the case study is to identify critical success factors of the case companies, and potential barriers that these companies have faced when doing business in Latin America. The selection process of the case companies is presented in chapter 4.2.

There are several different research strategies that can be used for the search of the literature in exploratory research. The case study is the most often used research strategy in exploratory studies, and its main purpose is to produce new theories and hypotheses from the studied reasons and phenomena (Eriksson and Koistinen 2005). Baxter and Jack (2008) have described qualitative case study as “an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources”. Because this approach allows data collection from variety of source, it can deal with different kinds of situations from simple to complex. The case study can also be used as a pilot study in more comprehensive research, which aims to provide generalizations from the described phenomena (Eriksson and Koistinen 2005).

Third research method in the empirical part is survey, which focuses on testing the results from literature search and from the case study with Latin American consumers. In addition, survey also aims to identify main online consumer preferences in Latin America. Chapter 4.3 presents the implementation of the survey that was used in this thesis. According to Saunders et al. (2009), survey allows researcher to collect large amount of data from a sizeable population. It also provides data, which is easy to translate, understand, and to compare with other results as well. It includes many different techniques, such as interviews, observation and questionnaires. The questionnaire is perhaps the most popular data collection technique under the survey strategy, since it provides an efficient and less-expensive way to collect responses from a larger sample of respondents. (Saunders et al. 2009, 144)

As was mentioned before, credibility of research findings is one of the most important factors that needs to be considered, and which can be achieved through reliability and validity. The more consistent findings the data collection techniques will yield, the more reliable research results can be achieved. Many threats and biases to reliability can be avoided by using survey strategy. In interviews, interviewees might give dishonest answers if their anonymity can't be ensured, and they suffer from some level of insecurity while answering to questions. This is known as subject or participant bias. Questionnaires can be conducted without requiring any names or revealing informations concerning respondents, which could increase the bias. Questionnaires also decrease the level of observer error and observer bias, as research questions and results are presented in extremely rigid way. (Saunders et al. 2009)

4.2 Selection criteria

The aim of thesis is to collect evidence from Latin American e-commerce markets, in order to understand the reasons behind absence of foreign e-commerce companies in the region. This has been done through three different phases that were presented in chapter 4.1. The environmental analysis of Latin American markets is based on the factors that were introduced during the literature review,

and are presented in table 5. As was already mentioned before, only five Latin American countries were included in the environmental analysis, since focusing only on one or two different countries was seen as insufficient due to the nature of research problem, while including all 18 Latin American countries was considered to be too many due to resource and time limitations. The market selection process has been presented more comprehensively in chapter 1.3.

Followed by the environmental analysis, case study was conducted by evaluating OLI advantages and market entry methods of two leading e-commerce companies in Latin America. Understanding their motives and approaches towards internationalization will be essential, since their methods are proved to be successful in this cultural environment. Case companies were ultimately selected by using purposive sampling to gain data. (Saunders et al. 2009, 239-240). Since the aim of case study is to identify critical success factors in Latin American e-commerce, the best results were considered to be achieved by focusing only on companies that originate from the region. Selected companies were Argentine-based MercadoLibre and Brazilian-based B2W Digital, which both are leading e-commerce companies in Latin America. Selection process of case companies is presented more comprehensively in chapter 6.1.

Due to the lack of available information, most of the data in case study was collected from companies' annual reports and presentations addressed to investors of the companies. This needs to be taken into account, when assessing the reliability of this part of the study.

4.3 Data collection

The main objectives in this study are to identify the main barriers and success factors in Latin American e-commerce from the company and customer perspective. In order to achieve this objective, empirical data was gathered through three different methods. The primary data for thesis was collected by using qualitative case study method and by implementing online survey for Latin American consumers. Case study was formed by collecting data mainly from annual reports of the case companies, and by using relevant online sources.

Regarding the online survey, internet-mediated questionnaire was considered as the best research technique for this study, due to resource limitations. However, according to Saunders et al. (2009), the internet-mediated questionnaire has its downgrades concerning reliability, because researcher can't be completely sure if respondent really is whom you want. One way to improve reliability of the research is to send weblink to questionnaire through e-mail or by sending private messages in social media. By ensuring that the respondent really represents the sample that researcher wants to study, the results are also more generalizable. Nevertheless, it is worthwhile to mention that questionnaire suffers from limited number of questions, which makes data from survey less wide-ranging than data collected by other research strategies. (Saunders et al. 2009, 363-365) The reliability of the research was improved by sharing the online survey through private messages in Facebook and in private WhatsApp-groups.

Thesis begins with a literature review, where internationalization in e-commerce and affecting factors to global e-commerce are discussed. Secondary data of thesis was collected from peer-reviewed articles, websites and books. Majority of articles and online sources that are used in literature review, are written in the 2010s. Articles referred in the literature review were primarily collected from EBSCO Academic Search Elite, ScienceDirect and Taylor & Francis Online Journal Library databases. The most used keywords in literature review have been e-commerce in emerging markets, barriers to e-commerce, consumer behavior in e-commerce, and e-commerce eclectic paradigm.

5 E-COMMERCE IN LATIN AMERICA

The following chapter focuses on analyzing the e-commerce environment in Latin America through five different environmental factors, which have risen up during the literature review and were earlier presented in Table 5. These five factors are political environment, economical environment, socio-cultural environment, infrastructural environment, and legal and regulatory environment. The aim is to find out main characteristics of Latin America, and also to identify main challenges and barriers. Based on market selection in chapter 1.3, this part of the study only includes five most potential markets in Latin America.

5.1 Political environment

Political environment has been extremely unstable throughout the last century in Latin America. According to World Economic Forum's survey (2014), as many as 77 % of their Latin American respondents saw corrupted political leaders as a major problem in the region. In Brazil, former presidents have suffered a lot from the Petrobras scandal, which have ultimately led to impeachment calls. Then again, Chilean president's family was involved in a high-profile corruption scandal, which has decreased her popularity and trustworthiness among the Chileans. It is also worthwhile to mention Argentina's former president, who allegedly was meddling with the country's central bank. (Thomson 2016)

Latin American countries can be sorted into three different categories, based on their Corruption Perceptions Index by Transparency International (2017). In the least corrupted category, Chile is ranked on place 24 out of 176 countries, resulting Chile's corruption nearly at the same level as corruption in France in 2016. Brazil (79th), Colombia (90th) and Argentina (95th) represent the middle category alongside with countries such as China, India and Indonesia. Finally, being ranked 123 out of 176 countries, Mexico belongs to same category with Russia as a country, where political instability is a real problem for domestic and foreign companies. (Transparency International 2017)

Political instability can also reflect on country's ranking in ease of doing business. It measures how easy or difficult it is to run a business when complying with relevant regulations in the market. This includes such areas as getting electricity, labor market regulations and trading across borders. According to The World Bank (2017), in 2016 economies located in Latin America and the Caribbean had an average ranking of 104 out of 190 countries on the ease of doing business. There were also great variety between different countries within the region. In an opposite to Transparency International's (2017) corruption rankings, Mexico had by far the highest ranking (38) in ease of doing business, while Argentina (121) and Brazil (116) were clearly behind.

According to TMF Group's Financial Complexity Index (2017), Latin America is among the most complex regions in the world for jurisdictions. Governments are lacking transparency, which causes challenges in understanding taxation and accounting in the region. Only in Brazil there are seven different income taxes, which are all cumulative. Online retailers who want to use cloud services outside Brazil, need to pay 40 % as an additional tax on top of the invoice. There is also a flat import tax, which equals 60 % on the cost of merchandise valued up to 3000 dollars. In addition, all the taxes must be paid up front, which make the delivery processes even more complex. (Entrepreneur 2015)

In Latin America, companies are constantly adapting their businesses to match with different tax regimes. For example, Brazil has one of the most complicated tax regimes in the world to understand, as almost 30 new indirect tax rules are issued every day and companies are required to constantly keep up with the changes. The indirect tax rates in Latin American countries are also some of the highest in the world, as the average customs duty rate in Latin America can be even four times higher than the global average. In Brazil, tax policies are designed to strengthen local industries, by providing incentives and protections, while high import customs duties put imported goods at major cost disadvantage. Tax reliefs have forced even entire industry sectors to localize their value chain operations in order to efficiently access the Brazilian market. (EY 2017)

With the rapid expansion of cross-border business in Latin America, the importance of free trade agreements has become significant. Argentina and Brazil are part of Mercosur, which however has limited network of free trade agreements, and also strict requirements that form limitations to potential saving opportunities. Then again, Chile, Colombia and Mexico have expanded their free trade agreement networks aggressively through agreements with multiple different initiatives around the world, including China and the EU. This has made them much more attractive markets to do business, with the broader selection of potential cost saving benefits. (EY 2017)

5.2 Economical environment

Protectionism has had a lot of popularity in Latin America, which has also led to economic volatility and hindered economic growth (Buenos Aires Herald 2017). Especially countries such as Argentina are constantly battling with high inflation rates and economic volatility, which makes them less attractive market to enter (Ingenico ePayments 2016). Also, Colombia's economy has suffered a lot from deceleration in domestic demand growth, but despite of challenges the economy is expected to grow 2,1 % in 2017. Other economic recoveries have been underway in Argentina, Brazil and Chile, while there have even been signs of increasing growth prospects for Mexico. (FocusEconomics 2017)

Figure 8 illustrates statistics of GDP per capita in 2016, by comparing Latin American countries with remaining BRIC-countries. Spain is also included in the comparison, as it shares considerable cultural resemblance and language with Latin American countries. Latin America ranks on the same level as BRIC-countries in the GDP, but even the leading Latin American country Chile is nowhere near Spain, as Spain's GDP per capita was almost twice as much as Chile's.

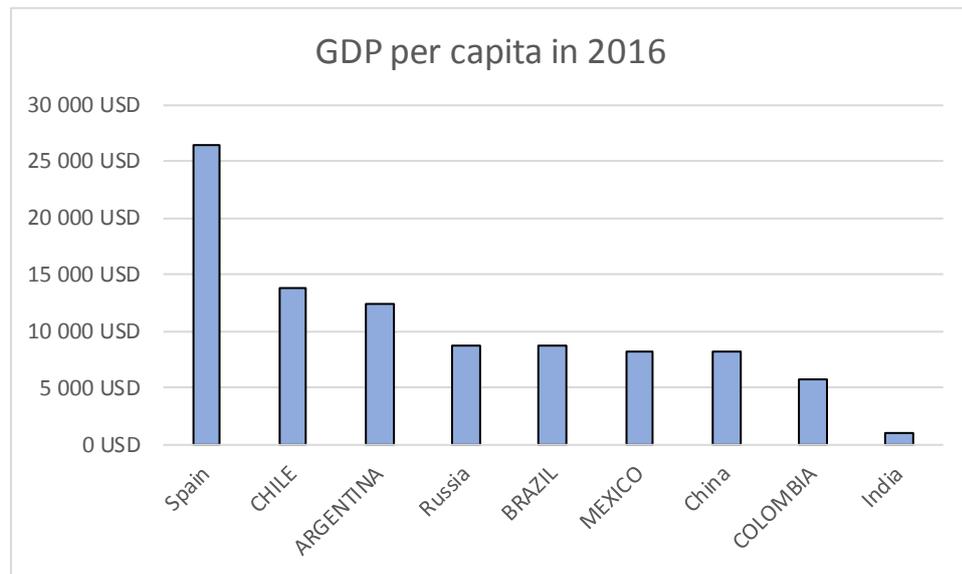


Figure 8 GDP per capita in 2016 (adapted The World Bank 2017)

Payment challenges are well-known obstacle, as most of the credit cards in Latin America are not set up for cross border purchases, and banks are afraid to accept any international e-commerce purchases because of the possibility of fraud. Issuing credit in Latin America is much riskier than in North America as vendors tend to be underfinanced, but at the same time vendors can't work effectively without a reasonable payment terms. (Price 2016) This is part of the reason, why e-commerce market is very fragmented for online retailers, since the payment infrastructure and national laws around payments are extremely hard to navigate. To make it even worse, they differ in every major market in the region. Without a local knowledge, it is difficult to understand the market specific requirements concerning the different payment methods, norms and regulations. (Payments Cards & Mobile 2016)

According to Kshetri (2007), one way to measure the economical development is to examine the credit card penetration. 27 % of Argentinians, 32 % of Brazilians, 28 % of Chileans, 14 % of Colombians, and 18 % of Mexicans have at least one credit card. These numbers can create a barrier to e-commerce, as all the traditional debit cards don't work for online purchases. (Computop 2017) Even though 2/3 of the Latin Americans don't have bank accounts, are credit cards and cash still primary payment methods in e-commerce. Companies should offer and accept the

variety of different payment methods, which are popular in different parts of Latin America. For example, 32 % of all online purchases are paid with cash on delivery in Mexico. (PRNewswire 2017) Especially lack of access to secure card-based payment methods has been severe challenge across Latin America, which should be considered when companies are trying to appeal to a wide variety of consumers (Latinvex 2017). Mexico, which has been declared as the most potential e-commerce market in the region, has only 40 % of the population having ATM or debit cards. Major companies such as Amazon have been offering a great variety of payment methods, but most of the companies are having a hard time to serve the majority of the potential consumers. (Fortune 2015)

However, Latin American governments have been investing in the development of brand new non-cash technologies, and Brazil is the most equipped market for e-commerce at the moment. It's essential to evaluate all the costs and risks related to different payment methods and banking systems before entering the market. (Ingenico ePayments 2016; Entrepreneur 2015) Also e-commerce companies, such as MercadoLibre, Uber and Netflix, have launched pre-paid payment cards that facilitates the shopping experience of unbanked consumers, while also providing another payment option for banked consumers as well (Latinvex 2017). Credit policy shouldn't only be viewed as a financial risk decision, but also as a marketing and sales decision in Latin America (Price 2016).

As the payment infrastructure is still quite undeveloped, it has attracted lots of domestic and international players to enter the business by providing more and more sophisticated payment methods and techniques. MercadoPago, PayPal and PayU are regional market leaders at the moment in Latin America, and they have succeeded to provide such value-added services and security that no one else has ever done before within the region. Also, smaller domestic players can offer extremely competitive payment solutions for merchants, if they are willing to take full advantage from proper localization. However, many merchants still prefer international gateways mainly due to their technological superiority, combined with lower fees and better authorization rates. This competitive and turbulent landscape in payment industry has been beneficial especially to international e-commerce

companies, since the competition will push unreliable providers out of the market, which makes the market easier to do business. (Americas Market Intelligence 2016)

5.3 Socio-cultural environment

Figure 9 illustrates Hofstede's cultural dimension comparison between Argentina, Brazil, Chile, Colombia and Mexico. Most Latin American countries have high power distance, which suggests e-commerce companies to provide research data from their operations and services for the consumers in Latin America, to influence on their purchase decision. Latin American countries are also very collectivist, which forces e-commerce companies to come up with different solutions to gain trust over collectivist consumers. However, there's a more variance in Masculinity, as Chile ranks very feminine country, while Colombia and Mexico can be viewed as extremely masculine. Chileans tend to be more interested in purchasing useful products and services that are produced in an ethical way. Then again, Colombians and Mexicans prefer more impulsive shopping, where brands and style are more decisive factors.

