

LAPPEENRANTA-LAHTI UNIVERSITY OF TECHNOLOGY LUT  
School of Business and Management  
Degree Programme in International Business and Entrepreneurship

*Eetu Paju*

**INTERNATIONALIZATION OF FINNISH COMPLEMENTORS THROUGH  
DIGITAL PLATFORM AND ECOMMERCE MARKET IN RUSSIA – CASE  
YANDEX**

Examiners: Professor Juha Väättänen  
Post-Doctoral Researcher Roman Teplov

## **ABSTRACT**

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Examiners: Professor Juha Väättänen, Post-Doctoral Researcher Roman Teplov

Keywords: digital platforms, cross-border e-commerce, internationalization, Russia

Digital platforms and e-commerce markets have been studied widely and researchers have been interested to explain how the platforms facilitate transactions and innovations between the users and how the ecosystem of digital platforms operates. The study of digital platforms is still missing information about Russian digital platform providers and the aim of this research was to fill the research gap by studying Russian digital platform from the perspective of a case company Yandex. The research explains how the company has internationalized first to its closest markets and how it has later expanded one of its products segments to multiple foreign markets.

The research was conducted with a qualitative research method. The empirical part was divided into two parts where the first part studies Russian digital platform provider Yandex as the case company and the second part focuses on complementors of Yandex's e-commerce platform by interviewing three Finnish companies which products are sold in the company's e-commerce platform. The results of the study open Yandex's product and service offering and explain how Finnish companies can try to benefit from the platforms offering. The digital platform of Yandex provides a possibility for Finnish companies to operate in Russia and in Russian-speaking market by offering numerous products and services to their complementors, advertisers and customers.

## **TIIVISTELMÄ**

Lappeenrannan-Lahden teknillinen yliopisto LUT

School of Business and Management

Degree Programme in International Business and Entrepreneurship

Eetu Paju

### **Suomalaisten yritysten kansainvälistyminen digitaalisen alustan ja verkkokaupan kautta Venäjällä – case Yandex**

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Hakusanat: digitaaliset alustat, kansainvälinen verkkokauppa, kansainvälistyminen, Venäjä

Digitaalisia alustoja ja verkkokauppaa on tutkittu paljon ja aikaisemmat tutkimukset ovat selittäneet, kuinka digitaaliset alustat helpottavat kauppatahtumien ja keksintöjen välittämistä käyttäjien kesken. Digitaalisten alustojen tutkimuksesta puuttuu tietoa venäläisistä digitaalisista alustatarjoajista ja tämän tutkimuksen tarkoituksena on täyttää kyseisiä puutteita tutkimalla venäläisen digitaalisen alustatarjoajan Yandexin alustaa. Tutkimus selittää kuinka case-yritys on kansainvälistynyt ensin lähimpiin markkinoihin ja kuinka yritys on saanut kasvatettua yhden tuotesegmentin ulottumaan useammalle kansainväliselle markkinalle.

Tutkimus on toteutettu kvalitatiivisena tutkimuksena ja sen empiirinen osuus on jaettu kahteen osaan. Ensimmäisen osuus käsittelee venäläistä digitaalista alustatarjoajaa Yandexia case-yrityksenä ja toinen osuus keskittyy alustavalla toimiviin suomalaisyrityksiin haastatteleamalla kolmea suomalaisyritystä, joiden tuotteita myydään Yandexin verkkokaupassa. Tutkimus avaa Yandexin tuote- ja palvelutarjontaa ja selittää kuinka suomalaiset yritykset voivat yrittää hyötyä case-yrityksen tarjonnasta. Yandexin digitaalinen alusta tarjoaa suomalaisyrityksille mahdollisuuden toimia Venäjällä ja venäjänkielisellä markkinalla tarjoten useita tuote- ja palveluvaihtoehtoja yhteistyöyrityksille, markkinoijille ja asiakkaille.

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## **LIST OF SYMBOLS AND ABBREVIATIONS**

MSP – Multi-sided platform

IoT – Internet of Things

CBEC - Cross-border ecommerce

SME – Small- and medium-sized enterprises

# 1 INTRODUCTION

The first chapter introduces the background of digital platforms and explains the purpose of the research. After the research questions have been discussed the theoretical framework of the study is presented. The chapter introduces the main definitions used in the research and explains the research methodology. Limitations of the research are discussed, and the structure of the research is presented.

## 1.1 Background

Digital marketplaces and platforms have raised the interest of researchers since late 1990s and the early studies provide an understanding on how digital markets match buyers and sellers and facilitate transactions between users (Bakos, 1998). The later studies broadened the view of digital platforms and researchers started to study platforms from the perspective of two-sided and multi-sided markets (Rochet & Tirole, 2003; Evans, 2003). Platform studies have described platform providers as companies that facilitate transactions or innovations between multiple sides (e.g., Teece, 2017; Cusumano et al., 2020; Gawer, 2020). After digital platform companies' product and service offering has expanded enormously and companies have started to offer both, transactions and innovations in the same platform, researchers have introduced a concept of hybrid platform company which matches some of the largest digital platform companies such as Google, Apple, Amazon and Microsoft (Cusumano et al., 2020).

The research studies digital platforms and ecommerce providers in Russia from the perspective of selected case company Yandex. The reason for choosing the topic is that Russia has played an important role in Finnish foreign trade, but its importance has reduced during the past years. Finnish export reduced to EUR 3.011 billion which is approximately 5 % of total Finnish export in 2020 (Tulli, 2021). This makes Russia now only the sixth important trade country for Finland when measured by export. The reduce has been significant as in early 2010s Finnish export to Russia accounted annually approximately EUR 5 billion which at that time was nearly 10 % of total Finnish export (Tulli, 2018). The biggest reasons of the reduce are seen to be sanctions that started in 2014, depreciation of the rouble and the fall of the oil prices (SVKK, 2018). Because of this, one of the goals of



this research is to discover whether the digital platforms operating in Russia can provide a possible channel for the market entry for Finnish companies.

The importance of digital platform providers in today's economy cannot be denied as seven out of ten world's largest companies by market capitalization are based on digital platform business model (Global Finance, 2020). The current studies explain well the concepts of digital platforms, but there is a research gap on Russian digital platforms and how foreign, and especially Finnish companies, can utilize the possibilities of Russian digital platforms. Some of the studies discover Russian digital platform from the perspective of competition between national and foreign multi-sided platforms (Eferin et al., 2019) but do not discuss the possibilities of Russian digital platforms to the foreign companies.

## **1.2 Research questions**

As the Finnish-Russian trade has decreased and the importance of Russian trade for Finland has reduced over the years, (Tulli, 2021) it is important to discover what kind of possibilities Russian digital platforms and ecommerce marketplaces offer for Finnish companies. The topic has not been studied that well yet and there is a clear research gap in the literature that needs to be filled to be able to explain the possibilities of Russian digital platforms and ecommerce market to Finnish companies. The topic is broad and because of that it is studied from the perspective of a selected case company, Yandex, which is one of Russia's biggest digital platform providers.

The research aims to explain the benefits of Yandex's digital platform for Finnish companies. Digital platform's goal is to create value to its users by serving two or more groups of customers (Evans 2003). The users of the MSPs are looking to minimize the transactions costs and make transactions easier between market sides (Hagiu, 2006). The research will concentrate on digital platform provider and on the supply side of MSP which is looking to receive value from the demand-sides participants (Veisdal, 2019). Therefore, the main objective of the research is to understand how Finnish companies can utilize the possibilities of Russian digital platform provider Yandex. The main research question of this thesis is:

*How Finnish companies can benefit from Yandex's digital platform?*

The sub-questions are formed to support the research question and their main purpose is to give an understanding of the platform provider's product and service offering and examine behavior of Finnish companies operating in Russian market. The research contains two sub-questions that are:

- 1. What is Yandex's product and service offering?*
- 2. How Finnish products end up to Yandex's digital marketplace?*

### **1.3 Theoretical framework**

The theoretical framework presents how the topic of digital platforms is approached in this research. The research focuses on the case company, Russian digital platform provider, Yandex. The theoretical framework is built on digital platforms that are studied from the perspective of digital platform ecosystems and from the perspective of the internationalization. Digital platform ecosystems consider ownership and governance structure, value-creating mechanisms and complementors. The internationalization explains how digital platform companies can internationalize and how the internationalization of the complementors is facilitated by the digital platforms. The aim of the theoretical framework is to provide a strong background information of the studied topic and by this be able to study digital platforms from the perspective of both sides, digital platform providers side and the complementors side. The theoretical framework of this research is presented in figure 1.

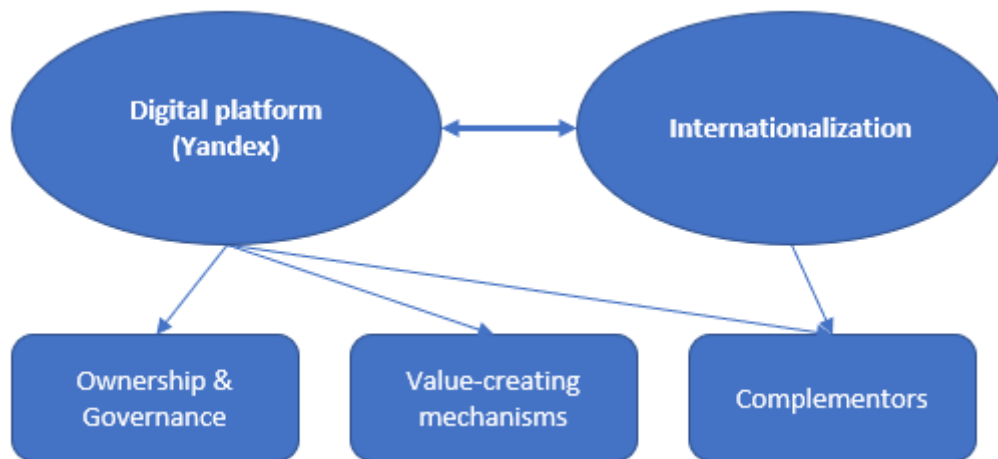


Figure 1. Theoretical framework of the study.

The most important literature used in the research is presented in table 1. Digital platform's part contains some of the early studies of the topic. Especially Roche & Tirole and Evans, both studies from 2003, have been mentioned by many researchers in numerous articles. Hagiu (2014) has explained well the strategic decisions used in digital platforms and for this reason the study is seen as important part of digital platforms. Ecosystem's part considers digital platform ecosystems from the perspective of platform ownership and governance, value-creating mechanisms and complementors. The mentioned authors have published numerous articles on digital platforms and their ecosystems. Internationalization part includes two book publications that are concentrating on international business. The articles used in internationalization part explain the internationalization models.

Table 1. The most important literature of the study.

<b>Part</b>	<b>Literature</b>	<b>Author</b>
Digital Platforms	Platform Competition in Two-Sided Markets	Rochet & Tirole (2003)
	Some Empirical Aspects of Multi-sided Platform Industries	Evans (2003)
	Strategic Decisions for Multisided Platforms	Hagiu (2014)
Ecosystems	Dynamic Capabilities and (Digital) Platform Lifecycles. Entrepreneurship, Innovation, and Platforms. Advances in Strategic Management	Teece (2017)
	The Rise of the Platform Enterprise	Evans & Gawer (2016)
	Long Range Planning. Digital platforms' boundaries: The interplay of firm scope, platform sides, and digital interfaces	Gawer (2020)
	The Future of Platforms	Cusumano et al. (2020)
Internationalization	International business : the new realities	Cavusgil et al. (2020)
	Global Marketing	Hollensen (2020)
	The internationalization of the firm – four Swedish cases	Johanson & Wiedersheim-Paul (1975)
	The born global firm: A challenge to traditional internationalization theory	Knight & Cavusgil (1996)

## 1.4 Definitions

The main definitions used in the research are digital platforms, multi-sided platform, digital platform ecosystem, complementors and cross-border ecommerce. The main definitions are presented in this chapter and the purpose is to provide an understanding of the concepts to the reader. Main definitions are explained more deeply in chapter two where the literature part of the research is introduced.

Digital platform

*“An extensible codebase to which complementary third-party modules can be added”* (de Reuver et al, 2018).

Multi-sided platform (MSP)

Evans (2003) defines multi-sided platforms (MSPs) as markets which have *“two or more different groups of customers that businesses have to get and keep on board to succeed”*.

Digital platform ecosystem

*“a digital platform ecosystem comprises a platform owner that implements governance mechanisms to facilitate value-creating mechanisms on a digital platform between the platform owner and an ecosystem of autonomous complementors and consumers.”* (Hein et al, 2019).

Complementors

Cusumano & Gawer (2002) define complementors as *“companies that make ancillary products that expands the platform’s market”*. This research views Finnish companies as complementors to Yandex’s digital platform.

Cross-border ecommerce (CBEC)

Cross-border ecommerce is a term used by researchers when international trade that happens on international ecommerce platforms is studied (Herrera-Gomez et al., 2014; Ma et al., 2018; Miao et al., 2019).

## **1.5 Research methodology**

The research has been conducted with a qualitative research method. The empirical part of the research is collected with two methods. The first empirical part presented in chapter four

is collected from primary sources that are the case company's press and financial releases and information received from the company's website. The data is supported with some secondary sources that are available from the existing Internet sources. The second empirical part that is presented in fifth chapter is collected with semi-structured interviews. The companies selected for the interview are Finnish companies which products are sold in Yandex's ecommerce marketplace.

The strength of this research is the empirical material which is approached from two different perspectives. The first empirical part concentrates on the case company and is collected from the existing sources. The second empirical part is collected from three selected Finnish case companies which products are sold in Yandex's ecommerce marketplace. A more detailed introduction about the research design and methods is presented in the third chapter. The chapter introduces data collection methods, the interviewed case companies, data analysis methods and reliability and validity of the research.

The two-sided approach was selected because it was important to understand how the digital platform provider, Yandex, grows vertically and horizontally and enables complementors to join its platform and how the platform facilitates internationalization of complementors. The most accurate information about Yandex's operations is available in Yandex's press and financial releases where the company explains its actions and justifies the reasons behind actions taken. Complementors part was collected with semi-structured interviews which enabled to understand more clearly how products of Finnish complementors end up to Yandex's marketplace. Semi-structured interview allowed to collect more detailed information about Finnish complementors than any other method available as there was a possibility to ask additional questions from the interviewed companies. Thus, it was evaluated that the best way to approach this topic is to use existing information provided by Yandex and broaden the perspective of complementors side by conducting semi-structured interviews with selected Finnish case companies.

## **1.6 Limitations of the research**

The research studies Russian digital platform and ecommerce market by focusing on one of Russia's biggest digital platform providers, Yandex. From digital platforms side the topic is narrowed to Yandex and other providers of the Russian digital platform market are discussed briefly. The purpose behind the limitation is to understand deeply the procedures of one digital platform provider. The other limitation concerns the companies that are interviewed. Interviewed case companies must be Finnish and their products are already sold in Yandex's marketplace. One of the sub-questions is related to how the products of Finnish companies end up to Yandex's marketplace and this can be answered only by interviewing companies that products are represented in the digital marketplace.

## **1.7 Structure of the research**

The research contains in total seven chapters. The chapters are introduction, literature review (theoretical framework), research design and methods, Russian digital platforms & case Yandex, findings, discussion and conclusion. The structure of the research is presented in figure 2. The introduction chapter provides a background on the chosen topic and introduces the research questions. Theoretical framework, main definitions and research methodology are introduced in the first chapter.

The second chapter introduces the existing literature and explains what the existing literature knows about digital platforms. The theoretical framework is built on second chapter. The chapter provides the key definitions and describes the digital platform ecosystem and the differences of different platforms. The third chapter focuses on research design and methods. The data collection methods and the interviewed case companies are presented in third chapter. The chapter also introduces the data analysis methods and discusses the reliability and the validity of the research.

The empirical part is divided into chapters four and five. The reason of the division is that the empirical part has been collected with two different methods. The first empirical part is collected from the existing primary and secondary sources and it describes Russian digital platform and ecommerce market and introduces the case company Yandex. The second

empirical part is collected with semi-structured interviews and provides an outlook to the case company from different perspective.

The last two chapters of the study are discussion and conclusion. The sixth chapter discusses the findings of two empirical parts from the perspective of existing literature and answers the research questions. The last chapter concludes the research, discovers the limitations and offers suggestions for future research.

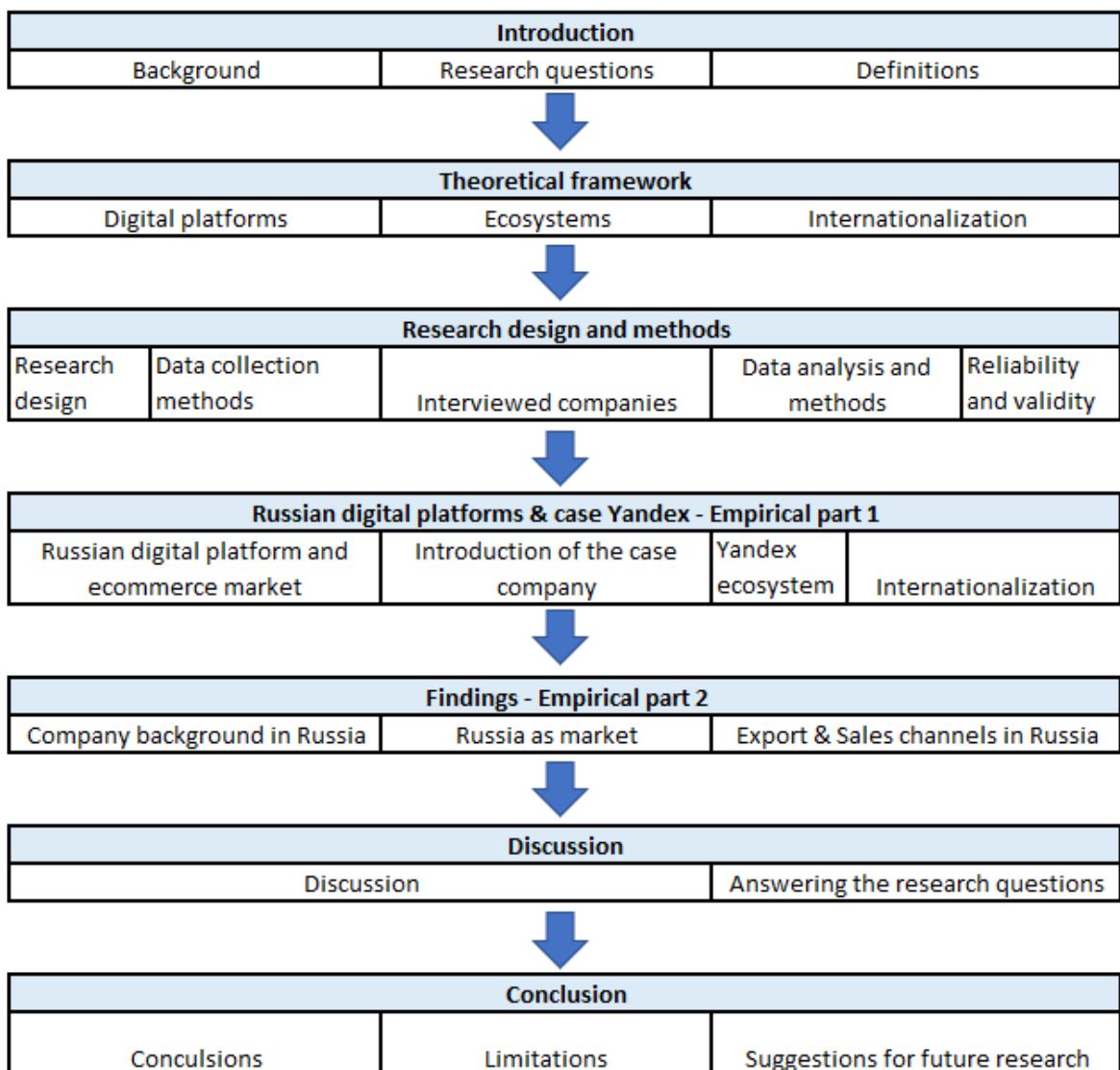


Figure 2. Structure of the research.



## **2 LITERATURE REVIEW**

This chapter introduces the literature review of this thesis. The purpose of this chapter is to describe the literature of digital markets and digital platforms and explain how they operate. Chapter introduces the multi-sided platform and the increasing value of network effects to the platform. Key definitions of ecosystems are explained, and the main building blocks and characteristics of digital platform ecosystem are presented. The chapter explains the difference between transaction and innovation platforms and why some of the platform providers are viewed as hybrid companies. The internationalization process is considered from the perspective of digital platforms and detailed information about cross-border ecommerce is explained. The chapter ends with strategies used in the platform business and brief outlook of the future expectations of the digital platforms is provided.

### **2.1 Digital platforms**

Digital platforms are everywhere and many of the world's largest companies such as Amazon, Facebook, Google and Uber are digital platform providers. Digital platforms have changed the business and shaped the way of how people work, socialize and create value in the economy (Kenney & Zysman, 2016). The importance of digital platforms in today's economy has made them interesting for researchers and many studies have been conducted on digital platforms. Recent studies have studied platforms from three different perspectives that are products, technological systems and transactions. The term was first used by product development researchers to describe projects that created new products. Technological perspective saw platforms as valuable points of control in an industry and competition between platforms made it possible to measure the success and failure of the company. The term was absorbed in the early 2000s by industrial economists to characterize services, products, firms, or other groups that are operating their transactions between several groups of agents (Gawer, 2009). Digital platform can be defined as "An extensible codebase to which complementary third-party modules can be added" (de Reuver et al, 2018).

Early studies on digital markets go back to 1990s. Bakos (1998) has defined the three main functions of digital markets as matching buyers and sellers, facilitation of transactions and providing an institutional infrastructure. Components that are included in process of

matching buyers and sellers are determining product offerings, search, and price discovery. Facilitation of transactions comes after buyer and seller have agreed on a transaction and the goods sold must be shipped to the buyer and the payment is set to be transferred to the seller. The institutional infrastructure part contains the laws, rules and regulations that are applied to the transactions.

Rochet & Tirole (2003) theorised the concept of two-sided markets in early 2000s when they recognized that many markets with network externalities include two sides that benefit from operating on a common platform (Rochet & Tirole, 2003). Evans (2003) defined multi-sided platforms (MSPs) as markets which have “two or more different groups of customers that businesses have to get and keep on board to succeed” (Evans, 2003). Two-sided markets, which can also be named as multi-sided markets, are letting end-users to interact through a one or several platforms and the revenues are made by charging both sides of the platform (Rochet & Tirole, 2006).

Parties of the MSPs are the owner of the platform, consumers, product or service developers, sellers and advertisers (Rochet & Tirole, 2003). Supply- and demand-side are the two main groups of participants in MSPs. Demand-side typically receives services from the supply-side participants and supply-side receives value from the demand-side participants (Veisdal, 2019). Rochet & Tirole (2006) describe in their example the two-sided markets with videogame platforms which try to attract gamers to get developers to design games to their platform which can be sold to gamers (Rochet & Tirole, 2006).

Evans (2003) summarized that a platform has a possibility to increase social surplus when three conditions are fulfilled:

1. *Platform serves two or more distinct groups of customers*
2. *Member of one side benefits when the demand is coordinated with one or more members of another group*
3. *The coordination of customers is more efficient when it is facilitated by an intermediary*

Hagiu (2006) explains that information technology has made MSPs grow bigger and more powerful. Users of the sides are interested in MSPs as they minimize the transaction costs and make transactions easier between market sides (Hagiu, 2006). The other aspect discovered in favour of MSPs is that MSPs are adaptable, they handle complexity and capture value which make them one of the most powerful business models (Abdelkafi et al, 2019).

Figure 3 illustrates how MSP differ from product platforms or resellers. MSP allows direct interaction among platform sides and all sides connected to MSP are also customers of the MSP. These characteristics do not apply to product platforms as the end-users are not customers of the platform providers. In resellers case the sides do not have direct interaction between each other (Hagiu, 2014).

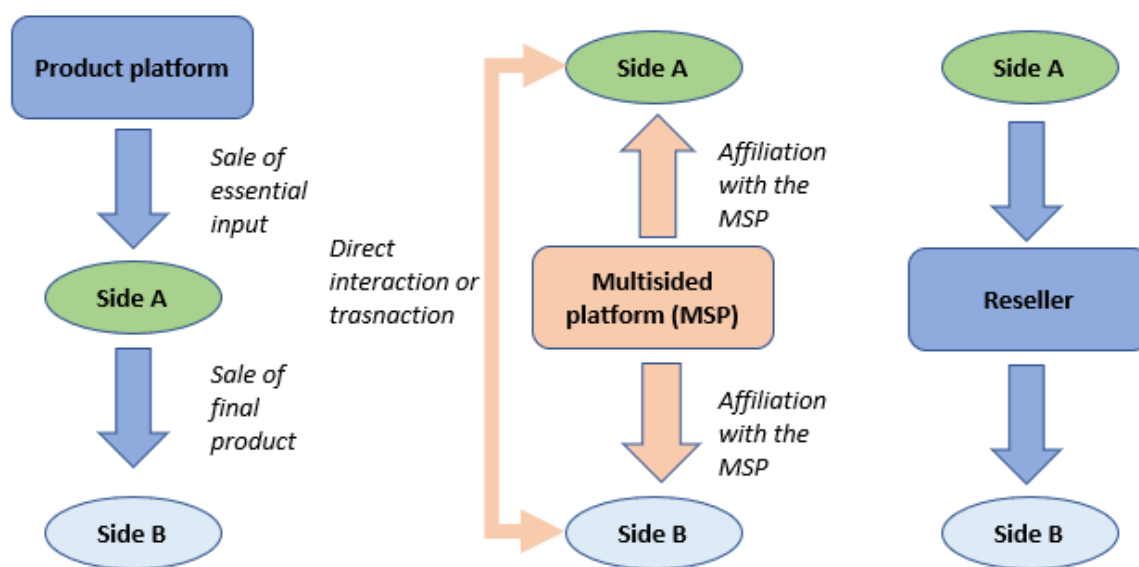


Figure 3. Multi-sided platform compared to reseller and product platform (Hagiu, 2014).