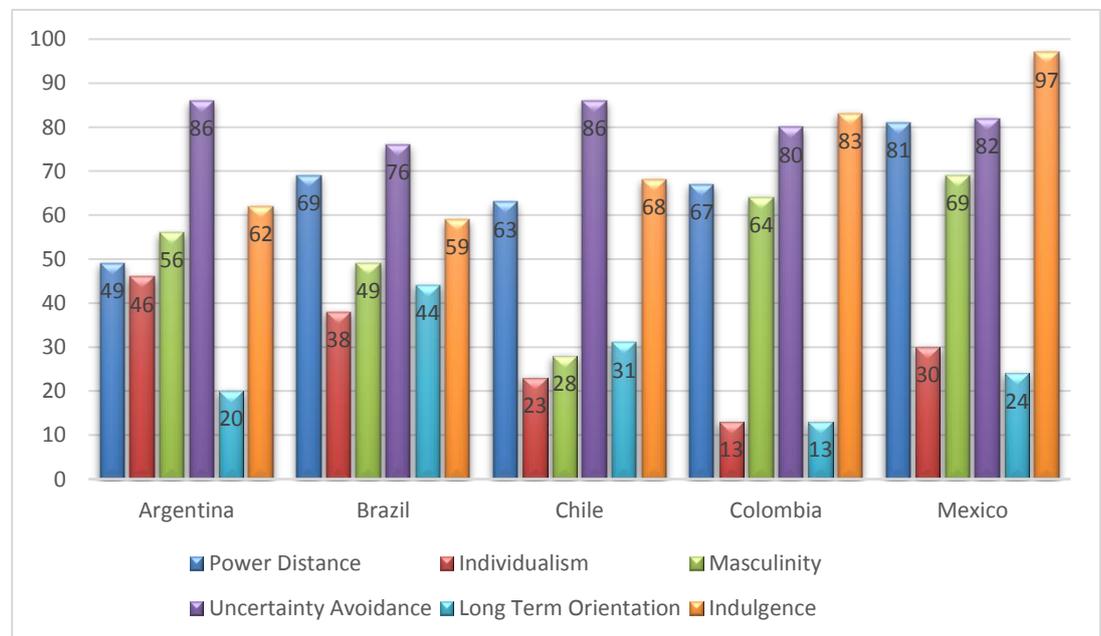


Figure 9. Hofstede's cultural dimensions: a comparison between Argentina, Brazil, Chile, Colombia and Mexico (Adapted The Hofstede Center 2017b)

According to Hofstede et al. (2010), there's much stronger Uncertainty Avoidance in Latin America than in Europe. This means that Latin American people are more emotional, and need many different rules and laws to guide them towards right behavior. People are also more unconditional on their opinions and beliefs. E-commerce companies should focus on providing secure and credible online experience for Latin Americans, where privacy issues have been solved and consumers can expect safe and convenient service. According to The Hofstede Center (2017b), it is common for Latin American countries to rank relatively low in Long Term Orientation, which means that they exhibit great respect for traditions while focusing on achieving quick results, without putting too much value on the future. Finally, the level of Indulgence is relatively high across the region and especially in Colombia and Mexico, where people have a tendency towards optimism and positive attitude.

According to Lewis (2005), Latin American countries have high national honor and are expecting their counterparts to express the respect towards their culture. In a contrary to formal and neutral Europeans, Latin Americans are more emotional in decision making. To establish successful partnership in Europe, the company only requires having a great business idea and good promotion towards the decision makers. However, in Latin America this kind of approach is not an effective one. Instead, according to Trompenaars and Hampden-Turner (1997) the most important part is to build relationship with the business partner and gain their trust, while the product or service itself isn't nearly as important factor in decision making.

Finding a reliable and trustworthy partnership can be difficult to find in Latin America. Local distributors have their own manners, some of which can jeopardize the company's brand if not properly monitored. Some manners might include bribing, price violations and even brand label switching. Main reason is that the clash of cultures in power sharing and decision making are too enormous, especially among family owned companies with strong culture of nepotism. For example, multinational companies with high-level of brand recognition can scale up their operations more efficiently by outsourcing local manufacturing and executing sales via third parties. Local support is required to be successful in Latin America, but it

should be utilized wisely. (Price 2016)

Geographic proximity seems to play an important role in online trade in Latin America, as South American companies focus on selling intra-regionally and also to the European Union, while Mexico does primarily business with USA and Canada. Regional markets are easier to enter as they share common language and cultural traits, which makes it easier and less expensive to provide local customer services and localized user interfaces. (Suominen 2017)

5.4 Infrastructural environment

Latin America presents quite peculiar example of a region, which contains a huge market potential combined with rapidly growing middle class, while still having the second lowest level of digital sales worldwide (Practical Ecommerce 2015). In 2000 only less than five percent of Latin Americans were online, while in 2015 over 50 percent of the region used Internet, which was in the same level as in Middle East and in North Africa (Suominen 2017). The majority of Latin American countries suffer from undeveloped fixed networks, as many countries have dominant operators that can't be properly challenged by new competitors, due to weak institutional frameworks that block the expansion of services (OECD and IDB 2016). However, Internet penetration has been steadily increasing during the last decades in Latin America, as can be seen from figure 10. Due to constantly developing network infrastructure, the growth can still be expected to continue at its current rate, although it's yet far behind the numbers in North America and Western Europe.

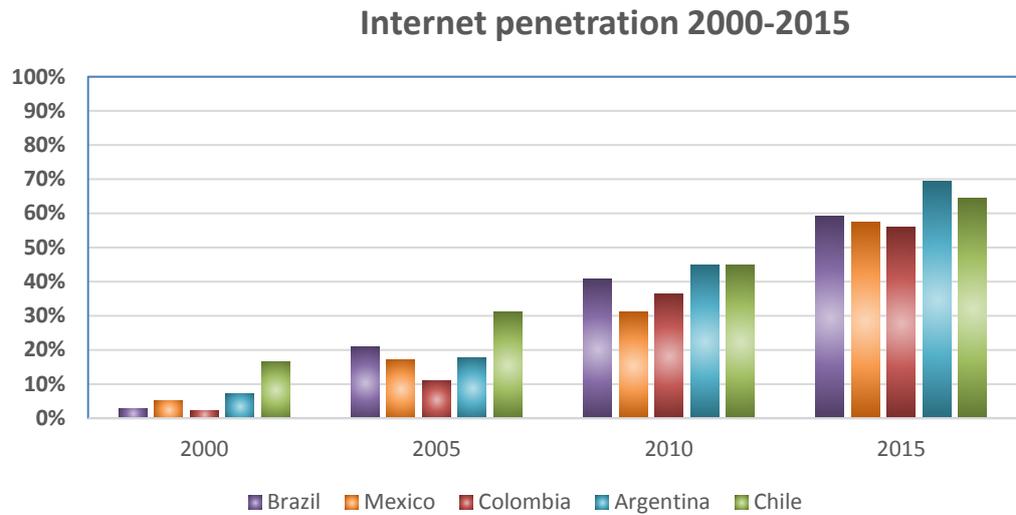


Figure 10. Internet penetration in Latin America from 2000 to 2015 (adapted Statista 2017b)

More important statistics for foreign e-commerce companies would be the rate of digital buyer penetration. As can be seen in figure 11, Latin America has quite equal penetration rates with Central and Eastern Europe, although the growth rate for Latin America is almost 10 %, while Central and Eastern Europe's digital buyer growth rate is only 5 %. There's also plenty of room for growth for retail e-commerce sales in Latin America, as in 2015 they only represented less than 3 % of total sales in the region. (eMarketer 2016)

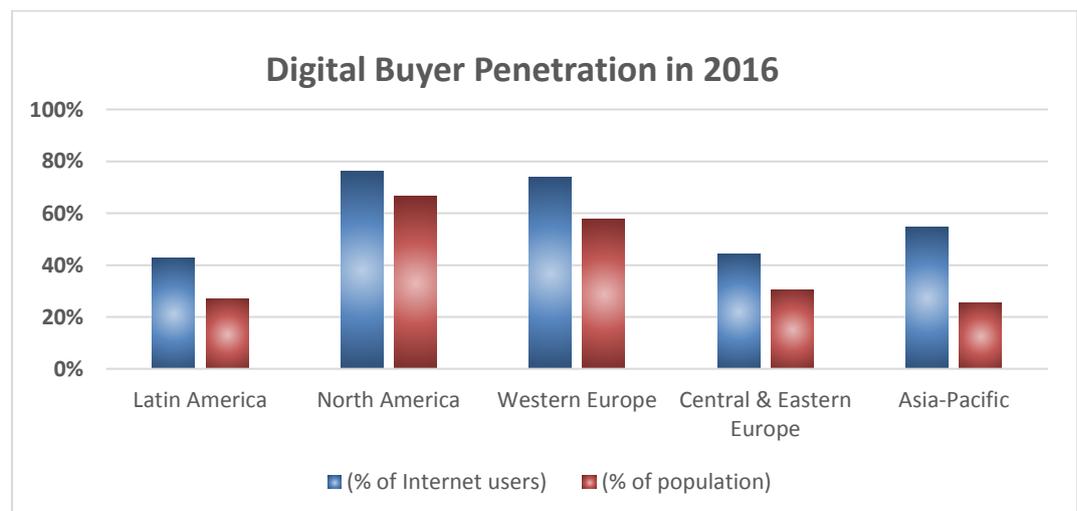


Figure 11. Digital buyer penetration worldwide in 2016 (adapted eMarketer 2016)

Logistics costs are in relatively high level in Latin America, when compared to other regions worldwide. For example, DHL's representative has stated that their logistic costs are around 15 percent of the cost of the sold merchandise, which emphasizes the importance of choosing the right logistics provider. (Entrepreneur 2015) Inadequate logistics networks decrease confidence to use the Internet for digital trade (Meltzer 2016), since companies have to struggle with time-consuming export procedures, which also discourages private sector to integrate into global supply chains (Ueki 2015).

Although most of the Latin American markets are centralized in their capital cities, total market penetration in Latin America is basically impossible without having several different wholesalers. While in Chile the capital city, Santiago, represents 90 % of the wholesale activity in the country, in Brazil the wholesale activity in Sao Paulo is only 30 % of the whole country. Also, having a competition within a certain market will improve the performance of other distributors as well. (Price 2016)

According to Price (2016), Latin America has been defined as a logistical nightmare, where logistical hurdles are greatest among the emerging markets in EMEA and APAC, when trying to purchase a product outside of Latin America via internet. Rodriguez (2017) brought up a study conducted by the Argentine Chamber of Electronic Commerce in 2015, which revealed that as much as 34 % of all the e-commerce deliveries require more than two weeks to be delivered to customers. Although the situation is slightly better in Brazil and Mexico, is the slow delivery also in a top three complaints in those markets as well. Online sellers don't have the infrastructure to consolidate and distribute goods beyond first-tier cities, and most of them are unwilling to make any investments to solve this problem, as according to sellers the lackluster demand doesn't justify required investments. Even in the largest urban clusters, such as Sao Paulo, traffic is so overwhelming that next day shipping terms can be impossible to fulfill. Also, local distribution centers rarely operate on 24-hour shifts, mainly because of security concerns, but also due to costly overtime and lack of skilled personnel. This prevents carriers from picking up goods at night when there would be less traffic. (Rodriguez 2017)

Then again, zip codes and postal systems are constantly being improved across Latin America, as most delivery addresses are too unsafe to leave parcels unattended, which means that couriers are required to return several times in order to complete the delivery. Demand for logistical providers has attracted several startups and Uber-type companies to offer their services to e-commerce companies, and some of these startups have actually been able to create competitive advantage by providing both faster delivery and lower costs than their competitors. Also, these logistics companies can help e-commerce firms to deal with customs bureaucracy, corruption and delays, which are major obstacles in cross-border e-commerce in Latin America. (Rodriquez 2017)

Chile has been sort of a trailblazer in Latin America with logistical solutions. DHL, global market leader in the logistics industry, has introduced several consumer-focused conveniences that can bring Chile to same category as other modern e-commerce countries. These conviniences include evening and weekend deliveries, tracking application, lower charges for lightweight packets, and possibility to have returns to be picked up from households. Soon all of these can be common services in all around Latin America, as DHL is constantly evaluating other markets such as Brazil, Argentina and Colombia. (Reuters 2017)

5.5 Legal and regulatory environment

Some Latin American countries have finally started to act against corruption, by issuing laws against domestic and foreign bribery. In 2016, Mexico enacted anti-corruption framework and a new “Transparency and Access to Public Information Law”. Also in 2016, Colombia increased bribery penalties and created incentives for companies to self-report and develop their actions, in order to help the country to achieve OECD standards for anti-bribery. Argentina’s president Mauricio Macri has also proposed legislation, which would allow prosecutors to have greater variety of investigative techniques available when fighting agains corruption. (Global Investigations Review 2016)

Castellano and Tolosa (2015) have stated that in most of the Latin American countries the consumer protection is insufficient. Usually this results from weak

consumer laws, as countries lack such things as consumer education, free access to justice, judge training and particular procedural rules. These shortages show up as lack of warranties and also lack of incentives to suppliers and consumers from the institutions. (Castellano and Tolosa 2015) However, it would be too harsh to claim that there isn't any consumer protection in Latin America. Rothchild (2016) proposed that Mercosur can be considered as one of the most developed initiatives on consumer protection and e-commerce originated outside of the WTO. Also, according to UNCTAD (2015), as many as eighteen Latin American countries have enacted legislation on consumer protection, while 11 of those countries have more comprehensive protection legislation than the others.

Argentina was actually the first country in Latin America, who was recognized by the European Union for providing required level of protection for transferred personal information from the EU area. The Argentine Law also restricts cross-border transfer to any other areas, which don't provide adequate protection to consumers. Then again, Chilean Law, which is also known as the first enacted privacy law in Latin America, doesn't restrict cross-border transfers by any means. However, the government of Chile has proposed legislation, which would impose restrictions on cross-border transfers, if adopted. Another country lacking a comprehensive privacy law is Brazil, although the country has been actively protecting privacy rights of its citizens. Also, the government of Brazil has indicated their desire to adopt a privacy legislation, as in 2015 they launched a public consultation on a draft privacy law. (The Bureau of National Affairs 2015)

The International Property Rights Index (IPRI) is a barometer, which measures the status of property rights across the world. It consists of three core components: legal and political environment, physical property rights, and intellectual property rights. These include such legal factors as rule of law, protection of physical property rights, copyright piracy and patent protection. (Property Rights Alliance 2017a) IPRI covers 127 countries and according to Property Rights Alliance (2017b) "it is the world's only index entirely dedicated to the measurement of intellectual and physical property rights". Table 6 illustrates the development of Latin American countries in the IPRI.

Table 6 The development of IPRI in Latin America between 2010-2017 (adapted Property Rights Alliance 2017c)

	2017	2016	2015	2010	Development
Argentina	97	103	103	83	
Brazil	58	64	63	63	
Chile	28	28	26	34	
Colombia	62	71	72	67	
Mexico	67	77	73	71	

As can be seen from the table 6, Argentina is the only country that has lost places in the global rankings since 2010. Appendix 1 describes the situation even better, as Argentina is located in the bottom 20 % of all the measured countries, alongside with countries such as Russia and Nigeria. On the other hand, Chile is well placed in top 40 %, being amongst Spain and South Africa. In general, legal environment in Latin America seems to be unstable, but in the long run the situation is getting better.

6 CASE STUDY ANALYSIS

One of the main drivers for companies to seek internationalization in new markets, is to gain location-specific advantages, such as market size, resources or production facilities (Dunning and Lundan 2008). Due to the nature of e-commerce, the main motives for e-commerce companies to internationalize are related to market-seeking interests. After analyzing the market environment in chapter 5, we have gained wider understanding of main characteristics and peculiarities that e-commerce companies have to deal with in Latin America.

This chapter presents case study, which focuses on analyzing the internationalization activities of two leading e-commerce companies in Latin America: MercadoLibre and B2W. Chapter also describes how both case companies were ultimately selected for the purposes of this thesis. The main objective of this chapter is to identify the main success factors that e-commerce companies are required to possess in Latin America, in order to operate successfully in the region. As was revealed in literature review in chapter 2, OLI framework has been proved to be extremely useful tool when analyzing the internationalization potential of the company. This is done by identifying the company's main ownership-, location-, and internalization-based advantages in the specific market. Since both of the case companies have had different approach towards internationalization, while still managing to overcome the major barriers in Latin American markets, OLI advantages should provide comprehensive data from the most critical success factors that are required in the region.

In addition, after identifying the OLI advantages of the case companies, it was also seen beneficial to examine how they have entered new markets in each occasion. It is assumed that both companies have primarily internationalized through foreign direct investments, since online retailing doesn't require significant physical set-ups. It will be also interesting to find out, how similar entry methods can be found behind market entries of these companies.

6.1 The selection of case companies

This section presents the selection process of case companies that were being analyzed in the case study. It was decided that the case study would only focus on analyzing two different e-commerce companies, who are not only most successful in Latin American markets, but who also are at different levels in their internationalization activities. In addition, it was also considered as beneficial to focus on companies who originate from Latin America, since these companies possess the first-hand experience of market peculiarities in the region. As was mentioned in chapter 4.2, the main indicator utilized in this selection was the number of online visitors per company, since gaining web traffic can be considered as one of the most important success factors in online business. Table 7 presents 10 most visited e-commerce websites in Latin America.

Table 7 Number of online visitors in Latin America as of January 2016 (adapted Statista 2017a)

Origins	Company	Number of visitors in millions
Argentina	MercadoLibre	50,54
Brazil	B2W Digital	18,68
Brazil	Nova Pontocom	18,52
USA	Amazon Sites	17,01
Brazil	Buscape Company	14,9
USA	Walmart	13,45
China	Alibaba.com	12,93
USA	Apple.com Worldwide Sites	12,01
Brazil	MAGAZINELUICA.COM.BR	10
Brazil	Netshoes Group	9,75

Based on table 7, MercadoLibre was considered as an obvious choice for being one of the two case companies in this study, since it had gained almost three times more visitors than B2W Digital in the second place. Also eMarketer (2017) has declared that MercadoLibre was by far the most visited online retailing website in Latin America in 2016, followed by B2W Digital. In addition, MercadoLibre has expanded its operations all over Latin America, which makes the company and its success factors in internationalization very interesting to evaluate.

Then again, after being the second most visited online retailer in Latin America, B2W was selected as the second case company for this study. Contrary to MercadoLibre, which has operations in 18 different countries in Latin America and is also operating in Portugal, B2W is only operating in four different markets that are all located in Latin America. However, at the same time all of those markets can be considered as the largest ones in the region, including Brazil, which has been described as one of the most challenging markets to operate due to high level of competition (Citigroup 2017). It will be interesting to examine, how B2W has been able to succeed in these markets, and what kind of similarities can be found between B2W and MercadoLibre. Also, since both of these companies are at different stages with their experiences of internationalization, it will provide two different perspectives towards this study.

6.2 General background of MercadoLibre

MercadoLibre is the leading e-commerce platform in Latin America, by providing the largest online commerce and payment ecosystem in the region. By the end of year 2016, the company had presence in 18 Latin American countries and also in Portugal. In 2016, MercadoLibre was the world's 7th most visited e-commerce website in terms of unique visitors, and in the same year the company was also the most visited e-commerce website in Argentina, Brazil, Mexico, Chile and Colombia (MercadoLibre 2017a). It is also worthwhile to mention that in January 2016, MercadoLibre gained 42 % of all the unique retail visitors in Latin America, followed by B2W and Nova Puntocom, which both had only 15 % share of online visitors. In a comparison, Amazon.com gained only 14 % and Chinese

megacompany Alibaba had only 11 % of the web traffic in the region. (Statista 2017a; MercadoLibre 2017a)

MercadoLibre was founded in 1999 and has its headquarters located in Buenos Aires, the capital city of Argentina. In 2017, Nasdaq announced (2017) that MercadoLibre had become a component of the NASDAQ-100 Index by replacing Yahoo! Inc. on the list. The company provides e-commerce services in five different sectors: online marketplace, advertising, hosting of online stores, logistics and payment services. The company's main business sector is called MercadoLibre Marketplace, where buyers and sellers are able to engage in transactions for variety of goods and services. Sellers and advertisers are also able to purchase and display advertising in MercadoLibre's websites to promote their brands and products, but they also must pay commissions to MercadoLibre on any successful transactions. (MercadoLibre 2017b)

Based on literature review, logistics and payments can form a major barrier for companies operating in Latin America. MercadoLibre has focused on overcoming these barriers through its services called MercadoEnvios and MercadoPago. MercadoEnvios is logistics-service for users of MercadoLibre Marketplace, that offers convenient logistical solution for sellers, who otherwise would have to struggle with the search for reliable carriers. By using MercadoEnvios, sellers can value by integrating shipping into their product offerings. By the end of 2016, the service was available in Argentina, Brazil, Chile, Colombia and Mexico, and it is planned to implement the service in other major markets as well. (MercadoLibre 2017b) In 2017, MercadoEnvios shipped 72 % of MercadoLibre's items that were sold in Brazil, 50 % of MercadoLibre's items sold in Mexico, 32 % of MercadoLibre's items sold in Argentina, and 39 % of MercadoLibre's items sold in Colombia (BTG Pactual 2017).

Then again, MercadoPago is an integrated online payment service, which is designed to provide a mechanism that allow MercadoLibre's clients to send and receive online payments conveniently, securely and promptly. Although the payment service is primarily meant for purchases of goods and services from the

MercadoLibre Marketplace, it is also possible to use MercadoPago as an open online payment service outside of the MercadoLibre as well, as it has been designed to meet the requirements for online payments systems in Latin America. Users of MercadoPago can incorporate the service with their independent websites, while also enabling them to transfer money to each other through the MercadoPago or the users' own websites. Users of the service pay commissions on successful transactions, which are equal to a percentage of value sold. (MercadoLibre 2017b) According to BTG Pactual (2017), MercadoPago's penetration outside of Brazil was 78 % at the end of 2016, while the penetration was only 55 % at the end of 2015.

In MercadoLibre Argentina, there are four different payment methods through MercadoPago where to choose from. MercadoLibre accepts credit card transactions from 13 different companies, including local companies such as Cordobesa and Tarjeta Shopping, but also global companies such as Visa, MasterCard and American Express. MercadoLibre provides debit card support for cardholders of Maestro, MasterCard, Cabal and Visa. Then again cash payments can be conducted through Pago Fácil, Rapipago and Provincia NET. Finally, MercadoLibre allows bank transfers only through Link. (MercadoLibre 2017c)

MercadoLibre faces lot of competition since the e-commerce is constantly evolving and attracting new competitors to enter. Among the marketplace providers, Mercadolibre's main competitors in Brazilian and Mexican markets are Rakuten and Amazon.com, while the main competitors in the area of B2C e-commerce service are Cnova, Aliexpress and B2W's sub brand Submarino. Also, large companies with strong brand recognition and expertise in developing e-commerce, such as Google or Yahoo, could be considered as potential threats in the near future to enter the e-commerce business. (MercadoLibre 2017b)

6.3 OLI advantages of MercadoLibre

Based on theoretical framework of eclectic paradigm, MercadoLibre is required to possess certain ownership-, location- and internalization-specific advantages to internationalize its operations successfully into new markets. When talking about

ownership-specific advantages, MercadoLibre's success has been based on six main advantages. MercadoLibre's first main ownership advantage is the company's technological capabilities. The company's technological success consists of series of innovations that have been designed to overcome the barriers facing e-commerce in Latin America (Nextant 2015). These innovations include developing new online features and online platforms, such as payments, logistics and advertising.

One of the major barriers in Latin American e-commerce has been shipping and logistics, due to undeveloped infrastructure and shipping mechanisms. At first, MercadoLibre decided not to enter the shipping business until the company was able to provide a robust shipping solution, MercadoEnvios, as there were too many operational complexities involved in Latin America. Ultimately, by launching an own logistics service, MercadoLibre has been able to overcome logistical barriers and to make shipping and logistics as one of the competitive advantages of the company. (Nextant 2015; Suominen 2017) MercadoLibre Argentina provides several different delivery methods, depending on the size of the delivery. For smaller sized purchases, deliveries are usually completely free within the larger cities, and customers can choose between delivery to home and delivery to the chosen post office. (MercadoLibre 2017b) Perhaps the company could have gained more customers by launching MercadoEnvios a few years earlier, but at least MercadoLibre's strategy prevented the company from launching an unreliable service, which could have collapsed consumers' trust towards the brand. For these reasons, MercadoLibre's second main ownership advantage is the company's own distribution platform.

Third main ownership advantage of MercadoLibre is the company's own secured payment platform. MercadoLibre has invested heavily to establish its own online payments platform MercadoPago, as the company has addressed the importance of secure payments system in otherwise very insecure online environment (Nextant 2015; Suominen 2017). By realizing the potential customer base that was previously unreachable due to insufficient payments infrastructures, MercadoLibre has been able to provide another key driver to strengthen success and trust among the people. Not only the payments solution has been reliable, but it has also

facilitated the market entry of foreign companies through MercadoLibre's online platforms. (MercadoLibre 2017b)

Strong customer loyalty and brand recognition are MercadoLibre's fourth and fifth main ownership advantages. As was mentioned in literature review, e-commerce companies are constantly battling against trust-related issues, and in Latin America the importance of trust is even greater. However, MercadoLibre has understood the importance of trust from the very beginning, and by now it is one of the key drivers behind the company's success. When entering online retailing in 1999, the company decided to stay away from online auctions and focused only on selling new items at fixed prices to create certainty and trust among their developing customer base (Nextant 2015). According to Suominen (2017), this strategy has paid off as MercadoLibre's success has been strongly based on customer loyalty and the company's comprehensive ecosystem approach.

MercadoLibre has also been able to create such a complete offering that even competing e-commerce companies are almost forced to utilize at least some of the MercadoLibre's services, if they want to reach the maximum coverage. This kind of market position has solidified the company's strong and well-known brand, with the top-class reputation through word-of-mouth marketing among the consumers. The company has protected their handshake logo and other brand names in each country where MercadoLibre operates. (MercadoLibre 2017b)

Sixth and last of MercadoLibre's main ownership advantages has been the superior market knowledge. The company has gained market-specific knowledge through acquisitions and partnerships, which have allowed MercadoLibre to keep up with the volatile government regulations and changes in consumer preferences. The company has been able to localize its services and operations much better than its competitors, because of the knowledge regarding the jurisdictions. Latin America is also completely different from the markets, where major e-commerce companies, such as Amazon and eBay, have been operating successfully. Latin American business environment requires extreme amount of knowledge, because of the lower Internet adoption rates, lower confidence in remote payment mechanisms, less

reliable postal services, and less predictable political and legal environments. (MercadoLibre 2017b)

Although MercadoLibre possesses several different ownership-specific advantages, the company doesn't possess as many location-specific advantages due to the nature of its business. However, these few advantages are still important factors behind the company's success. The main motive behind MercadoLibre's internationalization has been the desire to gain access to larger customer base and high population markets (MercadoLibre 2017b). Insufficient infrastructure decreases the number of reachable customers in rural areas, which has forced MercadoLibre to seek new markets with sufficient infrastructures.

Because of the cultural and linguistic similarities that Latin American countries share together, MercadoLibre has been able to localize its services faster and more comprehensively than if expanding into culturally more diversified markets. Market expansion doesn't require investments in physical company set-ups, since all the key activities are located in online. MercadoLibre's country by country approach has also mitigated the risks regarding different regulations and restrictions (Nextant 2015). Cooperation with local companies has allowed MercadoLibre to provide more comprehensive services in new markets. The company's shipping service MercadoEnvios has utilized local carriers in each market where the service has been introduced, while the company's cooperation with local software companies has ensured that MercadoLibre's competitors haven't been able to gain technological advantages in that specific market. (MercadoLibre 2017b)

One of the main issues that both offline and online retailers have to face, are the effects of seasonal fluctuations. According to MercadoLibre (2017b), the company has been able to mitigate those effects by operating in geographically diversified markets. Countries located in southern part of Latin America are spending their holiday season at the beginning of the year, while countries located in northern part of the region, such as Mexico, have their holiday season at the same time as majority of European countries from June to August.

Just like other major companies, MercadoLibre has decided to internalize its key assets, primarily to avoid knowledge leakages to third parties while also staying as independent from other companies as possible. By internalizing majority of its operations, the company has been able to prevent potential damages to its brand, which could be extremely harmful for MercadoLibre's reputation in the eyes of the stakeholders. The company is also having a control over most crucial technologies for its business, which at the same time reduces the bargaining power of other software and server providers. (MercadoLibre 2017b)

In addition, by cutting of the intermediaries, MercadoLibre can enjoy from lower transaction costs, which otherwise would consist of selecting and monitoring the suitable intermediaries. According to Turban et al. (2015, 570), majority of smaller e-commerce companies have outsourced their logistics to external logistics service providers, such as UPS and FedEx. However, by providing its own payment and distribution platforms, MercadoLibre has been able to ensure the high security level of these services, which has been one of the main issues that e-commerce companies have been facing in Latin America. For example, as an opposite to eBay MercadoLibre controls its own back-end services by preserving payment platform MercadoPago under its corporate umbrella, while eBay spinned their PayPal off into separate company that is independent of its parent company (Forbes 2016).

The main OLI advantages of MercadoLibre have been gathered together and are presented in table 8.

Table 8 Main OLI advantages of MercadoLibre

OLI	Advantages
Ownership	Technological capabilities
	Market knowledge
	Own distribution channel
	Own payment platform
	Strong customer loyalty
	Strong brand and reputation
Location	Access to larger customer base and high population markets
	No need for physical company set-ups
	Cultural and linguistic similarities
	Geographically diverse markets have reduced the effects of seasonality
Internalization	Total control over key technologies
	Cutting of the intermediaries -> lower transaction costs
	Higher security level in payment and distribution services
	Avoidance of brand damages
	Avoidance of knowledge leakages
	Reduced bargaining power of software providers

6.4 Entry modes of MercadoLibre

MercadoLibre has primarily internationalized through foreign direct investments. The company has acquired several e-commerce platforms and competitors across the region through mergers and acquisitions, in order to gain invaluable know-how of the market mechanisms and to reduce the competition within the new markets. (Marketline 2016a) In 2001 MercadoLibre formed strategic alliance with eBay, where eBay received 19,5 % ownership interest in MercadoLibre. In exchange, eBay promised to provide proprietary market information to MercadoLibre and to not launch its own competing sites in Latin America or the Caribbean. The strategic alliance lasted until 2006, and during this agreement MercadoLibre was able to gain

access to such know-how and experience, which otherwise would have taken multiple years to achieve. This accelerated the rapid expansion of the company to other major markets and business segments as well. (MercadoLibre 2017a)

Arrangement with eBay also allowed MercadoLibre to acquire eBay's Brazilian subsidiary, iBazar, to strengthen MercadoLibre's position in Brazilian e-commerce market. In 2002, MercadoLibre made another strategic acquisition in Brazilian e-commerce market by acquiring certain strategic key assets from Lokau.com, including all Lokau.com's registered users. In 2005, MercadoLibre acquired major share of the operations from its regional competitor DeRemate, which solidified MercadoLibre's market leadership position in Brazil, but also in countries such as Colombia and Mexico, as their total user base increased by 1,3 million confirmed registered users. (MercadoLibre 2013)

MercadoLibre didn't make any new acquisitions until 2008, when the company acquired all the shares of Classified Media Group, an online classified advertisements platform dedicated to real estate and sale of vehicles. The motive behind acquisition was to strengthen the position in Colombia and in Venezuela, but also to gain access in US market. Later that year, MercadoLibre acquired the remaining share of operations of DeRamate, which now also included operations in Argentina and Chile. In addition, MercadoLibre acquired rights to certain DeRemate's domains, trademarks, databases and IPRs. (MercadoLibre 2013)

Next step was to head back to Mexican e-commerce market in 2011, to acquire rights for URLs, domains, trademarks and IPRs of an online classified advertisement platform in Mexico. All of these rights were seen as important in connecting the online platforms of the acquired business. (MercadoLibre 2013) In 2014 and 2015, MercadoLibre decided to acquire another two Mexican online classified advertisement platforms, because the company simply wanted to increase their participation in the Mexican e-commerce business. The acquisition in 2014 also included two Chilean e-commerce companies. (MercadoLibre 2017a).