Network effects is something that is mentioned frequently when platforms are studied. Economists determine the network effects as a situation where two groups are attracted to each other (Eisenmann et al, 2006). The network effects are a situation where the users of a specific platform are benefiting from the increasing number of the platform users. In a positive network effect, every new user of the platform is increasing the value of the platform. Simultaneously every old user of the platform is benefitting from the situation (Seppälä et al, 2015). An early example of network effects is telephone which was useless

to its users if nobody else had it. Telephone became more valuable when other users started to use it (Evans & Schmalensee, 2016). As bigger networks typically create more value, users are ready to pay more to access these platforms. This leads to a situation where margins are improving, and the revenues of successful platforms are increasing due to network effects (Eisenmann et al, 2006).

Literature knows two types of network effects which are *direct* and *indirect* network effects. Phenomenon of direct network effect occurs when the more people are connected to a network, the more valuable it becomes to each person of the network (Evans & Schmalensee, 2016). MSPs are typically characterized by indirect network effects (Helfat & Raubitschek, 2018). Indirect network effects, also referred as cross-side network effects, occur in MSPs when the value created to customers on one side of the platform increases with the number of participants on the other side of the MSP. eBay is a good example of indirect network effects as sellers receive more value from eBay when the number of buyers is increasing and vice versa (Hagiu, 2014). Indirect network effects are usually positive, but they may turn negative if the platforms other side contains low quality providers that will decrease the value of the other side (Helfat & Raubitschek, 2018).

Hagiu (2014) explains that indirect network effects may create high barriers to entry as some of successful MSPs are in privileged situation due to their powerful networks within industry that are hard to be challenged. Also, the chicken-and-egg problem, which is one of the difficult challenges for many MSPs, steps into picture. It is hard to attract new users without having users on the other side (Hagiu, 2014). Indirect network effects may lead to winner-take-all dynamics where the platform companies are fighting to the end and only one platform company will survive to serve the market (Eisenmann et al, 2006).

Stallkamp & Schotter (2019) have extended the typology of network externalities to *within-country* and *cross-country* network externalities. Extension was introduced as some of the platforms may include network effects that are mostly local, while some of the companies are serving customers around the world. It is explained that for instance, job seeking platforms usually contain within-country network externalities as they aim to match jobseekers and employees within the same country. Cross-country network externalities are an opposite this is, and they can be found, for instance, from international ecommerce

marketplaces as they aim to match users and buyers over borders and by this create value to both sides of the platform.

It is believed that in the future it will be harder to maintain strong network effects and dominant market shares because of *multihoming* (platform users and complementors are able to operate through many platforms for the same purpose instead of using one platform) as the total number of platforms has been exploding (Cusumano et al., 2020). However, multihoming might not actualize if the multi-homing costs are high for one side of the users. In this situation market is likely to be served by a single platform (Eisenmann et al, 2006).

## 2.2 Ecosystems

The ecosystem itself has been defined by Adner (2017) as “the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialize” (Adner, 2017). Existing literature reviews the ecosystems from three different perspectives which are business ecosystem, innovation ecosystem and platform ecosystem (Jacobides et al, 2018). The key definitions of the three different ecosystem perspectives are collected into table 2.

Table 2. Key definitions of ecosystems.

Concept	Definition	Author
Business ecosystem	"Community of organizations, institutions, and individuals that impact the enterprise and the enterprise’s customers and supplies"	Teece (2007)
Innovation ecosystem	"the collaborative arrangements through which firms combine their individual offerings into a coherent, customer-facing solution"	Adner (2006)
Digital platform ecosystem	"a digital platform ecosystem comprises a platform owner that implements governance mechanisms to facilitate value-creating mechanisms on a digital platform between the platform owner and an ecosystem of autonomous complementors and consumers"	Hein et al (2019)

Moore (1993) suggests that companies should be viewed as a part of a business ecosystem instead of seeing them as a member of a single industry. In a business ecosystem, co-

operation and competition of companies enable the development of new innovations which leads to evolution of new products and satisfying of customer needs. Jacobides et al (2018) adds that in the ecosystem companies are interacting among each other and their activities depend on other companies' activities. In Teece's (2007) view the business ecosystem is an environment which is monitored by the company. The importance of being a member of the ecosystem was highlighted by Ceccagnoli et al (2012) when the business performance of small independent vendors was studied. Authors concluded that, on average, it was likely that sales of mentioned companies increased when they were part of the ecosystem.

Innovation ecosystems study tries to understand how interdependent users are interacting in the ecosystem with a destination to create new innovations for the end users. The aim of the innovation ecosystem members is to commercialize with innovations and create value for their users (Jacobides et al, 2018). Innovation ecosystems may be effective when they work. They enable companies to combine their offerings into a one solution which creates more value than any of the ecosystem members would have achieved alone. However, it must be reminded that being a member of the innovation ecosystem has been a costly failure for many of the companies. The reason behind failure is that the companies are depending their success on other members of the innovation ecosystem. If some of the ecosystem members cannot perform well and there is lack of coordination among the ecosystem, other members will suffer (Adner, 2006).

Platform ecosystem is studied from the perspective of the platform and how the different members of the platform ecosystem are positioned to the platform. Platform ecosystem includes different members such as the platform provider, providers of the complementary products and other participants of the platform (Ceccagnoli et al, 2012). Hein et al (2019) have divided the digital platform ecosystem into three building blocks that characterize the ecosystem of the platform. Building blocks are platform ownership status, value-creating mechanisms in the ecosystem and autonomy of complementors. Figure 4 visualizes the digital platform ecosystem (Hein et al, 2019). The following sub-chapters describes the three building blocks of the digital platform ecosystem.

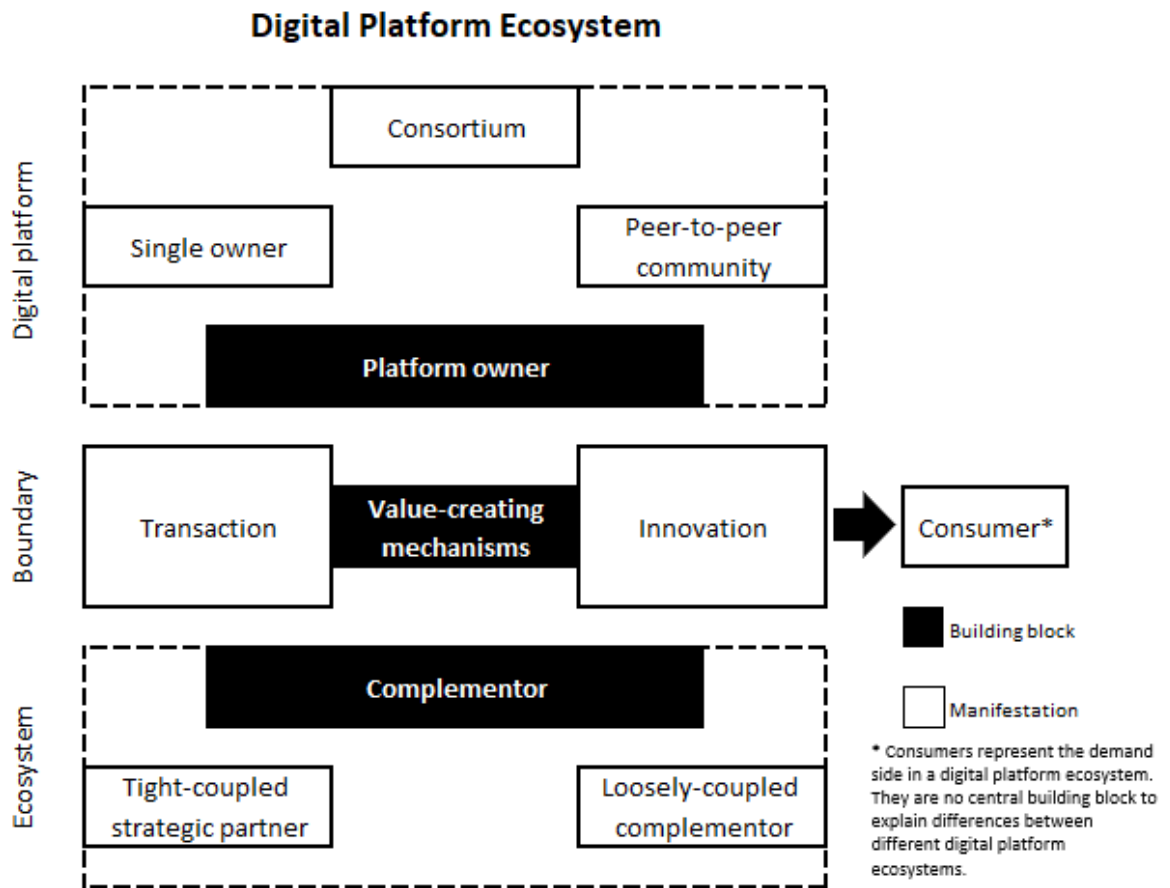


Figure 4. Building blocks and characteristics of digital platform ecosystems (Hein et al, 2019).

### 2.2.1 Platform ownership and governance

There are several ways to divide the power within platform ecosystem. First one is to have a centralized platform ecosystem which means that one owner controls the ecosystem and makes decision on governance mechanisms. Facebook and Apple iOS are good examples of ecosystems where the power is centralized. Centralized platforms can adjust governance mechanisms and make quicker decisions which can help the growth of the ecosystem. Second option is to form a “consortium” which means that the platform is owned by group of actors that establish the governance mechanisms. In consortium one actor governs the platform, but the power and decision-making are distributed among multiple stakeholders. The third one is decentralized ecosystems that are governed by peer-to-peer communities. The decision-making is moved to users who gain voting rights by making stakes to the projects. Rights allow users to participate in platform improvements (Hein et al, 2019).

The design of the platform governance mechanisms is not a simple task. The challenge is to build a governance structure where the platform owner gives enough room for its participants to operate and grow. If the platform is missing evolvability and cannot meet the requirements of the market changes, its customers and complementors cannot be convinced that their financial investments can bring long-term returns (Wareham et al, 2014). One of the important elements of platform is governance, which platform owners need to take into consideration when platform is established and ruled. Appropriate model of governance may ensure a rapid adoption of the platform by buyers and sellers (Bruun et al, 2002). Platform governance can be defined as “who makes what decisions about a platform”. Platform owners’ challenges are defining a model where owner retains the control but at the same time gives enough control for developers to encourage platform innovation (Tiwana et al, 2010).

Parties, that have access to the platform are specified in rules which are included in governance structure. Platform owners must define in rules how many providers are allowed to operate on each side and how open the platform is to external provides. The rules determine how interaction between parties is handled on different sides of the platform (Helfat & Raubitschek, 2018). Hagi (2014) divides platform rules into two major categories which are: (1) *Rules regulating access to the MSP: Who is allowed to join?* and (2) *Rules regulating interactions on the MSP: What are the various sides allowed to do?* The rules might be strict or loose depending on MSPs governance strategy. For instance, MSP applying tighter governance rules may favour *quality* instead of *quantity*. In this case MSP must consider the benefits of the quality against the costs of tighter rules (Hagi, 2014).

Tiwana et al, (2010) explain that platform’s governance can be studied from following perspectives: (1) **decision rights partitioning**, which discovers how the decision-making is divided among the platform owner and developers, (2) **control**, which “refers to the formal and informal mechanisms implemented by a platform owner to encourage desirable behaviours by module developers, and *vice versa*” and (3) **proprietary versus shared ownership**, which opens the ownership of the platform as platforms can be owned by a single firm or shared by multiple owners.



A firm operating with a platform business model must consider whether it wants to open its platform or keep it closed. While closed technologies are restricted and controlled by a single party, open technologies allow access to all users and are placed in the public domain (Boudreau, 2010). The advantage of open platform model is that it can use external innovation as complement to internal innovation (Chesbrough, 2003). The platform is defined to be open when there are no restrictions on participation in its use, development or commercialization. If any restrictions are applied to, for instance, licensing fees or technical standards, they should be reasonable and applied in a same way to all participants of the platform (Eisenmann et al, 2008).

The platform openness has been studied from the perspective of suppliers, customers and complementors (Thomas et al, 2014; Van Alstyne et al, 2016). Broekhuizen et al (2019) adds that the openness decisions research should also take product categories and channels into consideration. According to Broekhuizen et al (2019) these two points are important parts of value creation when the platform attractiveness is determined by users, suppliers and customers. For this reason, their definition for the platform's openness is "granting access and authority to suppliers, customers, and complementary service providers, and toward the inclusion of categories and channels." (Broekhuizen et al, 2019).

### **2.2.2 Value-creating mechanisms**

Transaction platforms and innovation platforms are the two basic types of platforms (Gawer, 2020). Evans & Gawer (2016) explain that transaction platforms and innovation platforms are the two principal ways of how platforms create value. However, in their research authors mention that platforms have similarities and because of this they have separated platform companies into four types which are transaction platforms, innovation platforms, integrated platforms and investment platforms (Evans & Gawer, 2016). Cusumano et al. (2020) used later a term of hybrid companies instead of integrated platforms.

Teece (2017) defines that transaction platform "facilitates exchanges by otherwise fragmented groups of consumers and/or firms" (Teece, 2017). Transaction platforms facilitate the buying and selling process of the products or services and create value because of this. Other value creation method is when transaction platforms enable their users to create

and share information and content (Gawer, 2020). They operate as intermediaries and enable buyers and sellers to make exchanges that would not otherwise happen. Transaction platforms become more useful when the number of participants and functions grow. Platform owners receive revenues by charging for advertising or collecting transaction fees (Cusumano et al., 2020).