Between 2013 and 2016, MercadoLibre acquired three Argentine software development companies, in order to enhance its capabilities in software

development and to decrease dependence over third-party software providers. In 2015, the company acquired Brazilian ERP-software developer, which would help the company to provide the most seamless way for customers to sell on MercadoLibre's marketplace. Most recently in 2016, MercadoLibre acquired Brazilian logistics software developer, Axado, in order to enhance their shipping business performance. (MercadoLibre 2017a) Figure 12 illustrates the acquisitions that MercadoLibre has made between 2002 and 2016.

	2002	2005	2008	2011	2013	2014	2015	2016
Auction								
Classifieds								
Logistics								
Payments								
Software								

Figure 12 MercadoLibre's acquisitions between 2002-2016 (MercadoLibre 2017a)

MercadoLibre has also launched new shopping platforms through greenfield investments, where the company has started creating the platforms from scratch, while trusting on the company's own capabilities and market knowledge. (Marketline 2016a) Table 9 presents the timeline of launching MercadoLibre's Marketplace, MercadoPago and MercadoEnvios in each of their operating markets. Although each Latin American country has their own localized standalone websites on MercadoLibre platform, the platform itself is the same in every operating country. Each standalone website provides search results only from listings uploaded on the domestic website, while any listings from other countries are completely ignored. (MercadoLibre 2017a)

Table 9 Timeline of MercadoLibre’s service launches in different markets (adapted MercadoLibre 2017a)

Country	MercadoLibre Launch date	MercadoPago Launch date	MercadoEnvios Launch date
Argentina	August 1999	November 2003	February 2013
Brazil	October 1999	January 2004	January 2013
Mexico	November 1999	January 2004	October 2014
Uruguay	December 1999	November 2016	
Colombia	February 2000	December 2007	May 2015
Venezuela	March 2000	April 2005	
Chile	March 2000	September 2007	February 2016
Ecuador	December 2000		
Peru	December 2004	June 2016	
Costa Rica	November 2006		
Dominican Republic	December 2006		
Panama	December 2006		
Portugal	January 2010		
Bolivia	July 2015		
Guatemala	July 2015		
Paraguay	November 2015		
Nicaragua	March 2016		
Honduras	March 2016		
Salvador	March 2016		

Despite of the fact that MercadoLibre has kept most of its operations tightly in its own hands, the company has licensed some of its trademarks and copyrighted material to third parties. However, all of the license usages have been tightly monitored by the parent company. The company wants to ensure that licensees will maintain the quality and values of the MercadoLibre’s brand, without damaging the company’s reputation or misusing the licensed proprietary rights. (MercadoLibre 2017a)

6.5 General background of B2W

Brazilian based B2W is one of the most successful e-commerce companies operating in Latin America. The company was formed in 2006, when two Brazilian e-commerce companies, Submarino and Americanas.com, decided to merge their operations together. In 2016, B2W's revenue was 8,6 billion Brazilian Reals, which equals 2,7 billion US dollars. The company also employs over 1500 workers. (Financial Times 2017) Even the name of the company, B2W Companhia Global do Varejo, which means Global Retail Company, indicates the company's global orientation and desire to expand the business to new markets beyond Brazil (Gloria et al. 2013). The company's offering consists of services in online payments, technology platform, distribution and customer service platform, and also Marketplace operation. The Marketplace operation allows users to sell their products on B2W's owned brands, such as Americanas.com, Submarino, and Sou Barato websites. Similar to MercadoLibre's Marketplace, B2W doesn't have to carry any inventories. (B2W 2016) In the first quarter of 2017, B2W's Marketplace's gross merchandise volume (GMV) had grown +121,8 % in a comparison to the first quarter of 2016. Also, the number of sellers had increased by 43 % from 2016, as there were more than 5000 sellers on the Marketplace platform. (B2W 2017a)

B2W's consumer credit services are beneficial for both users and for B2W. Users can gain exclusive discounts, gain access to reward programs, and to receive additional credit limits for online purchases in B2W's websites. Then again, B2W receives higher frequency of purchasing, and also the cost of payment cards is much lower than it would be if purchased from external providers. B2W's Digital Finance operates as an online store, which provides credit cards and financial services through Americanas.com and Shoptime websites. B2W have also launched Submarino Finance as a joint venture with Celetem, which offers exclusive discounts, installment payment options and loyalty programs to its customers on the Submarino website. (B2W 2016; Marketline 2016b)

B2W Fullfilment is the corresponding logistics platform for MercadoLibre's MercadoEnvios. The platform takes care of storages, distribution and customer service, and it is responsible for almost all deliveries to the clients of B2W Digital. In 2016, B2W Fullfilment carried out 95 % of all deliveries in B2W, while in 2015 the share was only 59 %. In addition, the company owns 11 distribution centers and 185 strategically located transit points in Brazil. (B2W Companhia Digital 2017)

B2W's sub-brand Americanas.com, for example, provides four different types of deliveries in most developed parts of Brazil. The quickest option is for urgent deliveries, where the product is needed within one business day. Second option is for express deliveries, which will arrive in a few days from the order placement. Third option is economic delivery, which is much cheaper than the previous ones, but it will also take indetermined period of time to arrive to its destination. The delivery time will depend on the type of product and consumer's zip code. The fourth and final option is for Americanas.com to deliver the product to one of its subsidiary stores, from where the customer can receive the product. However, this service is only available in limited number of stores, and there's a limit of five items per purchase. (Americanas.com 2017)

6.6 OLI advantages of B2W

Similar to MercadoLibre, also B2W possesses certain OLI-advantages, which have allowed the company to expand into new markets. When speaking of ownership advantages, B2W has been able to provide extremely diverse mix of products and services, which have allowed the company to attract and retain larger number of customers, than what would have been gained through narrower product and service offering. B2W has covered majority of the Brazilian population through its several major brands, which have raised company's brand recognition as one of the most important ownership advantages, as Brazil is by far the biggest and most potential market in Latin America. For these reasons, B2W's first two major ownership advantages are its wide range of different brands, and its strong brand recognition and reputation.

In addition, B2W has also received several service awards in Brazil, while having the best performance indicators on websites that receive customer reviews and complaints. Because of these awards and recognitions, B2W is regarded as industry benchmark in customer service. The company's strategy has been very customer centric, which is a major factor behind company's success in gaining consumers' trust. (B2W Companhia Digital 2017) Based on earlier literature, the importance of having knowledgeable and localized customer services, who can provide assistance and serve customers in their own language, can be considered crucial in Latin America. For these reasons, customer service is B2W's third major ownership advantage.

Overcoming the challenges of e-commerce in Latin America, has been company's main pillar in their business plan. These challenges have included logistics, distribution and technology. (B2W Companhia Digital 2017) Following the path of MercadoLibre, B2W has invested heavily in logistics to provide its own seamless distribution service. With the connections, resources and local knowledge that B2W has, distribution channels can provide major competitive advantage over competitors. (Marketline 2016b) B2W Distribution Unit has made it possible to provide several different delivery options to customers, which have improved the overall customer service level of the company (B2W 2016). To improve the situation even further, the company made an operating agreement with major Brazilian e-commerce delivery carrier Vialog, and took over the package delivery operations and 40 hubs from Vialog (B2W Companhia Digital 2017). Delivery and logistics are B2W's fourth major ownership advantage, since logistics were seen as one of the main barriers in global e-commerce.

Through the years, the company has acquired knowledge and talent from company acquisitions and also through own experiences. The company has been able to understand Brazilian markets and can utilize these experiences in other major markets as well. However, while MercadoLibre possesses market knowledge all around Latin America, has B2W only limited amount of market knowledge outside of Brazil, Mexico, Argentina and Chile. Then again, since these all of these can be

considered as major markets, the fifth major ownership advantage of B2W is company's experience and market knowledge in Latin American e-commerce.

The last major ownership advantage of B2W consists of its high technological capabilities. B2W has focused on acquiring the latest e-commerce technology through strategic acquisitions and by attracting competent engineers to work exclusively on B2W's technology projects. The company has already gained mobile technology leadership in Brazil, and while the number of active m-commerce users is expected to continue its rapid growth all around Latin America, B2W has established its position as the pioneer in this area. (B2W 2016) B2W has also established several important partnerships, including one with Stanford University, which has provided marketing optimization algorithms with the laboratory of Artificial Intelligence. The company has also invested in the migration from e-commerce to m-commerce (mobile device platform), and their four apps reached over 5,5 million downloads in 2016, which was 46 % more than in 2015. (B2W 2017a)

Location advantages are more difficult to possess in e-commerce than in offline businesses and unlike MercadoLibre, B2W only operates in four different markets. To succeed with this approach, B2W has only focused on Latin American markets, and has used economic criteria to determine which markets have the highest share in e-commerce and therefore have the best commercial potential. It is also important to emphasize the importance of cultural and linguistic similarities that Latin American countries share together.

In 2009 when the company began to expand its operations into new markets, Mexico had highest percentage (2.0% of the share in global e-commerce), followed by Argentina (1.5%), Venezuela (0.57%) and Chile (0.36%). However, company chose to direct its efforts only to Mexico, Argentina and Chile, as Venezuela, despite having a greater participation in the world of e-commerce than Chile, was considered to be too risky market due to its political instability. (Gloria et al. 2013) These four markets have the most developed infrastructures in Latin America and also have major global cities with high connectivity, which was one of the key

location factors brought up by Alcácer et al. (2016). In addition, these markets are located close to each other, which reduces the logistical complexities and allow B2W to utilize economies of scale more efficiently.

In line with MercadoLibre's strategy, B2W has internalized its key assets as well. Being an online retail company instead of an offline company, has made it easier for B2W to expand operations into new countries, since establishing a sales channel in another country demands much lower physical presence than traditional retailing. Instead of physical stores, the website could be managed from anywhere in the world, limiting the on-site presence only to the distribution centers, which could still be outsourced. Also, the management team of the company had several people with professional experience in multinationals, which contributed to a global vision of the retail market. (Gloria et al. 2013)

Through internalization, B2W has been able to keep the most vulnerable assets, while avoiding potential brand damages and knowledge leakages to another companies. The company has also ensured to possess total control over its key technologies, which were already identified to be part of the main ownership advantages of the company. This has not only reduced the bargaining power of the software providers, but has also mitigated transaction costs related to searching and monitoring potential providers. Finally, by providing own secured delivery services to its users, B2W has been able to mitigate the risks that are often associated with undeveloped Latin American delivery systems.

The main OLI advantages of B2W are summarized in table 10.

Table 10 Main OLI advantages of B2W

OLI	Advantages
Ownership	Superior technological capabilities
	Market knowledge and experience
	Own distribution channel
	Strong brand and reputation
	Awarderd customer service
	Large number of brands from different business areas under B2W
Location	Access to larger customer base and high population markets
	Cultural and linguistic similarities
	Proximity to other major markets -> lower transportation costs
	High connectivity between major cities in Latin America
	Political stability
Internalization	Total control over key technologies
	Lower transaction costs
	Securing deliveries
	Avoidance of brand damages
	Avoidance of knowledge leakages
	Reduced bargaining power of software providers

6.7 Entry modes of B2W

The internationalization of B2W has followed a series of strategies concerning the market selection, entry mode decisions and implementation of an entry strategy. Since its inception in 2006, the company has guided its processes by envisioning the opportunity to grow outside the domestic market as well. B2W's main expansion strategy has been through strategic acquisitions, in order to utilize the best possible knowledge and practices in otherwise tricky Latin American markets. In 2009, when B2W first decided to expand its operations, the company chose to enter new markets through its sub brand, Ingresso.com. (Marketline 2016b; Gloria et al. 2013) This was considered to be less risky and inexpensive approach, as it didn't require distribution or inventory to be held because all trading took place in online. Six factors were identified to have influence on the internationalization

decision of B2W: macroeconomic factors, competitive pressures, declining sales in local e-commerce, opportunities in external markets, low entry barriers and global orientation. (B2W 2016; Gloria et al. 2013)

Brazilian economy was having hard times in 2009, which also affected on B2W's businesses. The company was starting to lose market share to its competitors, which forced the management of the company to find new ways to operate. B2W's management considered that internationalization could mitigate the risks of dependence on the Brazilian market, and it was seen as an alternative of growth in markets with less competitors. B2W's management saw opportunities in the online industry, that favored the company's decision to start its international activities through the brand Ingresso.com. This was also motivated by the low market entry barriers that the company would have when entering to markets for online sales of cinema tickets in Latin America. The Latin American market is quite receptive to companies wishing to settle in the countries that make up the bloc. Often the destination country encourages companies to come by providing tax incentives and permission to send profits to the company's home country. (Gloria et al. 2013)

At the beginning, B2W's market selection consisted of several different criteria. First criterion was geographical proximity of the target market with B2W's domestic market in Brazil. Since it was the company's first international market entry, the company had to follow the operation closely without abandoning its activities in Brazil. Therefore, the decision to focus only on Latin American markets was the best option for managers and directors to follow the development of the business and learn from their successes and mistakes. The second criterion was the similarity with Brazil. Factors such as culture, political and educational systems, and business practices influenced the initial choice of Mexico and, subsequently, Argentina and Chile. These markets were perceived to be similar to the Brazilian market with minor differences, which however were insignificant compared to other regions of the world. The experience gained in terms of international management performance and the consolidation of Mercosur also encouraged regional action. (Gloria et al. 2013)

B2W has adopted the greenfield investments as an internationalization strategy, in order to avoid leakage of information and damages to company's image. In addition, there was a certain difficulty of the company's management to share control and power with complete strangers. One example of this was the removal of all directors from the Shoptime and Submarino when the two companies were acquired. Finally, B2W also believed that wholly owned business would lead them to success, as they would have total control over the operations and profits of the project. (Gloria et al. 2013)

B2W has also implemented global orientation in their logistical and business processes. In order to support the international expansion in the future, the company invested in a Warehouse Management System, which could be integrated with the most diverse logistics systems used locally by other companies. This would allow integration with the logistics systems of a company acquired outside Brazil to be carried out more quickly. In 2014, the company acquired Direct, Brazilian logistics operator, which has specialized in delivering small items (Marketline 2016b). Similar to logistics, the business processes were also structured in order to globally meet the needs of the company. The negotiation of products with suppliers was always done with the matrix, avoiding intermediaries. The aim was to strengthen the relationships with companies that could serve B2W's orders anywhere in the world, while optimizing the negotiation work. (Gloria et al. 2013)

Table 11 illustrates the timeline of B2W's most significant launches, acquisitions and expansions during its existence.