The sides of transaction platforms can include buyers and sellers, service providers and service users, loaners and renters, viewers and digital content generators. In most cases, sides also include advertisers. If a firm wants to build a successful platform, it needs to find many members that are willing to exchange the products or services between each other (Gawer, 2020). The development of Internet has shaped transaction platforms. For instance, in the late 1990s, banks were operating as transaction companies when product was sold, and buyer needed to complete the credit card payment to the seller (Bakos, 1998). In today's world good examples of transaction platforms are, for instance, Airbnb and Uber (Gawer, 2020).

Innovation platforms differ from transaction platforms as their main target is to create value to their sides with new innovations (Gawer, 2020). Teece (2017) defines innovation platform as “provides a base technology and distribution system to which other companies can add their own innovations, increasing the value for the system as a whole” (Teece, 2017). The benefit of the platform is that innovators can develop their products or services anywhere in the world and add their innovations to the platform (Evans & Gawer, 2016). Platforms become more attractive to the users when product or service offering is growing. Users also appreciate the quality of the products and services. The value is created by selling or renting of products and services. Platforms which are operating free of charge are usually generating revenues from advertisers (Cusumano et al., 2020).

Teece (2017) argues that innovation platforms fit perfectly to his original Profiting From Innovation (PFI) framework (Teece, 2017) that proposed that innovators may fail to benefit from their innovations because they are not able to reach correct customers (Teece, 1986). According to Teece (2017) mentioned issue has reduced as innovation platforms are helping innovators to reach mass of buyers and sellers (Teece, 2017). Well-known examples of innovation platforms are Apple iOS and Google Android (Gawer, 2020).

Hybrid companies have introduced a new way of doing business as they have managed to combine transaction and innovation platforms into one business model. Most of the current hybrid companies have operated earlier as innovation platforms but managed to turn their companies into hybrid companies by integrating transaction platforms into company's business model (Cusumano et al., 2020). Gawer (2020) argues that the main reason of combining transaction and innovation platforms is that companies are trying to offer to their users more interesting experience. The change in business strategy also offers companies a possibility to generate new revenues from different types of transaction fees (Gawer, 2020). Cusumano et al. (2020) have predicted that hybrid model will become a dominant strategy for platform businesses in the future. Most of the global companies, such as, Google, Apple, Amazon and Microsoft are operating with hybrid strategies. Figure 5 demonstrates what kind of companies are on transaction and innovation sides. Most of the hybrid companies are well-known big companies that are operating worldwide.

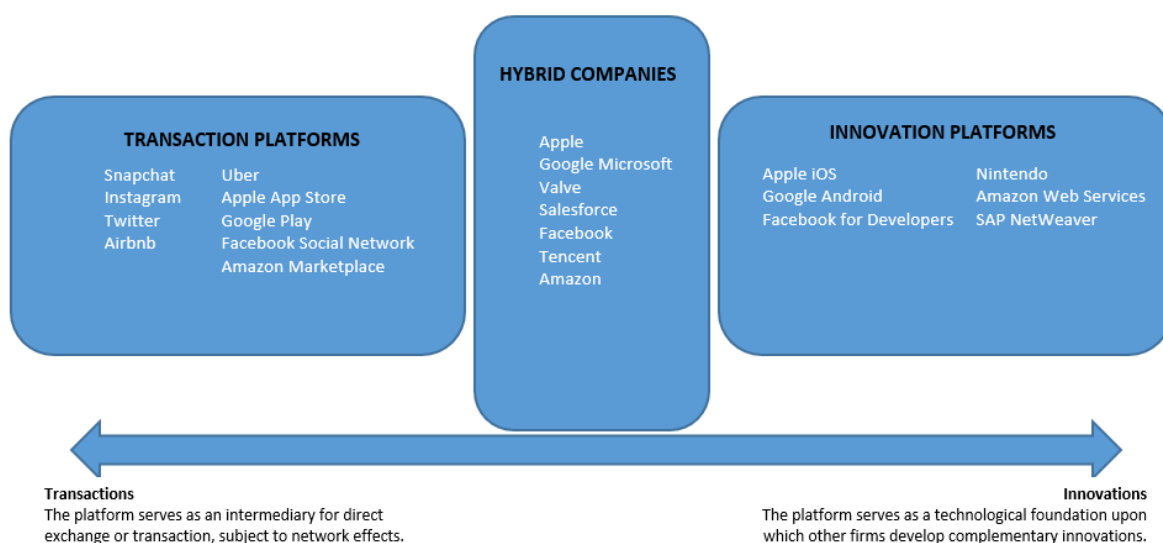


Figure 5. Basic platform types (Cusumano et al., 2020).

### 2.2.3 Complementors

Cusumano & Gawer (2002) define complementors as “companies that make ancillary products that expands the platform’s market” (Cusumano & Gawer, 2002). A complementor has a different relationship with platform company than, for instance, a customer or a supplier. The complementary products can make platform companies products work better

or increase the sale of the products. The effectiveness of complementors is explained by an example from a car industry where credit card companies have borrowed money to the car buyers. The car industry understood that they can sell more cars if people will be able to borrow money. Credit card company, the complementor, increases the sales of the car sales company by borrowing money to the customers (Nalebuff & Brandenburger, 1997).

The complementors are used as most of the platforms do not have the possibility to produce everything, especially the complements, in-house (Cusumano & Gawer, 2002). Attendance of the complementors increases the degree of innovation on the platform and the more innovative the complements are, the more value is created for the platform and its users. A big number of complementors with high quality products or services may create a competitive advantage for the platform and make it harder for new entrants or rivals to challenge the existing platform (Gawer & Cusumano, 2013).

Sometimes the platform owner competes against existing complementors by bringing their own complementary products to the platform. Zhu & Qihong (2018) studied Amazon.com's data and discovered that in many cases Amazon is targeting the product spaces of successful products. The same study found out that Amazon is more likely interested to target product spaces that do not require big sales efforts to grow. This means that platform-specific investments made by complementor are in big role when the platform owner is considering the entry decision to the product space with its own products. Complementors can reduce the risk by making complex products or selling products that require platform-specific investments to grow (Zhu & Qihong, 2018).

### **2.3 The platform lifecycle**

Moore (1993), the introducer of the business ecosystems, divided ecosystem lifecycle into four phases which are *birth*, *expansion*, *leadership*, and *self-renewal* (Moore, 1993). Teece (2017) argues that the same lifecycle can be applied to the platforms even though many of the platforms fail to move from the one stage to the next one. The platforms can still build their business and framework based on the platform lifecycle (Teece, 2017). The platform lifecycle is presented in table 3.

Table 3. The platform lifecycle (Teece, 2017).

Stage	Description
Birth	A value proposition is devised to capture value from an innovation
Expansion	Scale and refine the business while closing out rivals
Leadership	Engage customers and partners and maintain the position within ecosystem
Self-Renewal	Introduce new ideas

In the **birth** phase everything is starting. Entrepreneur has discovered the business opportunity and starts to design a business model. Strategic decisions of internalizing or externalizing of complementary activities are taken. If the complementary activities generate data for the platform, it might be useful to internalize the process so the value can be captured. The business owner discovers the needs of acquisitions that might facilitate the expansion of the platform. Needed personnel is hired and the experience of the personnel can be used for in-house development. When the business model is successful it solves a problem of a certain group and attracts customers to pay the price that covers the costs and turns business profitable (Teece, 2017).

In the **expansion** phase the business model is implemented and ready to be used. In this phase the platform governance is decided and management sets parameters for metrics that measure the business success. If time and conditions allow, the platform development should be tested and the feedback from the market collected. Digital platforms may require rapid fixing and speed is important in situations where winner-take-all outcomes might occur (Teece, 2017).

Moving to **leadership** phase means that the platform is in strong and steady position, but it still needs to protect itself from possible threats which may occur from other platform operators' actions. In this phase platform must be ready to sense new opportunities and be ready to modify or even replace its existing business model if needed. At this point new markets niches may be targeted, or product offering can be extended. There might be several platforms that are in leadership phase and usually they are monitoring competitors' actions closely. Because of this there is a big probability that new models or innovations will be copied rapidly by other leadership platforms (Teece, 2017).

In **self-renewal** phase the platform is sensing future possibilities and new ideas are generated. The platform is developing new ideas while running its existing business. Companies like Amazon and Facebook are good examples of “super-platforms” that have many sub-platforms under one brand and have managed to sense new business opportunities. The business models of both companies have changed during the years, for instance, Amazon is known as an e-commerce marketplace but has now expanded its business to new fields such as having own grocery stores under its brand. As many of the platforms will face the need for renewal at some point, the search for new business opportunities and alternatives should be an ongoing process (Teece, 2017).

## **2.4 Platform strategies**

Many researchers have mentioned the chicken and egg problem (e.g., Bruun et al, 2002, Rochet & Tirole, 2003) when platforms have been studied. Chicken and egg problem refers to a situation where the platform owner must solve how to raise the interest of both sides of the platform and get them on board. How the platform can attract sellers to join the platform, if buyers are not interested about the platform? Or how to make buyers join if there are no sellers? (Bruun et al, 2002).

Evans (2003) argues that there are two ways to solve the problem. First one is providing of free service for one of the platform sides. This method is typically used at the beginning when the platform business is started. Evans provides an example of Microsoft that lowered the prices of Xbox hardware to get consumers on board. The other option is to “invest in one side of the market to lower the costs to consumers on that side of participating in the market”. Evans refers again to Microsoft that develops tools that enable developers to code the games and applications using Microsoft systems (Evans, 2003). Bruun et al (2002) argue that instead of members, the transaction volume is more important. Thus, the platforms should target customers that are believed to make lots of transactions and get them on board in early stage (Bruun et al, 2002).

Pricing strategy is an important part of platform strategies and the platform provider must take into consideration. Platforms may operate with fixed fees or charge for each transaction separately. The main difference between the two charging models is that in fixed fees the

cross-side network effects are stronger as user sides are more committed to the platform. Per-transaction charging has been believed to bring higher profits because of weaker network effects (Armstrong, 2006).

Researchers argue that the pricing model of the platform should subsidize at least one side of the platform. By this the platform provider can bring multiple sides on board (Rochet & Tirole, 2003, Caillaud & Jullien, 2003). Subsidizing is described to be one of the key pricing strategies for platforms and it works as “divide-and-conquer” nature. Subsidizing means that one side of the platform is subsidized (divided) while the loss is recovered from the other side of the platform (conquer) (Caillaud & Jullien, 2003). Subsidy side is typically a group of users which is attracted in volume. Subsidy side is important for developing strong network effects and for this reason platform providers offer cheaper prices for this side. The other side is treated as “money side” that pays higher prices than it would pay if it was treated as an independent market. Eventually this leads to cross-side network effects: when the platform owner attracts enough users to subsidy-side, money-side is ready to pay a lot to reach this side of users. The same applies conversely: when the money-side is attractive, users will sign up in bigger numbers. Platform owners challenge is to determine a correct price for both sides: how much one group can be subsidized and how high price the other group is ready to pay to gain access to the users of the platform on the other side (Eisenmann et al, 2006). Bolt & Tieman (2007) have studied heavily skewed pricing in two-sided markets and concluded that many markets are applying pricing policy where the price is much higher on one side of the market. The main purpose of skewed pricing strategy is profit maximization.

Hagiu (2014) has mentioned three useful pricing principles which business executives should take into consideration. The first one applies to any product or service and is that a higher price should be charged from the group that has less price sensitivity. The second point is to charge more from the side that benefits more from the other side. Example is provided from business conference where invited speakers are not usually charged while participants pay for the attendance. The third point is to charge more from the side that extracts more value from the other side. For instance, restaurant online booking system that matches customers with restaurants and charges a fee from restaurants while booking of

table costs nothing for consumers. The pricing structure for MSPs and examples of subsidized sides are summarized in table 4.

Table 4. Pricing structure for multi-sided platforms (Hagiu, 2014).

<b>MULTI-SIDED PLATFORM</b>	<b>LOSS-LEADER SIDE</b>	<b>PROFIT-MAKING SIDE</b>
Advertising-supported media (newspapers, Facebook, Google)	Users	Advertisers
Alibaba.com, eBay, Amazon	Buyers	Sellers
Payment systems (American Express, Visa)	Users	Merchants
Video game consoles	Users	Game developers
PC operating systems (Windows, Mac OS)	Application developers	Users
Ticketmaster	Venues/event organizers	Users
Fandango	Movie theaters	Users

Gawer & Cusumano (2008) described two basic strategic approaches for the entry into platform market – *coring* and *tipping*. Coring as strategy means that a company creates a new platform in a market that has not existed before. In coring, a company identifies or designs an element (a product, a service, or a technology) and makes it essential for the ecosystem and for the market. In platform ecosystem coring means that the platform will become a “core” of an ecosystem where users will make transactions. The platform leaders’ goal in coring is to provide for its ecosystem users circumstances where they are interested to make investments now and in the future. The complementors must receive enough profit from their innovations and feel comfortable that their own proprietary knowledge is protected.

Story of Google Inc. provides a good example of successful coring. The company was started as a search engine which did not bring revenues to its owners in the beginning. The platform leadership was accomplished after Google realized how companies can make money from using the Internet. Google connected advertisers to user searchers and advertisements started to appear when users were performing searches in Google’s search engine. The advertisements were focused and linked to user searches which was at that time revolutionary and changed the way how advertising was done and users were reached (Gawer & Cusumano, 2008).



As second strategy Gawer & Cusumano (2008) have introduced tipping which describes how market moment can be used to win platform wars. Tipping requires actions from technological and economic side of the platform. These actions include sales, marketing, product development and coalition bundling. In technological actions of tipping companies are trying to attract users by developing unique features that are hard to be copied by other platform providers. Economic actions may require forming a coalition which helps to win the platform wars against competitors. Pricing might require subsidy mechanisms that leads to more attractive prices that tempt to draw users from other platforms. At the same time, the platform should be more attractive to complementors than the other platform providers offering is. With these actions' platform providers try to fight the other platforms and win the platform wars.

Operating system of Linux provides an example of market tipping by becoming one of the accepted back office operating systems. This led to Linux's popularity among community of open-source programmers and many of the important companies, including Windows, wanted Linux to interoperate with their hardware. Several powerful companies, such as IBM and Hewlett-Packard, bundled the product of Linux with their hardware and provided support services for Linux. Coalition with big service providers made Linux widely accepted among users and made it possible to grow in its market. Microsoft used tipping in 1990s by designing own browser, the Internet Explorer, which was bundled into Windows. When PCs with Windows were sold, users were "forced" to use the Internet Explorer which eventually dropped the sales of Netscape's browsers, that was market leader at that time. This has been criticized to violate antitrust law as Microsoft advised PC manufactures not to bundle the Netscape browser into their systems. However, as Gawer & Cusumano (2008) describes this provides a good example of how "one dominant platform can be a powerful distribution mechanism for a company that wants to enter other platform markets" (Gawer & Cusumano, 2008).

## **2.5 Internationalization**

Internationalization of a company is studied in this research from two different perspectives. The first perspective considers internationalization from the perspective of a digital platform company and the second perspective studies internationalization from the perspective of the

complementors of the platform. Cavusgil et al. (2020, 50-51) have explained that firms have numerous motives when they are starting to think about international markets and internationalization of the company. Firms may seek for new opportunities on new markets, they might be planning to earn higher margins and are looking for better profits, or the motive can be customers that firms are looking to serve better (Cavusgil et al. 2020, 50-51).

The expansion of a company to the new markets can be described as a situation where the company grows *horizontally*. A company grows horizontally when it expands to the new markets and discovers new possibilities. The foreign market entry requires a lot of background research and the markets are screened before the final decisions are made as the company should have a clear understanding of the market before it can take its products to the new market (Hollensen, 2020, 268). Hollensen adds (2020, 266) that there are many general characteristics that may affect the choice of the targeted market. For instance, the companies may target markets that are close to their domestic market by location or markets where language barriers do not exist (Hollensen, 2020, 266). The Uppsala model introduced that the growth process of a company in international market includes different stages that are depending on the company's international experience and knowledge acquired from the international markets. It was pointed out that the companies are typically approaching markets that are geographically closer (Johanson & Vahlne, 1977).

The Uppsala model is considered more as a traditional way to internationalize (Knight & Cavusgil, 1996). The Uppsala model was introduced with four stages model and it considers that the companies internationalize with following stages: 1. *no regular export activities*, 2. *export via independent representatives*, 3. *establishment of a foreign sales subsidiary* and 4. *starting of a foreign production/manufacturing units* (Johanson & Wiedersheim-Paul, 1975). The theory has been criticized in today's business world as many of the companies do not follow the traditional internationalization path (Knight & Cavusgil, 1996). One challenging theory is a network approach where the internationalization process requires establishment of the networks in foreign markets and by this the company can gain the access to external resources (Johanson & Matsson, 1988). The other one introduced is a born-global concept, which in some cases may apply also to the digital platform companies. Born-global is described as a concept where the companies start the export activities within two years from establishment of the company. It is noted that many of the born-global companies are

technologically orientated and have a new way of doing business that creates value to the existing industry (Knight & Cavusgil, 1996).

The companies must make some key decisions before the foreign market can be entered. Cavusgil et al. (2020, 354) mention that a company may enter a foreign market with three different strategies that are countertrade (export and import) contractual relationships (licensing or franchising) and equity or ownership-based activity (typically foreign direct investment). From the mentioned strategies countertrade is a strategy where the company has low control of its operations in the foreign market and the commitment to the market is limited. The control over operations grows when the company selects to internationalize through contractual relationships. At this point the market commitment grows and risks that may occur from the foreign market entry are growing. Ownership-based activity commits the company fully to the foreign market and with this strategy risks are highest, but the company controls its operations in the foreign market (Cavusgil et al. 2020, 355). Internal (firm size and international experience) and external (sociocultural distance, country risk, market size) factors are having a big impact on selected market entry mode (Hollensen, 2020, 319-320).

Complementors of the platform may seek to move to international markets without foreign direct investment, which means that the complementors must start export activities when they are moving to the markets outside of their home country. Exporting is typically divided into two modes that are *indirect* and *direct* export (Hollensen, 2020, 333). *Indirect* export involves intermediaries located in firms' domestic market. These intermediaries are responsible for finding buyers from the target market, shipping products and getting paid. In comparison, *direct* export involves intermediaries located in the foreign target market. Intermediaries of the target market are taking care of supply-chain, documentation and customer service. In this mode exporters have greater control over the export process, the profits might be higher, and exporters have a closer relationship with customers in the foreign market (Cavusgil et al. 2020, 399, Hollensen, 2020, 333).

Like many other sales channels, digital platforms also involve direct and indirect export activities when sellers and buyers need to be connected. One of the most visible channels that facilitates transactions between sellers and buyers and enables companies to

internationalize are ecommerce platforms. Researchers use a term of cross-border ecommerce (CBEC) when they study international trade that happens on international ecommerce platforms (Herrera-Gomez et al., 2014; Ma et al., 2018; Miao et al., 2019). CBEC has brought sellers and buyers closer to each other and has become an important channel for advancing international trade (Mou et al., 2018). As CBEC usually includes direct or indirect exporting, it provides a possibility to sell company's products to the foreign markets with low investments and small commitment to the market (Hollensen, 2020, 348). CBEC opens also new product offerings to the customers located in the foreign markets (Terzi, 2011). This has increased the value created to the customers by CBEC (Mou et al., 2018).

As noted earlier, CBEC has lowered the foreign trade barriers due to low investments required by companies. This has made foreign market entry possible especially for SMEs that operate with small resources but are interested to find new customers from international markets (Ma et al., 2018). Previous research has underlined the benefits of the Internet in SMEs internationalization and stated that it provides for SMEs a low-cost gateway to global markets (Hamill & Gregory, 1997). The development of ecommerce marketplaces has changed the international business and internationalization of SMEs has become more easier as trading of goods and services has been facilitated by ecommerce (Hånell et al, 2018). As addition to this, the Internet complements and replaces some of the traditional international marketing functions of SMEs such as online promotion, market research, communication, and transactions (Samiee, 1998). Jean & Kim (2019) have studied the role of platform in SME internationalization and have argued that platforms may offer benefits for enhancing export marketing capabilities. According to Westerlund (2020) internationalization of SMEs relies especially on creating new partnerships and integrating companies' systems and services with large international digital platform providers. Shaheer & Li (2018) have stated that due to digitalization, companies' average penetration time to international markets has reduced from multiple years to a few weeks.

## **2.6 Future of digital platforms**

The rise of platforms has made researchers question whether the number of digital platforms will increase or reduce in the future. The technical perspective argues that the openness of the Internet may reduce the need for platforms and not all platform leaders are here to stay. Some are predicting that there will be no need to operate with platforms when interaction among users is open. At the same time, it is reminded that big popular platform providers such as Amazon, Google, Facebook and eBay are operating with closed domains (de Reuver et al, 2018). The powerful platform leaders may use functional expansion in their favour to discourage potential challengers. This means that the powerful platform leaders are introducing new functions to not allow challengers to get on the market (Thomas et al, 2020).

Cusumano et al (2020) have presented four major trends that may affect platform dynamics across industries. The first prediction is that there will be more hybrid companies as digital companies can shape their business models more easily than traditional companies. Data, software and ecosystem strategies will allow companies to grow faster in the future. The second prediction concerns the innovation. It is believed that improvements in artificial intelligence, machine learning and big data analytics will enable platforms to offer new applications and products. The third prediction is related to industry concentration which predicts that the big platform companies will hold even more market power in the future. The reason for this belief is that from a result of market tipping many markets are operated by one platform and have concentrated the market power. The last prediction indicates that platforms will have more curation and regulation in the future. When the power of the platform is growing, its responsibility is growing simultaneously.

### **3 RESEARCH DESIGN AND METHODS**

This chapter describes the chosen research methods and design of the thesis. Chapter introduces the research design and explains the limitations used in the research. Data collection methods of the research and background of interviewed companies are presented. The data analysis and method used are discussed. Chapter ends into evaluation of reliability and validity of the research.

#### **3.1 Research design**

The purpose of this study is to give an understanding of Russian digital platform market and understand how Finnish companies can benefit from it. The digital platforms are an important part of today's economy (Global Finance, 2020) and they facilitate the transactions and innovations between the users of the platforms. The export from Finland to Russia has reduced over the years (Tulli, 2018; 2021) and it is important to find out if there are any new market penetration channels to the Russian market. The phenomenon of digital platforms has been studied widely and the existing literature explains the concepts of digital platforms well. However, the relationship of Russian digital platforms and Finnish exporting companies has not been researched and for this reason it is important to fill the research gap in this field.

The research has been conducted with a qualitative research method, and it includes two empirical parts which are presented in fourth and fifth chapters. Qualitative method is typically used when the data is collected with interviews (Saunders et al., 2016, 165). Qualitative method was chosen as it was evaluated that interviews will give more detailed explanation on the objectives of the research. Russian digital platform provider Yandex has been studied as a case company. As addition to this, semi-structured interviews were conducted on three Finnish case companies. The purpose of the interviews is to broaden the perspective of how the complementors are operating in Yandex's platform. The aim was to interview three different experts from three different Finnish companies that are exporting their products into Russia. A qualitative research aims to explain the phenomenon of certain topic and for this reason it is important that the interviewees have knowledge about the

studied topic (Sarajärvi & Tuomi, 2018). It was analysed and decided that three experts of their own field will give a good background for the study and help to describe the phenomenon. The interviewees of this research were selected carefully, and it was important to find persons who have information about the company's export procedures to Russia and about company's operation in the country.

It was evaluated that the two-sided approach will provide the most accurate picture about the case company's operations and complementors actions in Russian digital platform market. The research conducted on the case company provided information about the case company's horizontal and vertical growth. The empirical findings of the first part explain how the case company have internationalized and how it facilitates internationalization of foreign companies in Russia. As addition to this, the part explains what the case company's product offering is and what kind of services the company has. These findings draw a clear picture of Yandex's digital platform ecosystem. The research conducted on complementors in fifth chapter broadens the perspective of how foreign complementors are selling their products in the case company's e-commerce marketplace. The purpose of two-sided approach is to increase the validity of the research and be able to examine the case company from different perspectives.

The scope of the study was limited with three limitations. First limitation was done when the case company was selected. It was decided that the study concentrates only on one Russian digital platform provider. The selected digital platform provider is Yandex which is of the leading and well-known digital platform providers operating in Russian market. The second limitation is that the interviewed companies must be from Finland and the third limitation is that the interviewed company's products are sold in Yandex's ecommerce marketplace. The aim of the limitation was to narrow the research and to avoid the common mistake of a researcher trying to answer too many questions or having a scope that is too wide for the study (Baxter & Jack, 2008).

### **3.2 Data collection methods**

The empirical part of the research was divided into two sections. The first part is presented in the fourth chapter. The aim of this chapter was to provide an outlook to Russian digital platforms and ecommerce market and understand the product and service offering of Yandex. Yandex is a Nasdaq listed company and it has strict obligations to provide accurate and open information about the company's actions (Nasdaq, 2021). Thus, it was evaluated that information received from the primary and secondary sources was enough to explain how the case company operates.

The data of the fourth chapter was collected mainly from the existing primary sources, that are Yandex's press and financial releases on the company's own website. The website of Yandex contains accurate information about the company's actions during the years. Financial releases are available starting from the year 2011, when the company was listed into Nasdaq. The company reports its actions quarterly and all reports from the past years were read which helped to draw a clear picture about the company's actions. Press releases are available starting from 2005 and these releases enabled to collect data about Yandex's new platform launches, acquisitions and other important steps of the company. As addition to this data, the company's website includes a timeline of its important yearly actions from the first steps to this date.

Some secondary sources were used to support the data collection and to understand the Russian ecommerce market. Secondary sources were retrieved from the existing Internet releases and the data was searched with many different keywords. Keywords were related to the Russian digital market and Russian ecommerce market. The searches on secondary data were performed through Google and Yandex search engines. The author of the study understands Russian language which enabled to perform searches also in Russian language. This gave a bigger picture especially about the Russian ecommerce and digital market as some of the articles about this topic are written in Russian language.

The second empirical part of the research was collected through semi-structured interviews and findings of the interviews are presented in the fifth chapter. The common research methods of qualitative research are interview, survey, observations and information



collected from different documents (Sarajärvi & Tuomi, 2018). The research was conducted with semi-structured interview and this approach was selected for two reasons. The first one is that there are not that many Finnish companies that have their products on sale in Yandex’s marketplaces. The companies which products are on sales are from different industries and this could have made it hard to form a survey that applies to all companies. The second reason was that the semi-structured interview gave an opportunity to ask additional questions and the interviewees had a possibility to explain their responses (Saunders et al., 2016, 394). Figure 6 displays the data collection methods of two empirical parts of the research.