Table 11 Timeline of B2W's acquisitions, service launches and expansions (adapted B2W 2017b)

	<i>Mergers and Acquisitions</i>	<i>Launches</i>	<i>Expansions</i>
1999		Creation of Americanas.com and Submarino	
2005	Shoptime Acquisition		
	Ingresso.com Acquisition		
2006	Merger of Americanas.com and Submarino, resulting in the creation of B2W		
2007	Acquisition of the license to use BLOCKBUSTER trademark online in Brazil		Expansion of the travel business to all 3 brands with the creation of B2W Viagens
2008		Launch of BLOCKBUSTER online's website	
		Inauguration of the new B2W's distribution center	
2009			International expansion of Ingresso.com to Mexico
2010			International expansion of Ingresso.com to Argentina and Chile
2011		Launch of the SouBarato website	
		Inauguration of B2W distribution center in Recife	
2012		Inauguration of 4 new distribution centers (Rio de Janeiro, Mines Gerais, Sao Paulo and Pernambuco)	
2013	Acquisition of Click Rodo and Uniconsult	Launch of the fashion category	
	Acquisition of Tarkena and Ideais	Launch of the Marketplace	
2014	Acquisition of Direct	Launch of the Business Seller platform	Expansion of distribution center
		Inauguration of 3 new distribution centers	
		Launch of Digital Finance	
2015	Acquisition of e-smart	Launch of B2W Fulfillment	
	Acquisition of Sieve Group	Inauguration of 2 new distribution centers	
		Launch of the SouBarato credit card	

7 CONSUMER BEHAVIOR SURVEY

Two previous chapters have concentrated on utilizing existing literature and public sources, in order to explain barriers and success factors in Latin American e-commerce from environmental and company perspective. The main objective in this chapter is to find out, whether Latin American consumers have identified the similar barriers and critical success factors in e-commerce, as were revealed during the environmental analysis and in the case study. In addition, this chapter also aims to identify the main characteristics of online consumer behavior in Latin America. Survey results are expected to be consistent with findings from the previous chapters.

After considering several different research methods, an online survey was seen as the most suitable data collection method for the purposes of this study. Survey was conducted, since there weren't any equivalent data to be found from the recent literature. It was carried out by using Google Forms, a highly used and secure online survey tool, which also enables the survey data to be easily turned into graphs and tables. Before the survey was published, a pilot study was conducted with a small group of people from Argentina, in order to make sure that questions were easy to understand and were saved correctly. After the pilot study, it was decided that online survey would be shared only in Argentina, due to resource limitations. It was also decided that survey would not only be targeted for native Latin Americans, but also for expatriates living in Latin America, because of the availability of data. In addition, expatriates were assumed to have experience from online shopping in more developed markets, and to have wider perspective towards barriers and success factors in Latin American e-commerce.

The survey was published on 31.8.2017 in English, in order to attract expatriates living in Argentina through Facebook. After two weeks on 16.9.2017, the questions were translated in Spanish and the survey was being shared in local Facebook and WhatsApp-groups in Argentina. Finally, on 3.10.2017 the questions were translated back to English and the survey was shared one more time among the expatriates. Final closing date of the survey was 12.10.2017. The answers were given

anonymously, so that respondents couldn't be identified or traced back based on their answers. The implemented surveys can be found in English in the appendix 2, and in Spanish in the appendix 3. The overall reach of the survey was approximately 130 persons, of which 101 persons responded, so the response rate was around 78 %. The survey consisted of 15 close-ended and 1 open-ended questions, and all questions were mandatory to answer. Also, the respondents were only able to choose one answer per question, encouraging the respondents to select the most suitable choice in each question.

Furthermore, this chapter is divided into two sections. At first, respondents' demographic profiles are formed through six background questions, and after identifying the representative sample of this survey, rest of the survey results are presented.

7.1 Respondents' profiles

The survey began with six background questions, which made it possible to compare the results between different people based on their demographics. By dividing respondents into different demographic categories, the results are easier to analyze and conclusions can be done with more precise information. First background question examined the gender of respondents, and the gender distribution of the survey was 54,5 % men and 45,5 % female of all respondents. The gender distribution was considered as sufficient and representative sample of both genders. Second question examined the age distribution of respondents, and figure 13 presents the results of this question. As can be seen from the figure 13, 86 % of all respondents were between ages 18 to 34, which was expected considering the channels where the survey was being distributed.

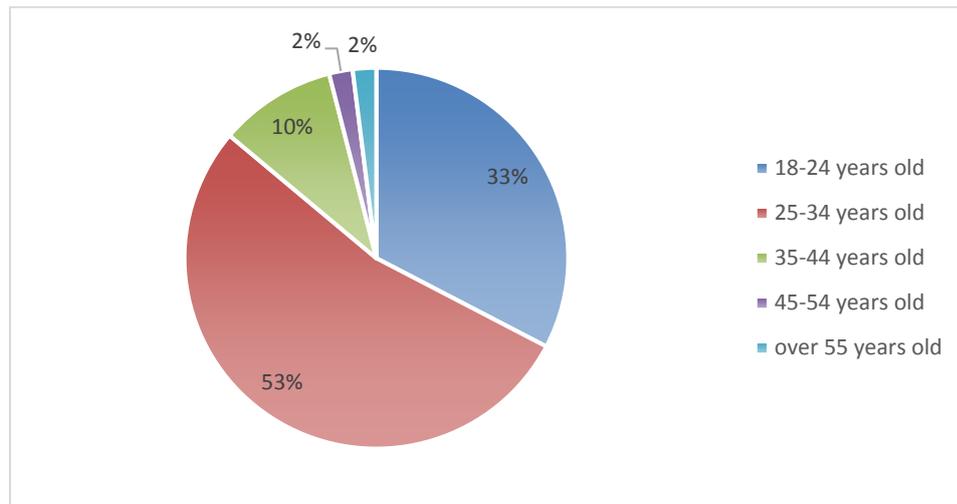


Figure 13 Question 2. Respondents' age distribution

Third question explored the countries where respondents were living at the moment, and as many as 94 % of all respondents were living in Argentina, which was also expected. The survey also had few singular respondents from Brazil, Mexico, Chile, Uruguay and France. Fourth question focused on finding out the occupations of respondents, and the results are presented in figure 14. Majority of respondents were working professionals, which was also consistent with the age distribution of the survey. There also weren't any significant differences in occupation distribution between different genders.

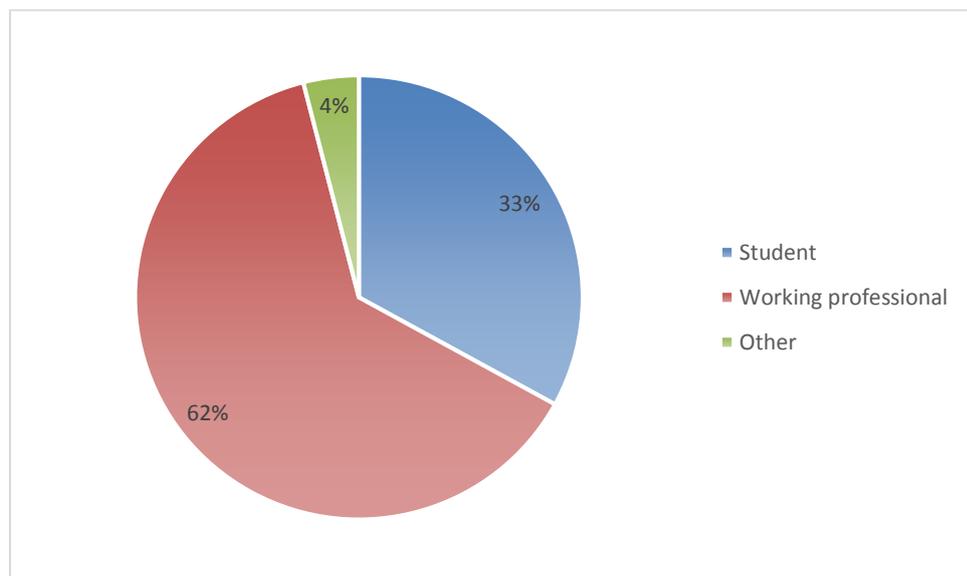


Figure 14 Question 4. Respondents' occupations

Fifth question explored the area where respondents were living, and 80 % of the respondents were living in urban area, as was expected. This is also important to take into account when analyzing the results, since only 3 % of respondents were living in rural area, where problems and barriers related to e-commerce should be at their highest. Figure 15 presents the overall results from this question.

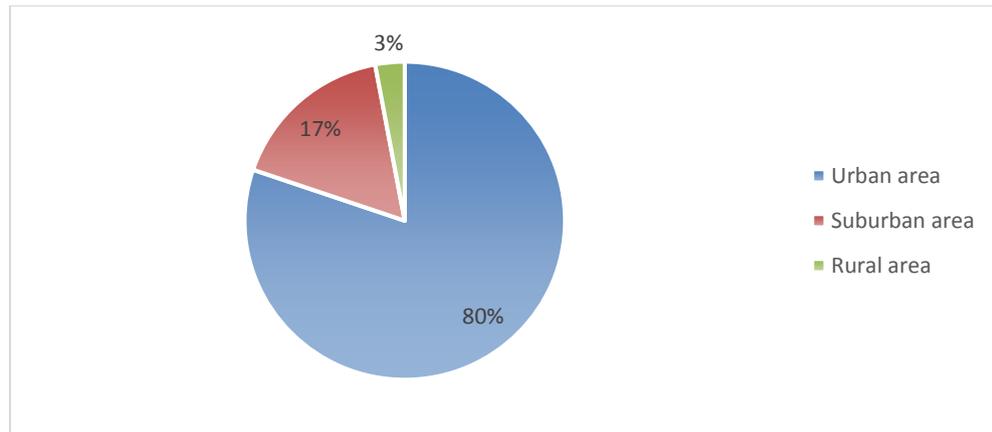


Figure 15 Question 5. Respondents' area of living

Sixth and final background question examined the online shopping frequency of the respondents, and the results are presented in figure 16. Majority of the respondents can be viewed as occasional shoppers, who conduct online purchases more often than once in a year, but less frequently than once in every month. There were approximately 21 % of respondents, who could be considered as core or avid shoppers, and who are purchasing online more often than once a month. According to gender distribution, females were slightly more frequent shoppers than males, but the difference was very minimal.

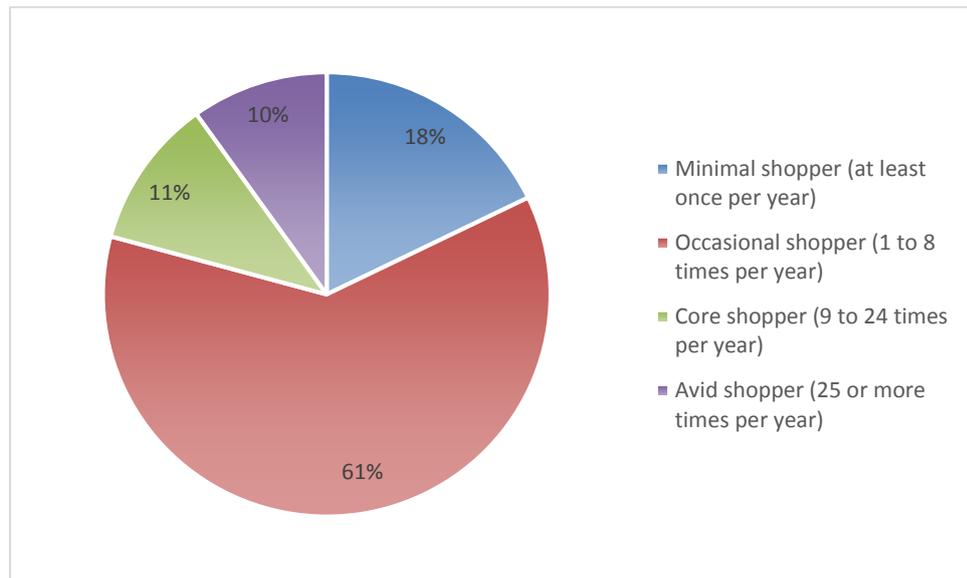


Figure 16 Question 6. Online shopping activity among respondents

After combining all the results from background questions together, it was possible to identify the main demographic group that this survey sample is representing. Figure 17 presents this identified demographic group, which is used as a basis when making generalizations from this survey.

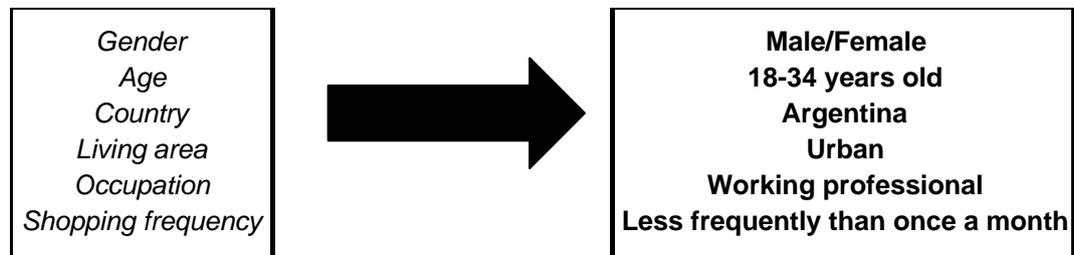


Figure 17 Representative demographic group of the survey

7.2 Survey results

After forming the representative demographic group of this survey, questions 7-12 focused on examining the online purchasing behavior of the respondents. Seventh question explored the respondents' main motive behind online shopping and figure 18 presents the results of this question. As can be seen from figure 18, the main motive to purchase online for the respondents was the easiness to compare prices

in online. Also, the wider range of products was considered as the second most important reason to do online shopping instead of traditional offline shopping. Then again, only 8 % of the respondents saw additional services and features as their main motive to use online marketplaces. Again, there were no significant differences between different genders, or between students and working professionals.

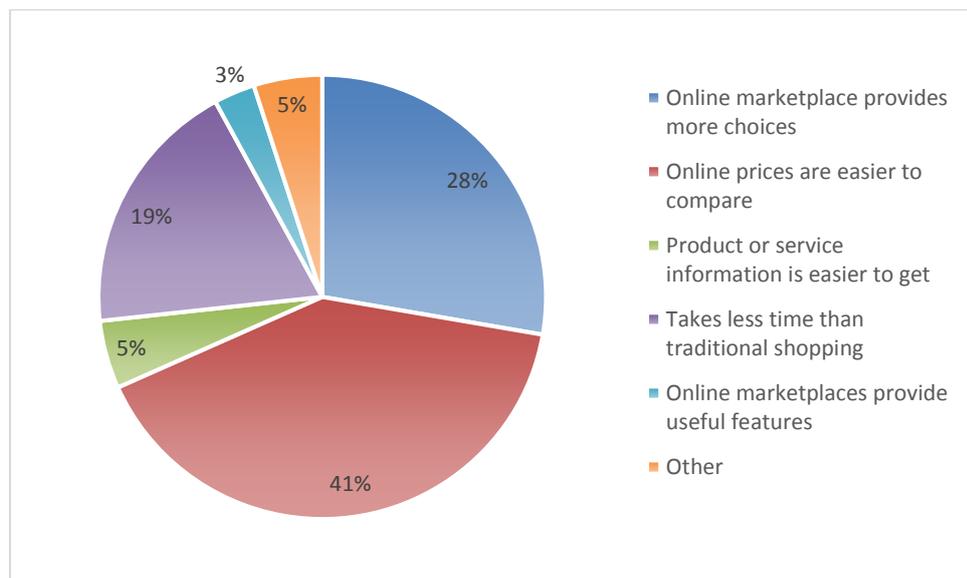


Figure 18 Question 7. Main reasons why respondents shop online

Following question focused on identifying the main barriers to purchase online in Latin America. By gaining 35 % of all the responses, delivery problems were seen distinctively as the main barrier, but rest of the responses were distributed surprisingly even to other barrier types. The biggest surprise was the relatively low percentage of lack of security and privacy, which gained only 12 % of responses. However, as many as 20 % of females considered this to be the main barrier. Figure 19 presents more the results from this question more comprehensively.

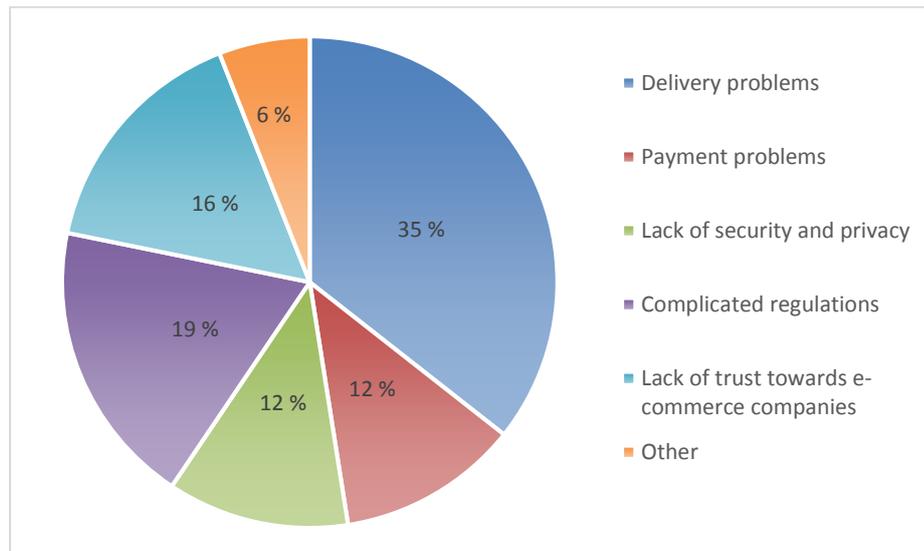


Figure 19 Question 8. Main barriers to purchase online in Latin America

Next question explored the most preferred method of payment among respondents and as can be seen from figure 20, as many as 77 % all the respondents were preferring credit or debit card over other methods. This came as a slight surprise, since the literature had suggested stronger preference towards cash on deliveries. In general, females were more into cash on deliveries than males, but the difference was again quite minor. Also, the age distribution didn't show any significant differences, except that respondents over 45 years old were preferring cash on deliveries more than other age groups, but the sample size was also very minor.

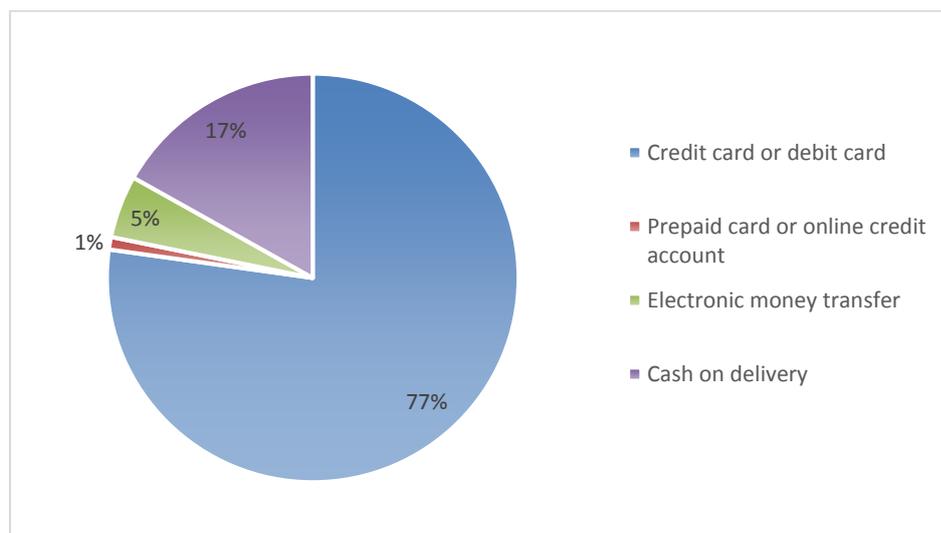


Figure 20 Question 9. Most preferred payment methods

Question 10 concentrated on examining the main information channels, through which respondents learn about e-commerce websites in Latin America. Almost half of the respondents considered search engine results, such as using Google or Yahoo, as their primary channel of gaining information from specific website. Gender distribution shows that 37 % of females and as many as 56 % of males considered search engine result as their main channel of information. Also, as can be seen from figure 21, 45 % of the respondents learned about e-commerce websites either through social media or by receiving recommendation from a friend. Then again, gender distribution revealed that 56 % of females and 35 % of males learned about e-commerce websites through these two channels.

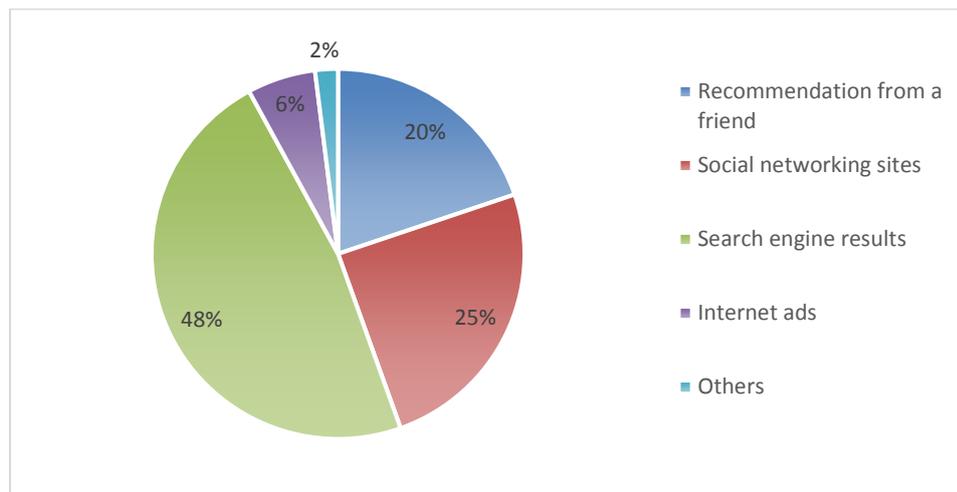


Figure 21 Question 10. How respondents learn about e-commerce websites

Question 11 explored whether taxation had any influence over consumers' cross-border online shopping activity, and the results of this question are presented in figure 22. Being in-line with the findings from the literature, as many as 71 % of the respondents were considering taxation to have either quite negative effect on cross-border purchases, or being the sole reason to pass cross-border online purchases completely. Based on gender distribution, males were more concerned about the effects of taxation than females, but in general the difference was not very significant. Only 12 % the respondents didn't find taxation to have any affect on their cross-border purchasing.

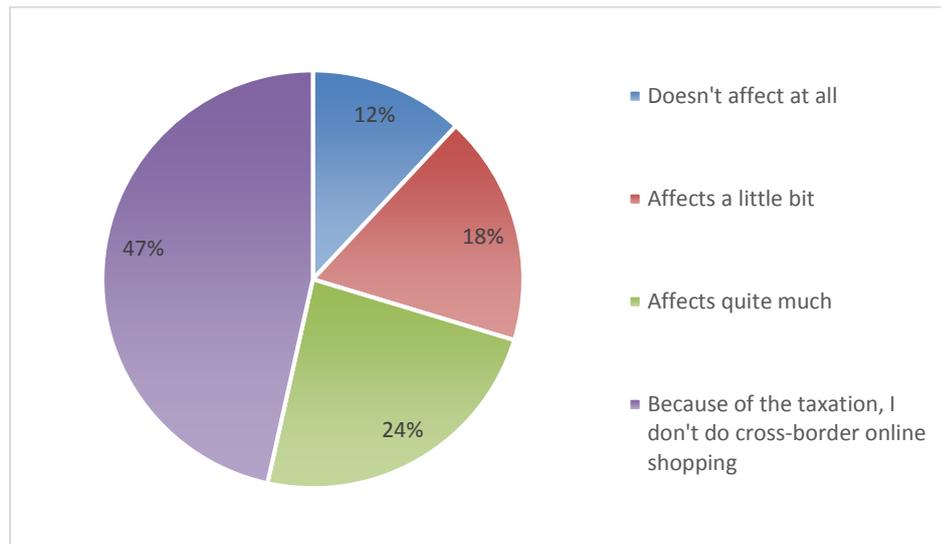


Figure 22 Question 11. Significance of taxation in cross-border online shopping

Question 12 focused on finding out, if there were any differences between trustworthiness of domestic and foreign e-commerce companies among the respondents. As can be seen from figure 23, exactly half of the respondents didn't see any differences in their trustworthiness, while 35 % considered foreign companies to have at least some sort of edge over domestic ones.

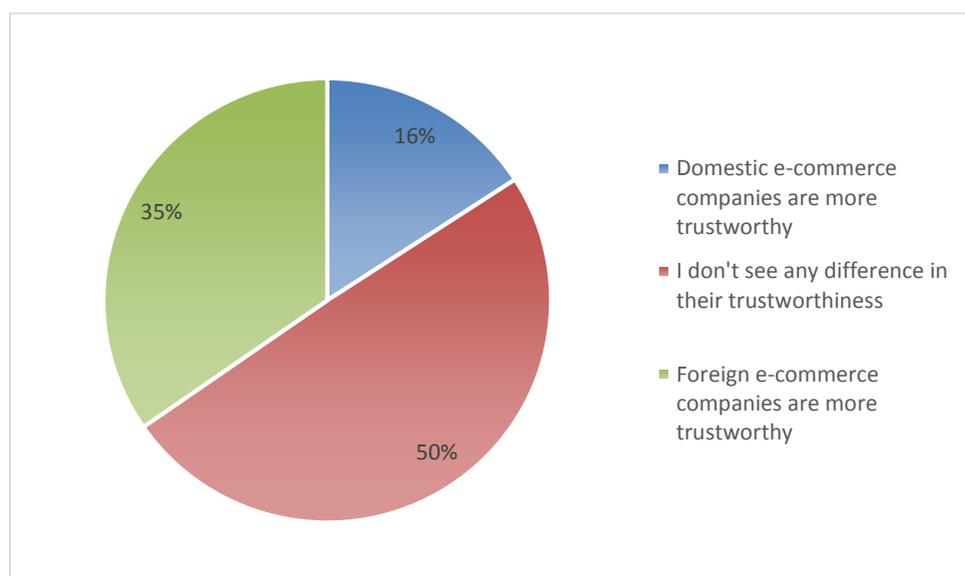


Figure 23 Question 12. Trustworthiness of domestic and foreign e-commerce companies

After exploring the online purchasing behavior of respondents, questions 13 to 15 focused on identifying the importance of different factors in e-commerce from respondents' point of view. Also, all factors in these three questions were evaluated from 1 to 5 by respondents, 1 being not important and 5 being very important. Table 12 presents the results from question 13, which consisted of ten different service-related factors. Three factors were averaging above 4,0: high-level of security and privacy provided by the website, availability of products, and range of products. Only two factors were considered as less important, averaging below 3,0: quality of packaging, and service provided in respondent's own language. The low importance of service language came as a big surprise, since this result contradicts with other findings from the literature. However, since the sample was representative for relatively young people who are living in urban area, this result can indeed be valid for that specific group of people. There were no major differences between different genders, except with the importance of quality of packaging, where average rating for female responses was 3,2, while the same rating was only 2,82 for males.

Table 12 Question 13. Respondents' preferences on services provided by e-commerce companies

Importance of the factors	1	2	3	4	5	Average
<i>Availability of products</i>	1	4	15	21	60	4,34
<i>Range of products</i>	3	4	15	33	46	4,14
<i>Quality of packaging</i>	13	22	34	17	15	2,99
<i>Online customer help service</i>	4	8	24	20	45	3,93
<i>Service attitude</i>	5	9	27	26	34	3,74
<i>Service is provided in your own language</i>	23	23	19	15	21	2,88
<i>Website is easy to access</i>	4	9	15	29	44	3,99
<i>Website can provide high-level of privacy and security</i>	1	7	9	15	69	4,43
<i>Website layout and design</i>	8	10	16	40	27	3,67
<i>Ability to provide customer reviews and feedback</i>	8	11	19	22	41	3,76

Question 14 focused on measuring the importance of eight different payments and logistics related factors among the online consumers in Latin America. As can be seen from table 13, almost every factor was considered to be important from respondents' point of view, except possibility to pay by using mobile application, which only averaged at 2,74. Again, security issues were considered to be really important factor, especially among females who rated protection of payment information at 4,6, while the overall average rating was 4,34 including both genders. Other important factors that averaged above 4,0 were deliveries arriving on time, the amount of delivery costs, and possibility to track the delivery.

Table 13 Question 14. Respondents' preferences on payments and logistics services provided by e-commerce companies

Importance of the factors	1	2	3	4	5	Average
<i>Delivery arrives on time</i>	1	1	10	18	70	4,5
<i>Several different delivery options</i>	4	10	23	25	39	3,84
<i>The amount of delivery costs</i>	2	5	22	22	50	4,12
<i>Possibility to track the delivery</i>	3	3	16	35	44	4,13
<i>The delivering company is well-known</i>	4	11	20	30	36	3,82
<i>Protection of payment information</i>	2	6	15	11	67	4,34
<i>Possibility to pay by using mobile application</i>	24	17	36	9	15	2,74
<i>Several different payment options</i>	4	9	23	29	36	3,83

Question 15 was the last close-ended question in this survey, and it focused on examining the consumers' preferences when choosing the e-commerce website, through six different factors. The results from this question emphasizes the importance of positive customer reviews, since it was the only factor that was averaging over 4,0, while being second highest averaging factor after delivery

arriving on time from question 14. This is consistent with the findings from the literature, where importance of trust was being highlighted over everything else. In addition, respondents didn't find it important for e-commerce websites to provide their own payment platforms or distribution services, although the case-study showed different results from their importance. However, both of these services are first and foremost tailored for B2B instead of B2C. Table 14 illustrates the results from this question.

Table 14 Question 15. Respondents' preferences on choosing the e-commerce website

Importance of the factors	1	2	3	4	5	Average
<i>The nationality of the e-commerce company</i>	19	16	36	23	7	2,83
<i>The company is well-known</i>	2	5	26	34	34	3,92
<i>The company provides own payment platform</i>	14	21	41	19	6	2,82
<i>The company provides own distribution service</i>	12	22	36	22	9	2,94
<i>The company has gained positive customer reviews</i>	3	0	13	14	71	4,49
<i>The company is Latin American</i>	31	18	36	8	8	2,45

Final question of the survey concentrated on exploring the experiences that respondents had gained from online shopping, and having their opinion on how e-commerce companies should develop their services in Latin America. This was also the only open-ended question of the survey. In general, majority of respondents had gained positive experiences from online shopping, while there still appeared to be room for major improvements. Next are presented the most common issues that respondents had faced with online shopping in Latin America.