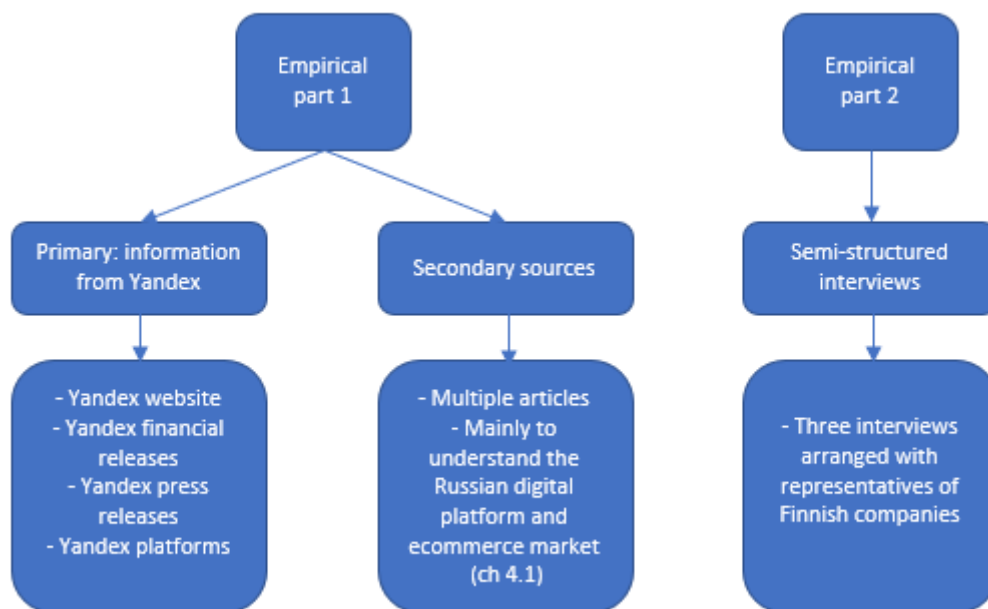


Figure 6. Data collection methods of the research.

The interviews were conducted via Teams in March and in April 2021 as due to Covid-19 it was not possible to meet interviewees face-to-face. The interviewees received background information about the research and the list of themes that were planned to be discussed in the interview were provided to interviewees. The purpose of a semi-structured interview is to allow discussion with interviewee and order of questions may vary depending on the flow of conversation (Saunders et al., 2016, 391). For this reason, interviewees did not receive a full list of questions before the interview. The interview layout, list of themes and key questions are presented in Appendix 2.

The case companies were chosen with following criteria: the company needed to be Finnish, and the company's products needed to be on sale in Yandex's marketplace. The requirement for the interviewees were that the person interviewed needed to be involved with the company's export sales and preferably have a background from dealing with the company's export sales into Russia. This why the interview request was sent to matching case companies export managers by email. The interviewer received a permission to record all interviews and interviews were transcribed after the interviews.

The anonymity of the companies and interviewees was secured. Two of the companies requested to handle the results anonymously. The author decided to treat all companies equally and for this reason the results of the interviews are handled anonymously. All interviews were done in Finnish, and the results were translated into English after the interviews were done. The specific information about the interviews is presented in table 5.

Table 5. Information about the interviews.

Company	Title	Date	Duration	Place
A	Import & export manager	19.3.2021	1 h 5 min	Teams online meeting
B	Area Sales Manager	24.3.2021	1 h 10 min	Teams online meeting
C	Russian sales support	27.4.2021	1h 17 min	Teams online meeting

### 3.2.1 Introduction of the case companies

Three companies accepted the interview request and the information about the companies are presented in this chapter. As mentioned earlier, the case companies were chosen with following criteria: the company needed to be Finnish, and the company's products needed to be on sale in Yandex's marketplace. This limitation ensured that the interviewed case companies were able to answer the questions presented in the interview.

Company A is by revenue the smallest company that was interviewed. The company's revenue in 2019 was under EUR 5 million. The company operates in a field of fishing equipment and its products have been sold to Russia since 1990s. The main markets of the

company are Finland and Sweden, where products are sold and delivered through company's own ecommerce platform. Orders from other countries are handled via email.

Company B is a medium size company. According to Stat (2021) a company is categorized as medium sized company when its revenue is between EUR 10 million and EUR 50 million. The company operates in electronics industry and has been exporting its products to Russia since early 2000s. The company's products are sold worldwide.

Company C is in the category of large company with annual revenue over EUR 50 million. The company has exported its products to Russia since late 1990s and it has subsidiaries in Moscow and Saint Petersburg. As addition to subsidiaries, the company has own production facilities in Russia. The company's products are sold worldwide. The company wanted to give the interview without informing its industry. The reason for the request is that there are not many companies in Finland that are operating in their industry and are this large. Thus, there would have been a possibility that the company could have been connected to the research. The request was respected and for this reason the industry and year of establishment are left out from the information. Background information of the interviewed companies are presented in table 6.

Table 6. Information about the interviewed companies.

<b>Company</b>	<b>Industry</b>	<b>Year of establishment</b>	<b>Start of Russian export</b>	<b>Target markets</b>
A	Fishing equipment	1981	Early 1990s	Finland, Sweden
B	Electronics	1978	Early 2000s	Worldwide
C	N/A	N/A	Late 1990s	Worldwide

The initial goal was to find small and medium size enterprises (SMEs) for the interviews because these are typically companies that may not have big resources that enable large scale foreign direct investment and are for this reason forced to find other sales channels in the foreign markets. First two companies (A and B) fitted the criteria while the third company (C) can be viewed as a large company. However, when considered afterwards, different size companies provided valuable information about actions taken in Russian market. All interviewed companies provided interesting information about their actions in Russia and enabled to examine the internationalization of complementors from different perspectives.

### 3.3 Data analysis and methods

According to Alasuutari (2011) qualitative analysis aims to explain meaningful actions and the analysis contains two steps that are “*simplification of observations*” and “*solving the mystery*”. The first step means that the observations are examined from a particular theoretical framework and then simplified by merging the observations by specified rules into themes that can be examined. The second step contains interpretation of the results which eventually “solves the mystery” and allows to explain the results.

The first empirical part of the research was collected from the existing sources. After the data was collected, it was analysed, and all unnecessary parts were left out from the analysis. The goal of the first empirical part was to a) understand what kind of providers Russian digital platform market contains, b) provide an outlook to Russian ecommerce market and c) understand how the case company, Yandex, operates. Before the analysis on collected material was performed, some guidelines were drawn to facilitate the analysis of the material. The primary sources were first divided by the company’s actions taken each year since the establishment of the company to this date. The division enabled to draw a clear timeline of the company’s actions. After the timeline was ready, it became more easier to examine the parts by topics. The secondary sources concerned mainly Russian ecommerce market and Russian digital platforms. Some secondary sources included information about the case company Yandex. Because of this, the secondary sources were divided into three sections: parts that include information about the case company, parts that include information about Russian digital platform market and parts that include information about Russian ecommerce market. The division enable to analyse the parts separately and all unnecessary information was left out from the research. Figure 7 displays the analysis methods of the first empirical part.



Figure 7. Data analysis methods of the first empirical part.

Sarajärvi & Tuomi (2018) suggests to decide before the analysis how to approach the material received from the interviews. The focus must be on the interesting and important parts and everything else can be left out from the research. The marked parts are suggested to be collected and separated from the original material. After this is done, the material should be classified by themes and the summary of the analysis should be written. This research follows and combines methods suggested by Alasuutari (2011) and Sarajärvi & Tuomi (2018). All interviews were recorded which helped the transcription of the interviews. The interviews were transcribed after the interviews and the material was analysed multiple times. The material was divided into three themes and irrelevant material was left out from the research. The three themes are company's background information, Russia as market and export & sales channels in Russia. Figure 8 presents the grouping of the interview material.

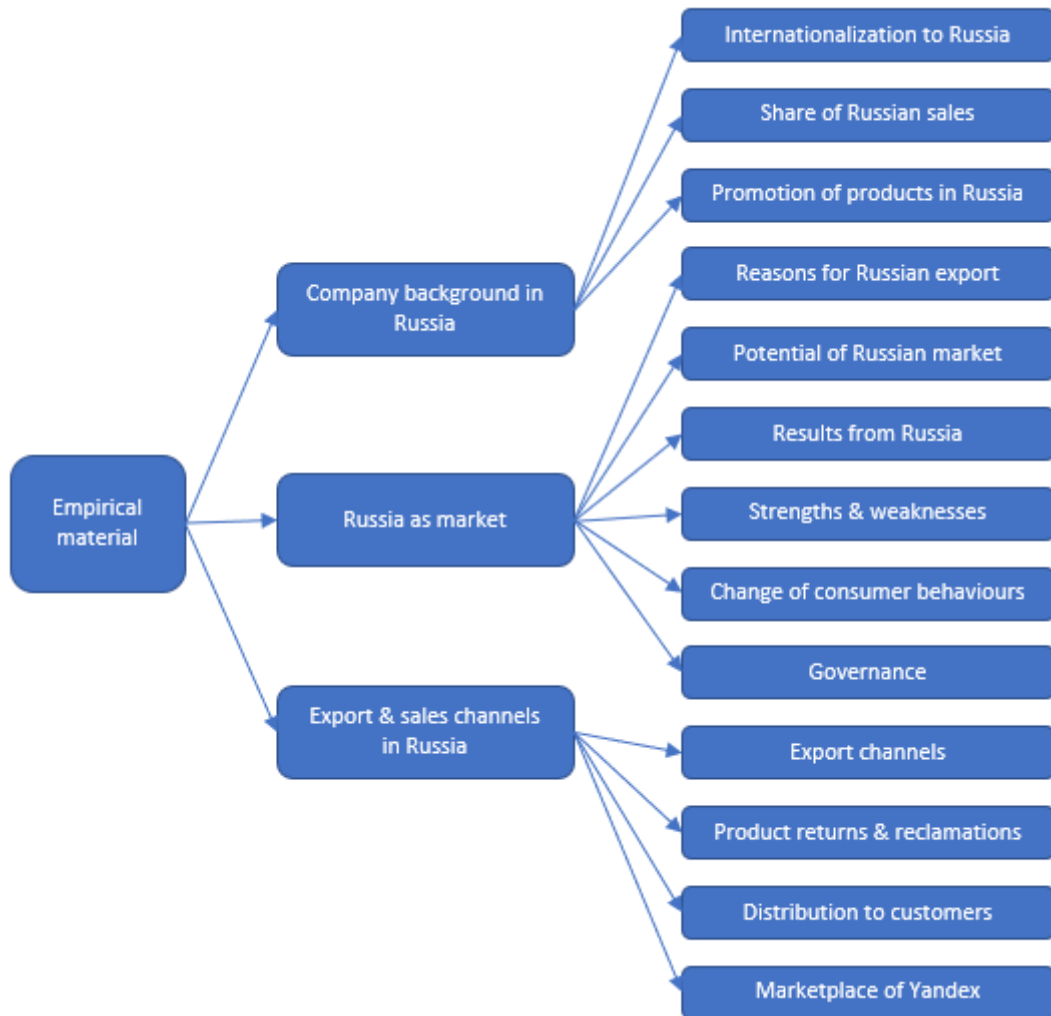


Figure 8. The interview material grouping.

### 3.4 Reliability and validity

The trustworthiness of a single research must be evaluated, and this is typically done by evaluating reliability and validity of the research. Reliability evaluates the repeatability of the findings while validity evaluates how accurately the research and methods used are measuring what is intended to be measured (Sarajärvi & Tuomi, 2018). Reliability is commonly used in quantitative research (Eriksson & Kovalainen, 2008) and some of the researchers have criticized using of the term in qualitative research (Sarajärvi & Tuomi, 2018). Nevertheless, the terms are used also in qualitative research (Eskola & Suoranta, 1998) and shall be used in this thesis to evaluate the trustworthiness of a research.

Sarajärvi & Tuomi (2018) explain that there are no specific rules to evaluate the reliability of a qualitative research, but some guidelines for evaluation are provided. The reliability of a qualitative research should be evaluated from the perspective of research's object and purpose, how the material is collected, how the informants (in this case interviewees) have been selected, how the analysis has been done and how the findings have been reported (Sarajärvi & Tuomi, 2018). This research provides an open information about the research process and steps that have been taken. The purpose of this research is to fill research gaps of digital platform and ecommerce companies in Russia. The material has been collected from various sources to ensure that as many as possible aspects have been discussed. The interviewees were selected from the companies that have knowledge from Russian market and about the company's export processes. The material has been analysed according to instructions of Alasuutari (2011) and Sarajärvi & Tuomi (2018).

As mentioned earlier, the validity of research evaluates how accurately methods are used to measure what is intended to be measured (Sarajärvi & Tuomi, 2018). Validity applies also more to quantitative research, but the term is used in qualitative research as well. Eriksson & Kovalainen (2008) explain that the term has been defined differently in qualitative research and its function in qualitative research is: "the aim is to provide research with a guarantee that the report or description is correct" (Eriksson & Kovalainen, 2008). The validity of this research is ensured by applying existing literature and theory models into empirical parts and findings of this research. The strength of this research is that the empirical material is collected from two different perspectives which provides more information about the case company. The first empirical part concentrates on the case company and is collected from the existing sources. The second empirical part offers a different perspective as Finnish companies which products are sold in the case company's ecommerce platform are interviewed.