One of the the most common issues that was brought up in several answers, was the insufficient level of logistical services. Delivery times were found to be too long

and unreliable, which also included local mail services that were described as complicated and insecure. According to multiple answers, deliveries can take between 5 to 7 days even if the customer is living in the city center. This encourages consumers to go and buy the same item from local offline retailer, even if the product would be a bit more expensive. In addition, shorter delivery times were seen as top priority for e-commerce companies to develop their logistical services. Also shipping costs were considered to be in high level especially when ordering from abroad, because of the high taxation and customs. Amazon and MercadoLibre were mentioned multiple times as examples of successful companies, whom other e-commerce providers should try to learn from. However, it is also worthwhile to mention that majority of positive experiences from Amazon, were actually gained from outside of Latin America.

Another important issue that was brought up in many answers, was the low level of customer service. Some examples included lack of communication during and after the purchasing activity from the side of e-commerce company, and also lack of guidance for new users. In addition, returning and withdrawing broken or wrong sized items was considered to be very difficult in Argentina. According to respondents, e-commerce companies should focus more on providing high-level of customer satisfaction in all areas of business.

Respondents had mixed experiences with functionality of payments. Some respondents were hoping to see improvements regarding the variety and flexibility of payment options, such as providing more options to pay with different debit cards, as many e-commerce companies were accepting only a local credit card. Then again, other respondents were wondering about the amount of bad customer experiences, since they haven't had any kind of problems with payments or with anything else.

Final major issue was the lack of trust towards e-commerce companies. This included lack of security and privacy, fear of being cheated and ripped off, and fear of losing the package during delivery or finding it to be broken. There were also respondents, who either preferred Facebook groups or purchased online only when

visiting United States of America. In addition, customer reviews were considered to be less reliable for local e-commerce companies than with Amazon or eBay, for which reason some respondents preferred to use online marketplaces only to locate and compare products and prices, while then buying them from a physical store to be sure from the quality of product.

8 RESULTS AND KEY FINDINGS

This study has brought up the peculiarities and characteristics of Latin American e-commerce markets, while it also has revealed the factors behind successful market expansion within the region. The following chapter presents the empirical findings for all three supporting research questions, which ultimately are utilized when providing answer to the main research question of thesis. At first, the main barriers to e-commerce in Latin America are identified. Secondly, critical success factors that e-commerce companies in Latin American markets are required to possess, are presented. Finally, the results from consumer behavior survey are analyzed and potential connections with other results are disclosed. The survey results are expected to be consistent with other results from this chapter.

8.1 Main barriers to e-commerce in Latin America

First supporting research question concentrated on identifying the main barriers to e-commerce in Latin America. When companies are planning their entries to completely new markets, it is important to recognize the threats in order to turn them into opportunities. ABC News (2016) made harsh summary of the challenges in Latin American e-commerce, including varying distribution laws, high import duties, poor distribution services, low credit-card usage and Internet penetration rates, and high disparity of income. However, based on the environmental analysis and literature review, Latin American e-commerce suffers from very similar barriers as other emerging markets, while still having its unique peculiarities.

Consistent with previous studies (Lawrence and Tar 2010; Turban et al. 2015), economical environment and especially the payment infrastructure were found to be major barriers to foreign e-commerce companies, which might not have the capabilities or resources to establish a payment platform of their own. Low credit card penetration combined with lack of trust towards Latin American financial institutions has led to situation, where companies are required to invest heavily to offer vast number of different payment methods through mass-customization. However, variety of payment methods isn't enough for majority of consumers, who

are more concerned about security and privacy of the payment process, rather than the number of payment options.

Economical situation in Latin America is a consequence from political and legal instability, which shows up as corruption and complexity of jurisdictions. These kinds of factors discourage companies to do business in such unstable environment, where regulations keep changing all the time and where companies have challenges to plan their long-term activities. For example, Argentinian government has placed high import taxes for foreign products, in order to strengthen the market positions of local companies. It was also discovered that even companies with superior market knowledge in Latin America, such as B2W, are very cautious with entries to new Latin American markets. This why foreign e-commerce companies are forced to form connections with local people, who have the necessary expertise on dealing with local regulations and governments. However, even local connections can't do anything on constantly changing laws and high import taxes, which increase the legal barriers even higher.

The unreliable postal and delivery services have been recognized as another major barrier to e-commerce in Latin America, due to complex and insufficient logistical infrastructure. Prior studies have identified the same issue (Kshetri 2007; Lawrence and Tar 2010; Singh 2012; Turban et al. 2015), where logistics can be seen as major barrier to e-commerce adoption and development. Even if a company could provide the most diversified selection of services and products with the lowest market price, it isn't enough if the company can't provide functional delivery system to its customers. Trusting on local postal services is truly a gamble, which shouldn't be the case when company is seeking for long-term success within the market. In addition, low level of security has led to a situation, where many distribution centers in major cities aren't willing to operate during the night time. This issue is especially problematic outside of major city centres, also partly because of undeveloped infrastructures. Remote villages in Latin America can also be hard to reach due to geographical diversity, including Andean Mountains and the Amazon rainforest. Challenging logistical environment has also forced the companies to

have high delivery costs, which then again decrease the willingness and confidence of consumers to purchase online.

As was mentioned before, one of the major barriers to Latin American e-commerce is the lack of trust. This doesn't only concern consumer's lack of trust towards e-commerce companies, but companies themselves are also suffering from the same issue, when considering potential suppliers and partnerships with other companies in Latin America. These factors can diminish the desire of e-commerce company to expand into Latin America through licensing or exporting, if they are lacking the sufficient amount of local knowledge that is needed to have even some sort of business operations in the region. Choosing a wrong partner with can lead to minimal visibility with unfavourable conditions of contract with the provider of the online portal. This can eventually lead to a situation, where acquisitions are the easiest and most reliable entry method into Latin American markets.

Finally, cultural differences can also become major barrier for companies, who are lacking the expertise in Latin American business. Each country has its own traditions, policies and even languages have their own differences within the region. It will require significant amount of resources to provide fully localized websites and online sales-channels, which can be unreachable for majority of foreign companies to obtain. Clash of cultures can become a real issue when doing business with Latin Americans, since they are more emotional in decision making rather than being rational. Cultural differences should also be considered, when companies are planning to move their successful business models from completely different market area to another. Although two different markets can share similar economical development phase or similar political system, they still should be treated as singular cases.

8.2 Critical success factors in Latin American e-commerce

Second supporting research question focused on identifying the critical success factors in Latin American e-commerce, which can help companies to overcome the main barriers. Successful e-commerce companies in Latin America, such as B2W

and especially MercadoLibre, have started their operations as domestic companies and have gradually expanded their operations into more global level, by utilizing their experience of operating successfully in their home markets. By surviving the entry of foreign multinationals, these companies have already toughened themselves and know the requirements to overcome the consumers' perceptions of trust and security.

Both MercadoLibre and B2W have ensured to possess all required types of OLI advantages from the eclectic paradigm, in order to internationalize their operations successfully into new markets. MercadoLibre has gained ownership-specific advantages by establishing its own distribution and logistics channels, payment platforms and localized online marketplaces. At the same time, the brand name and increasing reputation of the company have become a major competitive advantage for MercadoLibre all around Latin America. Then again, B2W has also established its own distribution channels, but its main focus has been in developing technological capabilities. Secondly, both companies have ensured location-specific advantages by entering markets with great amount of potential within Latin America. Although majority of Latin American markets have unstable political environments, companies have been able to overcome these challenges with superior local market knowledge. Thirdly, companies have internalized all of their key assets, including technological capabilities, which has fulfilled the final requirement regarding the eclectic paradigm, in order to internationalize through FDIs. Both companies have decided to expand their operations through mergers, acquisitions and greenfield investments, which indicates that there's no real interest towards exporting in markets, where these companies are lacking the location-specific advantages.

As was witnessed in the cases of MercadoLibre and B2W, strong market knowledge can be identified as one of the most critical success factors in Latin American e-commerce, and it can be acquired through several different ways. Latin American companies acquire the knowledge simply by surveying their domestic environments and utilizing their cultural resemblances. Then again, faster but also more expensive way is to form joint ventures or merge with local companies, who already possess

this desired knowledge. To decrease the risk-level of choosing wrong business partner, foreign companies should have plain vision of what they require from their partners and how can their partners aid the companies to gain success. Finally, companies who are rich with their resources, can acquire their local competitors or technological providers to gain invaluable market knowledge. Both MercadoLibre and B2W have been able to either develop or acquire top-of-mind technological capabilities, which have strengthened their competitive advantage against other competitors in Latin America.

However, entering the market with strong market knowledge isn't the only success factor that companies are required to possess. Since the political and legal environments are extremely unstable in most parts of Latin America, should the companies choose the most stable market environment, and make the entry with most riskfree service or product-category. By eliminating maximum number of uncertainties, companies can focus completely on understanding the market and utilizing their competitive advantages. In other words, companies shouldn't enter Latin American markets, until they can fulfill the requirements of Dunning's eclectic paradigm. This also includes keeping the core competences and outsourcing weaknesses.

Market knowledge and ownership-specific advantages can be utilized in localization. Environmental analysis supported findings from literature review concerning the importance of localization. Although in traditional businesses companies should aim for standardization and economies of scales, e-commerce is a bit more challenging business environment to operate. Particularly in Latin America, consumers are demanding for localized websites and services. By following the steps of B2W and MercadoLibre, who both have expanded their operations step-by-step from culturally and linguistically similar countries to more diversified ones, even foreign e-commerce companies can gain better success than by entering all major markets at once.

Another issue that was highlighted during the environmental analysis, was the customer centricity in company's decision-making process. As was mentioned

before, Latin Americans are very collectivistic people, who establish trustworthy seller-buyer relationships through direct contact, which can't be achieved in e-commerce. When operating in markets where the overall level of trust is very low, companies are required to pay more effort to impress the consumer. For example, MercadoLibre has provided their own branch of services, including payment and logistics platforms, while B2W has focused on providing multiple different e-commerce websites under the same brand. The more positive experiences the consumers receive, the more trust will be generated towards the providing company. And if the company can't provide an own payment or logistics platforms, it should seek for other possibilities to increase the customer value. This can be achieved by cooperating with other logistics providers, who are reliable and have good reputation among the consumers in the target market. The same goes with finding reliable partner, who can provide comprehensive and secure payment mechanism.

Finally, companies must also consider delivery challenges outside of major cities, mainly due to undeveloped infrastructure. Although this issue is yet unsolved in Latin America, major e-commerce companies have already focused on the same problem in other parts of the world, and one solution might be drone deliveries. Amazon.com has been developing Prime Air delivery system, which uses drones as delivery method (Amazon 2017), and one of their main objectives has been developing variety of delivery platforms for drones to provide better accessibility into high demand areas (The Verge 2017).

Considering geographical diversities in Latin America, e-commerce companies should observe very closely the delivery procedures of JD.com, which is one of the one of the largest Chinese online retailers after Alibaba. According to Recode (2017), JD.com has already began its own drone delivery program in China, which has completely different approach towards drone deliveries than Amazon.com. JD.com's objective is to deliver parcels from cities to countrysides, where each village has its own delivery person who will receive the drone deliveries and will make the final delivery within the village. Amazon.com provides drone delivery, where each drone delivers parcel to an individual house, while JD.com's drones are

flying a fixed route from the distribution center to the landing pad in the next location. JD.com has been battling with the same issues as e-commerce companies in Latin America, since delivering to rural areas in China is logistically challenging and expensive to organize by using traditional delivery methods. In rural China, drone deliveries can be over 70 % cheaper than deliveries by truck, as drones don't have to suffer from traffic or mountainous regions. (Recode 2017)

8.3 Consumer behavior in Latin America

Third supporting research question concentrated on examining how online consumer behavior in Latin America can explain the region's distinctive features regarding e-commerce. Research findings from the online survey were found to be consistent with main findings from literature, while they also provided some interesting differences. Next are discussed main findings from online survey, which can help companies to find new ways to gain consumers' trust and interest.

The survey was found to be representative for working professionals living in urban areas in Argentina, who are 18-34 years old and conduct online purchases less frequently than once a month. This demographic group of people was using online services primarily because of the easiness to compare different prices and products, and since online marketplaces can provide more product and service solutions than physical stores. The Nielsen Company (2016) had also identified similar factors motivating consumers to purchase online. Conflicting with findings from the literature, respondents didn't find it important to have online services provided with their native language. However, as Singh (2012) stated, the language should be viewed as only one of the various market-specific requirements. This also means that younger generation of Argentinians are more globally-oriented than average Latin Americans, which is positive sign for foreign e-commerce companies, who otherwise might lack the resources to fully localize their operations.

Survey results emphasized the importance of search engine optimization, which was considered as one of the most important factors in localization (Singh 2012). a Search engine results were also identified as the main channel of information for

consumers to learn about e-commerce websites, while respondents found customer reviews to provide important and valuable information when making purchasing decision. Moreover, respondents suggested that e-commerce companies should pay more attention to their customers, by developing their customer services. Respondents were demanding high-class customer service during and after the purchasing process, and especially in difficult situation such as product returns or warranty issues.

It was found to be unimportant for respondents whether or not e-commerce company is providing their own payment platforms or distribution services, when choosing e-commerce website, but this doesn't mean that payments or logistics would not be important at all for consumers. Specifically, results revealed that consumers appreciate versatile and secure payment methods, while they also found accurate and low-cost delivery services to be very important. Then again, respondents were also concerned about logistical challenges that were proved to be critical in Latin America, since also literature had recognized this as major barrier to online shopping. Even in urban areas the delivery time was in many cases more than five business days, and the situation doesn't get better in suburban or rural areas. Being in line with literature, postal services were also considered as unreliable method of delivery especially in Argentina. In addition, respondents considered that majority of e-commerce companies are providing too narrow selection of delivery methods, which discourage consumers to purchase online. In addition, complicated regulations and taxation were also proved to have negative effect on respondents' willingness to use online services in Latin America. While companies are suffering from volatile legal environment, are consumers facing the costs from cross-border online purchases, such as customs duties and value-added taxation.

Final essential factor that was studied in the survey was the general level of trust towards e-commerce companies, which has been described as one of most important factors in e-commerce (Yoon and Occeña 2015). Being consistent with findings from the literature, it was revealed that respondents were lacking the trust towards deliveries arranged by e-commerce companies, security and privacy

provided by the e-commerce company, and product and service quality. Then again, company's reputation and customer reviews were found to have major influence over respondents' trust towards e-commerce companies.

9 CONCLUSIONS AND DISCUSSION

Latin America with its population of 640 million people provides huge market potential for e-commerce companies, who are seeking for untapped markets. Although region is still far behind North America or Western Europe in digital buyer penetration, the gap has been narrowing all the time. The main objective of this thesis was to find out the main reasons explaining low number of foreign e-commerce companies operating successfully in Latin America. In order to identify these main reasons, three supporting research questions were formed and studied. Supporting questions focused on identifying the main barriers to e-commerce in Latin America, discovering critical success factors to overcome the barriers, and recognizing the customer preferences in Latin America.

By utilizing secondary data from literature and primary data from online survey, it was discovered that succeeding in Latin America requires great amount of market knowledge, technological capabilities, and patience from the foreign e-commerce companies, which is difficult combination to master. When considering main barriers to e-commerce in Latin America, following factors were proven to be crucial. Region has great geographical diversity, which makes it logistically challenging environment. Infrastructures are at low level in majority of the region, which forms a major barrier to e-commerce companies when trying to reach as many customers as possible. Many Latin American countries are also suffering from political and legal instability, which discourages companies to enter those markets, and discourage consumers to conduct cross-border online purchases because of the high level of taxation. Companies are also suffering from the lack of trust towards potential business partners, suppliers and logistical providers. Then again, also consumers were found to lack trust towards e-commerce companies, which was found to be consistent with cultural characteristics of Latin Americans. Finally, the main barrier in the eyes of consumers was found to be unreliable and inconvenient delivery system, which was the considered as the main reason for consumers to prefer traditional offline shopping.

The empirical data of this thesis implied that despite of major barriers that e-commerce companies are required to overcome in Latin America, the region still has lot of potential that shouldn't be overlooked. The basic guideline for being successful in Latin America requires significant investments and technological capabilities in order to overcome the main barriers. However, companies should consider other important aspects as well, which can provide long-term success for the company. In order to be successful in certain Latin American market, the company should utilize OLI-paradigm to assess their level of competitiveness, and analyze the market as comprehensively as possible. Also, if the company is able to find reliable business partners in that specific market, more likely it will succeed with the market entry.

Case study revealed that successful Latin American companies have decided to only internationalize through own private marketplaces, and have completely ignored intermediaries or other existing marketplaces when internationalizing their operations. Especially legal regulations are widely varied in Latin America and need to be considered separately when planning market entry. For SMEs, who are seeking internationalization but who don't have the market knowledge or connections, the best and most risk-free entry method would be exporting through existing online marketplace. Then again, for MNEs the best internationalization method was found to be FDIs, by establishing an own online marketplace with localized contents and services. The cooperation with major payment and logistics companies, who are operating in Latin America, was also discovered to be essential from the very beginning.

In addition, results of the online customer survey were consistent with findings from the literature. Unlike literature had suggested, consumers didn't find it important to have services provided in their own language. However, e-commerce companies should take into account recommendations from consumers, who emphasized the importance of providing high-level of customer service during and after the purchasing process. In the end, consumers aren't only after lowest possible price, but they are also looking for reliable and consumer-friendly shopping environment, where they can trust on the online provider.

9.1 Research limitations

This thesis includes certain limitations, which need to be considered when evaluating the results of this thesis. Firstly, empirical part of thesis concentrated only on a limited number of Latin American markets and for this reason, the results can't represent every single market within the region. Secondly, thesis focused primarily on online retailing, which means that results and implications might not be transferable to other areas of e-commerce. Thirdly, the results from consumer behavior survey are only representing a certain demographic group of people, and should not be generalized to represent all Latin Americans. Finally, there was very limited amount of relevant academic research available during this study, which have combined e-commerce, internationalization and Latin America. This should be considered when later evaluating the validity of empirical results of this study.

9.2 Future research recommendations

This master's thesis provides wide range of possibilities for future research. Latin America still remains as an untapped market environment in e-commerce, and requires data in order to be understood more properly. It would be beneficial to study foreign e-commerce companies, who have managed to enter Latin American markets, internally to find out the company perspective on this research topic. Also, future studies could focus on singular markets in Latin America, which could provide more in-depth data from that specific market environment. Moreover, it would be interesting to examine how e-commerce will evolve in Latin America in the future, and to find out the involvement of foreign e-commerce companies on this matter.

Another interesting research subject would be to examine traditionally operating companies in Latin America and to find out, if e-commerce companies could learn something from their way of doing business. On the contrary, it would be beneficial to explore how traditionally operating companies are utilizing online services to enhance their competitiveness in the region.

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APPENDIX 1 International Property Rights Index rankings 2017 (Property Rights Alliance 2017a)

Top 20 Percent	2nd Quintile	3rd Quintile	4th Quintile	Bottom 20 Percent
NEW ZEALAND	BELGIUM	MAURITIUS	LATVIA	BRUNEI DARUSSALAM
FINLAND	HONG KONG	OMAN	PHILIPPINES	ECUADOR
SWEDEN	ICELAND	JORDAN	PERU	MOZAMBIQUE
SWITZERLAND	UNITED ARAB EMIRATES	POLAND	THAILAND	CÔTE D'IVOIRE
NORWAY	QATAR	BAHREIN	MEXICO	BENIN
LUXEMBURG	FRANCE	SAUDI ARABIA	INDONESIA	ARGENTINA
SINGAPORE	TAIWAN (China)	BOTSWANA	UGANDA	SIERRA LEONE
JAPAN	ESTONIA	COSTA RICA	TUNISIA	IRAN
NETHERLANDS	SOUTH AFRICA	JAMAICA	GUATEMALA	PARAGUAY
AUSTRALIA	ISRAEL	SLOVENIA	TANZANIA, UNITED REP. OF	EGYPT
CANADA	CHILE	HUNGARY	ROMANIA	KAZAKHSTAN
DENMARK	MALTA	ITALY	EL SALVADOR	LEBANON
UNITED KINGDOM	CZECH REPUBLIC	LITHUANIA	SENEGAL	CAMEROON
UNITED STATES (USA)	PORTUGAL	PANAMA	NEPAL	MONTENEGRO
AUSTRIA	MALAYSIA	CHINA	VIETNAM	ALGERIA
GERMANY	RWANDA	GHANA	TURKEY	ARMENIA
IRELAND	KOREA, REP.	INDIA	ZAMBIA	MAURITANIA
	SPAIN	TRINIDAD AND TOBAGO	HONDURAS	MADAGASCAR
	URUGUAY	MOROCCO	LIBERIA	SERBIA
	SLOVAKIA	CYPRUS	KENYA	RUSSIA
		BRAZIL	DOMINICAN REPUBLIC	NICARAGUA
		SRI LANKA	MALI	BOLIVIA
		GREECE	BULGARIA	NIGERIA
		KUWAIT	CROATIA	AZERBAIJAN
		COLOMBIA	ETHIOPIA	BOSNIA AND HERZEGOVINA
			GEORGIA	CHAD
			GABON	ALBANIA
			MALAWI	CONGO, DEM. REP.
			MACEDONIA, FYR	ZIMBABWE
				PAKISTAN
				BURUNDI
				UKRAINE
				MOLDOVA
				BANGLADESH
				VENEZUELA, BOLIVARIAN REP. OF
				YEMEN, REP.

Strongest

 Weakest

APPENDIX 2 Consumer behavior survey in English

Consumer behavior in Latin American e-commerce

This survey is part of a research project, which focuses on examining consumer behavior in online shopping in Latin America. The objective is to find out the main factors that motivate consumers to purchase online, and also to identify the potential barriers to online purchasing. Responding to all questions takes only a moment, and each question should be answered with the option that feels most suitable for you. Please choose only one option per question. All the answers will be saved anonymously.

*Required

Respondent's Profile

1. What is your gender? *

- Male
- Female

2. How old are you? *

- 18-24
- 25-34
- 35-44
- 45-54
- over 55

3. In which country do you live? *

- Argentina
- Brazil
- Chile
- Colombia
- Mexico
- Other: _____

4. What is your occupation? *

- Student
- Working professional
- Other: _____

5. In what kind of area do you live? *

- Urban area
- Suburban area
- Rural area

6. How often do you shop online? *

- Minimal shopper (at least once per year)
- Occasional shopper (1 to 8 times per year)
- Core shopper (9 to 24 times per year)
- Avid shopper (25 or more times per year)

Online Purchasing Behavior

7. What is your main reason to purchase online? *

- Online marketplace provides more choices
- Online prices are easier to compare
- Product or service information is easier to get
- Takes less time than traditional shopping
- Online marketplaces provide useful features such as online shopping baskets
- Other: _____

8. What do you consider as the main barrier to purchase online in Latin America? *

- Delivery problems
- Payment problems
- Lack of security and privacy
- Complicated regulations
- Lack of trust towards e-commerce companies
- Other: _____

9. Which payments method do you prefer the most? *

- Credit card or debit card
- Prepaid card or online credit account
- Electronic money transfer
- Cash on delivery
- Other: _____

10. How do you learn about e-commerce websites? *

- Recommendation from a friend
- Social networking sites
- Search engine results
- Internet ads
- Other: _____

11. How much does the taxation affect on your cross-border online shopping? *

- Doesn't affect at all
- Affects a little bit
- Affects quite much
- Because of the taxation, I don't do cross-border online shopping

12. How would you describe the trustworthiness of foreign e-commerce companies in a comparison with domestic e-commerce companies? *

- Domestic e-commerce companies are more trustworthy
- I don't see any difference in their trustworthiness
- Foreign e-commerce companies are more trustworthy

13. How important do you find the following factors related to service provided by e-commerce websites? (1. Not important, ..., 5. Very important) *

	1	2	3	4	5
Availability of products	<input type="radio"/>				
Range of products	<input type="radio"/>				
Quality of packaging	<input type="radio"/>				
Online customer help service	<input type="radio"/>				
Service attitude	<input type="radio"/>				
Service is provided in your own language	<input type="radio"/>				
Website is easy to access	<input type="radio"/>				
Website can provide high-level of privacy and security	<input type="radio"/>				
Website layout and design	<input type="radio"/>				
Ability to provide customer reviews and feedback	<input type="radio"/>				

14. How important are the following factors related to payments and logistics provided by e-commerce companies for you? (1. Not important, ..., 5. Very important) *

	1	2	3	4	5
Delivery arrives on time	<input type="radio"/>				
Several different delivery options	<input type="radio"/>				
The amount of delivery costs	<input type="radio"/>				
Possibility to track the delivery	<input type="radio"/>				
The delivering company is well-known	<input type="radio"/>				
Protection of payment information	<input type="radio"/>				
Possibility to pay by using mobile application	<input type="radio"/>				
Several different payment options	<input type="radio"/>				

15. How important are the following factors for you, when choosing the e-commerce website? (1. Not important, ..., 5. Very important) *

	1	2	3	4	5
The nationality of the e-commerce company	<input type="radio"/>				
The company is well-known	<input type="radio"/>				
The company provides own payment platform	<input type="radio"/>				
The company provides own distribution service	<input type="radio"/>				
The company has gained positive customer reviews	<input type="radio"/>				
The company is Latin American	<input type="radio"/>				

Your experiences from online shopping

16. What kind of experiences you have from online shopping? How should e-commerce companies in Latin America develop their services? *

Your answer

SUBMIT

Never submit passwords through Google Forms.

APPENDIX 3 Consumer behavior survey in Spanish

Comportamiento del consumidor en el comercio electrónico de América Latina

Esta encuesta es parte de un proyecto de investigación, que se enfoca en examinar el comportamiento del consumidor en compras online de América Latina. El objetivo es encontrar los factores más importantes que motivan a los consumidores a recurrir a las compras electrónicas, también identificar las potenciales barreras de comprar online. Responder todas las preguntas toma muy poco tiempo y cada pregunta debe ser respondida con la opción con la que te sientas más identificado/a. Por favor elegí sólo una opción por pregunta. Todas las encuestas serán guardadas anónimamente.

*Required

Perfil del encuestado

1. ¿Cuál es tu género? *

- Masculino
- Femenino

2. ¿Cuál es tu edad? *

- 18-24
- 25-34
- 35-44
- 45-54
- Más de 55

3. ¿En qué país vivís? *

- Argentina
- Brazil
- Chile
- Colombia
- México
- Other: _____

4. ¿Cuál de las siguientes opciones describe tu ocupación? *

- Estudiante
- Trabajador
- Other: _____

5. ¿En qué tipo de área vivís? *

- Área urbana
- Área suburbana
- Área rural

6. ¿Con qué frecuencia comprás por internet? *

- Comprador mínimo (al menos una vez por año)
- Comprador ocasional (entre 1 y 8 veces por año)
- Comprador principal (entre 9 y 24 veces por año)
- Comprador ávido (25 veces o más por año)

Comportamiento de compra online

7. ¿Cuál es la principal razón de compra online? *

- Mercados electrónicos proveen más opciones
- Los precios son más fáciles de comparar en forma electrónica
- La información del producto o servicio es más fácil de obtener
- Toma menos tiempo que la compra tradicional
- Mercados electrónicos proveen características útiles como carro de compras online
- Other: _____

8. ¿Cuál consideras la principal barrera para comprar de forma electrónica en América Latina? *

- Problemas con la entrega
- Problemas con formas de pago
- Falta de seguridad y privacidad
- Regulaciones complicadas
- Falta de confianza en compañías electrónicas
- Other: _____

9. ¿Que medio de pago preferis? *

- Tarjeta de crédito o débito
- Tarjeta prepago o cuenta de crédito electrónica
- Transferencia electrónica
- Efectivo a contra entrega
- Other: _____

10. ¿Cómo encontrás páginas de compra electrónica? *

- Recomendaciones de amigos
- Redes sociales
- Búsqueda en internet
- Avisos de Internet
- Other: _____

11. ¿Cómo afectan los impuestos a tus compras electrónicas al exterior? *

- No me afecta para nada
- Afecta un poco
- Afecta mucho
- Por los altos costos de impuestos es que no realizo compras electrónicas al exterior

12. ¿Cómo describirías la confiabilidad de compañías electrónicas extranjeras en comparación con las compañías electrónicas locales? *

- Las compañías locales son más confiables
- No veo ninguna diferencia en su confiabilidad
- Compañías extranjeras son más confiables

13. ¿Cuán importante encontrarás los siguientes factores relacionados al servicio que proveen las páginas de venta electrónica? (1.No importante, ..., 5. Muy importante) *

	1	2	3	4	5
Disponibilidad de productos	<input type="radio"/>				
Variedad de productos	<input type="radio"/>				
Calidad del packaging	<input type="radio"/>				
Atención al cliente online	<input type="radio"/>				
Actitud servicial	<input type="radio"/>				
El servicio es proveído en tu idioma	<input type="radio"/>				
La página web es de fácil acceso	<input type="radio"/>				
La página web es segura y privada	<input type="radio"/>				
Distribución y diseño de la página web	<input type="radio"/>				
Posibilidad de proveer reseña/review y realimentación/feedback	<input type="radio"/>				

14. ¿Cuán importantes son para vos los siguientes factores relacionados a formas de pago y logística proveída por compañías de venta electrónica? (1. No importante, ..., 5. Muy importante) *

	1	2	3	4	5
Entregas en tiempo	<input type="radio"/>				
Variedad de formas de envío	<input type="radio"/>				
Costos de envío	<input type="radio"/>				
Posibilidad de tener seguimiento de la compra	<input type="radio"/>				
Que la compañía de envío sea conocida	<input type="radio"/>				
Información de pago protegida	<input type="radio"/>				
Posibilidad de pagar mediante una aplicación móvil	<input type="radio"/>				
Variedad de opciones de pago	<input type="radio"/>				

15. ¿Cuán importantes son los siguientes factores para vos cuando estas eligiendo paginas de venta electrónica? (1. No importante, ..., 5. Muy importante) *

	1	2	3	4	5
La nacionalidad de la compañía de venta electrónica	<input type="radio"/>				
La compañía es conocida	<input type="radio"/>				
La compañía provee su propia plataforma de pago	<input type="radio"/>				
La compañía provee su propio servicio de distribución	<input type="radio"/>				
La compañía ha recibido buenas reseñas/reviews de sus clientes	<input type="radio"/>				
La compañía es de America Latina	<input type="radio"/>				

Tus experiencias con compras online

16. Que tipo de experiencias tuviste con compras online? En tu opinión, cómo deberían desarrollar sus servicios las compañías de venta online en America Latina? *

Your answer

SUBMIT