## **4 RUSSIAN DIGITAL PLATFORMS & CASE YANDEX**

This chapter includes the first empirical part of the research. Fourth chapter provides an outlook to Russian digital platforms and explains the background of Russian ecommerce market. Yandex, one of Russia's biggest digital platform providers is studied as a case company. The chapter introduces Yandex's ecosystem including ownership and governance structure, six product segments that are handled as value-creating mechanisms and complementors of the company. The chapter ends with description of the company's internationalization path.

### **4.1 Russian digital platform and ecommerce market**

Russian digital market contains right now three large competing digital platform ecosystems that are Yandex, Sberbank and Mail Group (ICT Moscow, 2020). All mentioned companies are hybrid platforms that offer numerous products and services to their ecosystem's users. Yandex has been from the beginning an Internet company which core product has been Internet search engine (Yandex). Sberbank is state-owned Russia's leading bank service provider (Bofit, 2019) which launched in 2020 its large-scale transformation into a universal digital ecosystem company (Sberbank, 2021). The companies were previously tied to each other with their joint ventures on Yandex.Money - joint venture started in 2013 and Yandex.Market - joint venture started in 2017 (Yandex, 2013; 2017). The co-operation of two large companies did not last for long and Yandex and Sberbank announced in 2020 reorganization of their deal with leaving full ownership of Yandex.Market to Yandex while Sberbank gained a full control of Yandex.Money (Yandex, 2020a). The third company, Mail Group, is a smaller player compared to others by revenue. Mail Group dominates Russian social network services with its V Kontakte-platform that is comparable to Facebook (ICT Moscow, 2020). Mail Group's ecommerce platform Aliexpress Russia is a joint venture formed with Chinese ecommerce giant Alibaba (Ewdn, 2019).

As addition to hybrid companies, Russian market contains numerous digital platforms that facilitate transactions between users. Russia's ecommerce market has been increasing during past years and it is expected to see enormous growth in the future. Russian ecommerce revenue was estimated to be USD 35 billion in 2020 and some forecasts are predicting



approximately 30 % growth annually. It is predicted that the revenue will grow to approximately USD 100 billion by 2024 (Datainsight, 2020). Figures of ecommerce users are constantly changing, and the latest reliable numbers are from March 2020 and are collected to figure 9. Figure 9 provides an outlook to Russian ecommerce market and displays the biggest ecommerce providers by users in the market (Infoselection, 2020).

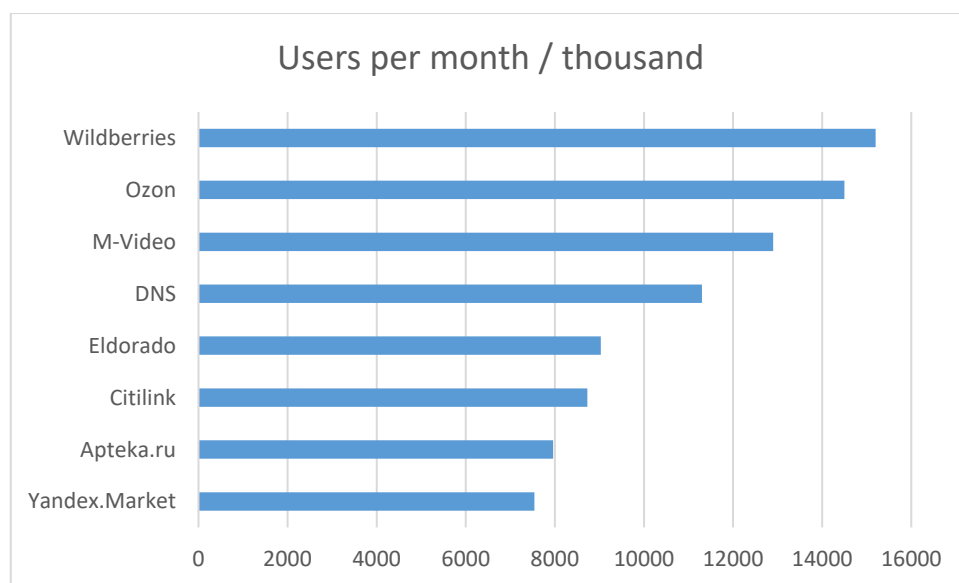


Figure 9. Leaders of Russian ecommerce market by users (Source: Infoselection, 2020).

According to the numbers from March 2020, the case company Yandex was located on 8<sup>th</sup> place in Russian ecommerce market (displayed in Figure 9) when measured by monthly users. From eight leading companies three are universal marketplaces (Wildberries, Ozon and Yandex) four are concentrated in electronics (M-Video, DNS, Eldorado and Citilink) and offering of one company contains only pharmacy products (Apteka.ru) (Infoselection, 2020).

One of the challenges of Russia's ecommerce market has been logistics as Russia is world's biggest country and delivery distances are long. The country has 11 time zones and distance from west to east is approximately 9000 kilometers. This makes logistics planning extremely hard and many of the leading companies have made big investments into logistics. Ozon announced in March 2020 to spend \$ 300 million into logistics and the company is operating with drop-off boxes where clients can pick their packages (Reuters, 2020). Wildberries, the largest ecommerce provider, has over 26000 pickup points around the country. The pickup

points of Wildberries are allowing customers to try the products before taking them home (Realnoe Vremya, 2020). Yandex has also reported that the company develops and invests into logistics constantly (Yandex, 2021b).

## **4.2 Yandex**

Yandex is a multinational technology company that was established in Russia in 1997 when the company launched its first search engine “Яndex-Web”. The first steps of the company were taken in early 1990s when founders Ilya Segalovich and Arkady Volozh came up with the name Yandex that is a combination of words “yet another indexer”. The company Yandex was registered in 2000 (Yandex) and it has been leading the search engine market in Russian Federation since that. The company holds a lead in Russian search engine market with current market share of nearly 57 % (SEO-Russia, 2020). The brand value of the company has increased by 31 % due to the company’s good financial performance, and for this reason Yandex Group has been rated to be the third fastest growing brand of Russia (Brand Finance, 2021).

Yandex employees over 12,000 people around the world and it has 30 offices worldwide. It operates in Russia, Belarus, Kazakhstan and Turkey. The company’s segments include search and portal, taxi, e-commerce and other services (Yandex, 2021a). Year 2020 was successful for Yandex as the company managed to grow its revenues by 24 % and it achieved 116 % growth in net income. Financial figures from 2020 present that Yandex’s revenue was \$ 2,955.6 million with net income of \$ 326.9 million and net income margin of 11,1 %. The company improved its financial performance in its key businesses which includes online advertising. According to the company, the Covid-19 pandemic has changed the consumer behaviour in Russia and for this reason the growth was achieved from businesses such as Yandex.Market marketplace, FoodTech business and Media Services (Yandex, 2021b).

Yandex describes itself as a world-class technology company which uses unique technologies for its products and services that are complex and hard to replicate. Company targets to effectiveness by using machine learning in most of its services. The biggest revenues are made from contextual advertising by delivering advertisements for products and services. Company’s core product is described to be search which role has changed

during the years. In today’s world search concerns everything around us and for this reason the company aims to help its customers to make choices and find suggestions at the right place and time (Yandex, 2021a).

### 4.3 Yandex ecosystem

Yandex’s digital platform ecosystem is described in figure 10. The following sub-chapters will present the company’s ecosystem. Company’s ecosystem includes platform ownership and governance structure, value-creating mechanisms which includes six product segments offered by the company and information about complementors operating on Yandex’s digital platform.

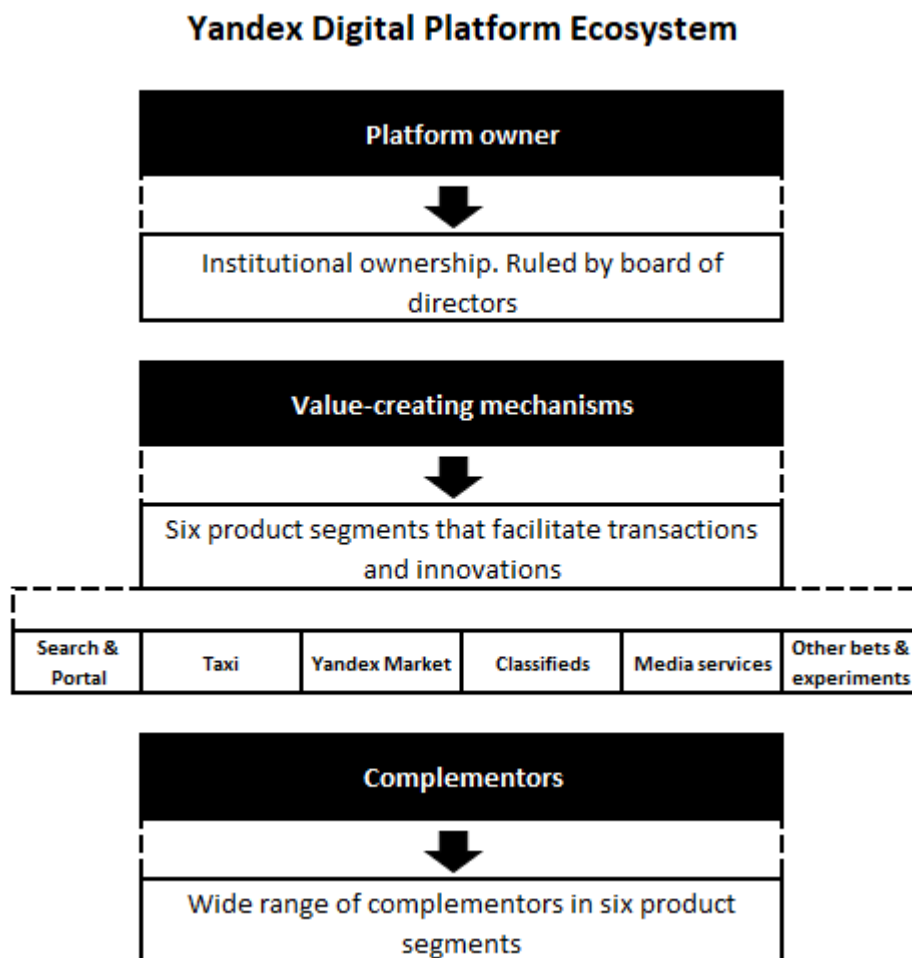


Figure 10. Yandex digital platform ecosystem.

### **4.3.1 Ownership and governance structure**

As mentioned earlier, Yandex is a multinational company, and it has been listed in NASDAQ since 2011 (Yandex, 2021a). Its headquarters are in Moscow and the company Yandex N.V. is registered in Amsterdam (Yandex, 2021c). 74.70 % of Yandex is owned by institutions (Nasdaq, 2021) and the institutional ownership percentage has been increasing over the years. In 2018 the institutional ownership percentage was less than 30 % (Gurufocus, 2021). Arkady Volozh, the founder and chief executive officer of Yandex owns approximately 8,7 % of the company's outstanding share capital and has approximately 45,5 % of the voting power (Yandex, 2021h). The decision-making is centralized in Yandex's ecosystem and final decisions are taken in top level of the management. However, the company's structure and divisions of segments allows each segment to operate quite individually.

Yandex restructured its corporate governance and shareholder owing rights of the company in 2019. In current structure, board of directors consists 11 directors, one of them is chief executive officer (CEO) and one is deputy CEO. Rest of the directors are non-executive directors who are nominated from Russian academic institution and non-governmental institutions. One of the major restrictions was made due to Russian Foreign Ownership Law that limits foreign voting power to 49 % in Russian company. By this Russian government wants to ensure that the user data is stored in Russia. At the same time, the company made a rule which allows it to block single owners attempts to purchase and own more than 10 % of the company's voting power. Due to restructuring Arkady Volozh transferred his voting rights to a family trust that will keep the voting power in Russia in case of his death (Yandex N.V., 2019).

### **4.3.2 Value-creating mechanisms**

Yandex's ecosystem contains wide range of products and services that create value for the company and its users on both sides. Some of the products are developed for business use. The full list of Yandex's product and service offering is collected into Appendix 1. The company divides its ecosystems products and services into six different segments that are search and portal, taxi, Yandex.Market, classifieds, media services and other bets and experiments (Yandex. 2021d). All segments contain advertising services that are important

for Yandex and widely displayed in company's platforms. The six product segments brought in total RUB 218,3 billion (EUR 2432,6 million) in revenues for Yandex. Total revenue and its distribution among different segments are presented in table 7. Table 7 contains 2019 and 2020 revenue information, change percentage and calculation of each segment's percentage from total revenue. Eliminations related to revenues are mainly related to advertising and do represent the elimination of transactions between the displayed segments (Yandex, 2021b). Analysis of the financial releases from previous years indicates that the company's biggest and most successful segments are search and portal with 57 % from total revenue and taxi services with 31 % from total revenue.

Table 7. Yandex's revenue in different segments. Based on Yandex financial releases (Yandex, 2021b).

Segment	2019	2020	Change	From Total Revenue
Search and portal	121,547	124,321	2 %	57 %
Taxi	45,587	67,955	49 %	31 %
Yandex.Market	-	13,867	100 %	6 %
Classifieds	5,39	5,778	7 %	3 %
Media Services	3,867	7,807	102 %	4 %
Other Bets and Experiments	7,877	11,851	50 %	5 %
Eliminations	-8,877	-13,235	49 %	-6 %
<b>Total revenue after eliminations</b>	<b>175,391</b>	<b>218,344</b>	<b>24 %</b>	

The year 2020 brought some changes into company's product and service offering. The major one was the completion of reorganization of Yandex and Sberbank on Yandex.Market and Yandex.Money. Yandex.Market is now completely owned by Yandex while Yandex.Money was transferred into Sberbank's possession (Yandex, 2020a). The reorganization left Yandex without electronic payment service that it had in its product offering since 2002 (Yandex, 2021a). Because of reorganization, Yandex has excluded Yandex.Market from its total revenue in company's financial release. Thus, Yandex.Market does not have any number for year 2019 in table 7. According to the company, the total revenue in 2020 for Yandex.Market accounted RUB 28,831 million while in 2019 the number was RUB 19,370 million. These numbers show a growth of 49 % for Yandex.Market services (Yandex, 2021b). As addition to the reorganization, one new service platform was launched in 2020. The service launched was Yandex.Pro, a platform that connects freelancers to find a suitable job (Yandex, 2020b). All six product segments of Yandex are introduced in this chapter.

**Search and portal segment** include a big range of products and services that are offered in Russia and some other countries where the company is operating. According to revenues, this is the biggest segment of the company, but it had the smallest growth in revenues compared to 2019. However, the company feels optimistic of recovery of this segment and expects to see growth in search segment in 2021. The numbers started to increase already in Q4/2020 when the company had increase in sales of IoT and Yandex Properties (Yandex, 2021b). Yandex does not reveal in detail which products and services are included into this segment, but it is obvious that search engine, maps, Yandex browser, music, radio and navigation services are in this segment.

From search and portal services, Yandex's search engine *Yandex.ru* is highly used in Russia and the company became popular from it in the end of 1990s and beginning of 2000s. The search engine was launched in 1997 and in the beginning it was based on Russian language (Yandex, 2021a). Yandex's search engine is a market leader in Russia with nearly 57 % market share. Google holds the second place with share of almost 41 %. The rest 2 % of the market share are left for Mail.ru, Bing, Rambler and other search engines (SEO-Russia, 2020). In worldwide search engine market, the market share of Yandex is approximately 1,5 % (Oberlo, 2021).

**Taxi segment** contains ride-hailing business Yandex.Go and Uber in 17 countries around the world (Yandex, 2021b). Yandex and Uber combined their ride-sharing businesses in 2018 allowing users to use both applications for the same purpose. UberEats was moved under the combined company (Yandex, 2018a). The combination of operations was done in Russia, Armenia, Azerbaijan, Belarus, Georgia and Kazakhstan. The combined private company operates under the name MLU B.V. and is incorporated in Netherlands (Yandex.Taxi, 2021). Yandex takes this segment seriously and it made some forward-looking decisions when it acquired the largest taxi company of Russia, Vezet Group in 2020 for \$ 178 million. Vezet provides taxi services including ride-hailing, cargo and food delivery in over 100 Russian cities. The company expects that the acquisition of Vezet will develop logistics services of Yandex and improve the customer care in Russia (Yandex, 2021e).

The segment also contains company's FoodTech business Yandex.Eats and Yandex.Lavka and other logistics services. The car-sharing business Yandex.Drive is viewed in this segment. As the figures in table 7 display, this segment makes approximately 31 % of the company's total revenues and it had a total growth of 49 % compared to 2019. The growth was mainly achieved from food delivery businesses Yandex.Lavka and Yandex.Eats that had successful year because changed customer habits due to Covid-19 (Yandex, 2021b).

The company's self-driving car-project is operating under the name of Yandex.Taxi and the food delivery Yandex.Eats service is tied closely to Taxi operations as the deliveries to customers are provided through this service (Yandex.Taxi, 2021). MLU B.V is operating the taxi services under the brands Yandex.Taxi and Yango and Taxi segment is one of the fastest growing segments of Yandex. Taxi service has had big success in Russian Federation, and it operates currently in sixteen different countries. The service was also available in Ukraine from 2016 but it was closed due to sanctions imposed against Russia by Ukrainian government in 2017 (Reuters, 2017).

**Yandex.Market segment** includes the Yandex marketplace and price comparison service. Some small experiments that are not specified by Yandex are also reviewed in this segment (Yandex, 2021b). The most interesting part of this segment from consumers perspective is Yandex.Market which enables consumers to search and buy products from its ecommerce market. The platform provides a place for matching buyers and sellers. Users can search and discover the prices of sellers and find the most suitable products for their needs. Marketplace also facilitates transactions between buyers and sellers and provides logistics services when the goods are shipped to the customers.

Yandex's marketplace welcomes foreign sellers into its marketplace. The company advertises its platform as an effective place to sell products and underlines that its marketplace has monthly over 17 million users (Yandex, 2021i) that place daily over 75 000 orders (Yandex Market, 2021). According to current requirements of Yandex store, foreign companies that are selling or delivering goods into one of the following countries: Russia, Belarus or Kazakhstan, can place their product offering for sale in Yandex market. The foreign company does not need to be registered in any of these countries. The goods sold outside of Eurasian customs union must be declared if the value exceeds 200 EUR or the

weight is higher than 31 kgs. The company reminds that transactions are operated with foreign country's legislations and rules (Yandex, 2021f).

Yandex marketplace operates in two ways. One option is to publish company's offering into Yandex's market and sell them through company's own website. In this case the seller must have an ecommerce platform in its own website where the customers can order the products of the company. The cost of placement for partners outside of Russia is USD 0.41 for each click that leads the customer to the seller's website. Currently, this is the only option foreign sellers are allowed to use (Yandex, 2021f). The other option is customized for organization that are registered in Russian Federation. This option ties the seller more closely to Yandex's marketplace as Yandex Market takes the responsibility of advertising, customer service, transactions and logistics services (Yandex Market, 2021). Table 8 demonstrates the service charges and available service models of the Yandex's market.

Table 8. Yandex marketplace service charges. Based on Yandex Market (Yandex Market, 2021).

Phase	Fulfillment by Yandex (FBY)	Fulfillment by Yandex+ (FBY+)	Fulfillment by Seller (FBS)
<b>Storing</b>	Yandex warehouse	Yandex warehouse or sellers	Sellers warehouse
<b>Preparing of the shipment</b>	Yandex prepares the shipment	Yandex prepares the shipment/seller ensures that goods are at Yandex's warehouse	Seller prepares the shipment
<b>Comission</b>	2 % of the sales price	2 % of the sales price	2 % of the sales price
<b>Acceptance of payment</b>	1 % of the sales price	1 % of the sales price	1 % of the sales price
<b>Processing and storage fee</b>	RUB 30/ RUB 150 RUB 150 if the product weights over 15+ kg for 61 days at Yandex warehouse	RUB 15/ RUB 150 if the weight is over 15 kg when the goods are delivered to warehouse by seller. Same as FBY if stored at Yandex warehouse	RUB 15 for processing the order.
<b>Delivery</b>	RUB 30/RUB 150 for large items	RUB 30/RUB 150 for large items	RUB 50/RUB 250 for large items

Auto.ru, Yandex.Realty and Yandex.Jobs are viewed in the **classifieds segment**. The revenue of this segment increased by 7 % and it makes 3 % from the company's total revenues (Yandex, 2021b). Auto.ru platform enables buyers and sellers to connect through



the platform and exchange new or used cars. Yandex.Realty platform facilitates renting or selling of apartments between user and sellers. Yandex.Jobs provides a platform for finding employers or employees in different fields.

**The segment of media services** achieved a growth of 102 % compared to 2019. Segment includes Yandex's media services Kino.Poisk, Yandex.Music, Yandex.Afisha, Yandex.Studio and Yandex.Plus. The growth was primarily made from the Yandex.Plus platform (Yandex, 2021b) which was launched in 2018. Yandex.Plus requires a subscription and operates with a monthly fee of USD 2.49 (Yandex Plus, 2021). The platform bundles the offering of multiple company's services and allows its users numerous benefits within Yandex's ecosystem, such as ad-free movies, unlimited music streaming and taxi and car-sharing ride discounts (Yandex, 2018b). The company notes that increase in the platform of Yandex.Plus compensated partially the decline of Yandex.Afisha's ticketing revenues (Yandex, 2021b).

**Other bets and experiments segment** includes company's self-driving vehicles business (Yandex SDG – Self-Driving Group), Zen, geolocation services, food deal service Edadeal, investments, Yandex.Cloud and Yandex.Education. Segment achieved 50 % growth in revenues compared to 2019. The fast growth was enabled by Yandex Zen, Geo and cloud business (Yandex, 2021b). The platform of Yandex Zen is based on a recommendation system which uses machine learning for creating interesting content to its users. The platform recommends articles, videos and stories to its users that can be liked or disliked. Yandex Zen operates in over 50 languages and it was released in 2015 (Yandex Zen, 2021). Geolocation services are related to Yandex.Maps and cloud business to Yandex.Cloud that offers a wide range of cloud computing services against monthly payments.

One of the most interesting parts of this segment is Yandex self-driving car experiment which was started in 2017 (Yandex SDG, 2021). The company has joined its forces on autonomous car project with Hyundai Mobis with an aim to develop systems for autonomous vehicles. The first phase of the project plans to use standard Hyundai's or Kia's for development. The future plan of the project is to build a completely new autonomous driving control system for car manufactures, car sharing services and taxi fleets (Yandex, 2019a). Yandex feels optimistic about self-driving cars and head of Yandex's SDG unit Dmitry

Polishchuk has predicted in 2020 that autonomous vehicles are coming into road in approximately five years (BusinessInsider, 2020). The latest change in Yandex SDG ownership was done in September 2020 when Yandex and Uber completed the spin-off of the SDG business. Yandex now owns 72.8 % of Yandex SDG while Uber was left with 18.6 % ownership of the SDG. Yandex made an investment of \$ 100 million in the form of equity and will invest additional \$ 50 million in the form of a convertible loan (Yandex, 2021g). As addition to autonomous vehicles, the company has developed its autonomous delivery robot, Yandex.Rover, under the name of SDG. The company sees that the delivery robot perfectly fits Yandex's ecosystem as it may be available in the future for company's delivery services Yandex.Eats and Yandex.Lavka. The delivery robot has been tested in Yandex headquarters where it has delivered numerous small packages (Yandex, 2019b).

### **4.3.3 Complementors**

Yandex has a big product and service offering, which eventually leads to a situation that the company cannot produce everything in-house. Thus, Yandex's operations require a wide network of complementors that allow the company to expand its market (Cusumano & Gawer, 2002). The company itself states that it "develops products and services for users in cooperation with all market participants, taking all interests into consideration" (Yandex, 2021a). Looking at Yandex's six product segments (presented in chapter 4.5.) it becomes clear that complementors are used in almost every segment.

Advertisers are one of the biggest complementor networks of Yandex and advertisements are widely displayed in the company's services (Yandex, 2021j). Advertisers are also one of the most important complementor networks for the company as Yandex was initially built on them. The search and portal segment is mainly built on Yandex's own services, but major revenues are received from advertisers that are complementors in this segment. Online advertising accounts 45 % of the company's total revenue (Yandex, 2021b).

Taxi segment requires also a big complementor network. The complementors used in this segment are for instance, taxi drivers and food delivery workers who are providing their services for the company. Logistics service operators are also viewed in this segment (Yandex, 2021b) and can be counted as complementors. The segment of Yandex.Market

includes a big complementor network as many companies are selling their products and services through ecommerce platform of Yandex. According to the company, its marketplace has over 20 000 ecommerce companies operating on its platform (Yandex Market, 2021). Wide complementor network allows the company to offer larger scale of products and services to its users. Yandex enhances internationalization of foreign complementors by allowing them to join the company's platform and providing by this a possibility to operate in Russian-speaking market. The ecommerce marketplace of Yandex is one platform where foreign companies may promote their products and expand their product offering to Russian-speaking markets.

Classifieds and Media services segments are mainly built on complementors. Complementors of these segments make it possible for the company to offer services such as job-offering, realty renting and selling, car-dealing and music and movie offering. The complementors of these segments are, for instance, service providers, musicians and music producers.

#### **4.4 Internationalization of Yandex**

Yandex has grown horizontally to the new markets and some of the company's product segments are available in the international markets. The first step towards the international markets was taken in 2005 when the company launched Ukrainian portal in its search and portal segment. The move was rational as the company reported that half a million of Ukrainian citizens used Yandex's services in a week and by this move the company wanted to ensure better service for its foreign customers (Yandex, 2005). The second move was done in 2009 when the company expanded its offering to Kazakhstan market. Yandex provided all of its main services, which at time were mail, maps, auto, timetable, news and market, to its users in Kazakhstan (Yandex, 2009). After these moves, the company expanded its product offering with its search and portal segment to Belarus in 2010 and to Turkey in 2011 (Yandex).

The taxi segments services are available in 17 countries around the world. Taxi segment is the most international segment of the company and the internationalization of this segment has started from the countries that are closest to the company's domestic market. The taxi

service was introduced for the company’s foreign customers in 2016 and first countries where the operations started were Belarus, Armenia, Kazakhstan and Georgia. The full list of counties where Yandex Taxi and Yango service is available is presented in table 9 (Yandex.Taxi, 2021).

Table 9. Yandex.taxi geographical locations. Based on Yandex Taxi (Yandex.Taxi, 2021).

<b>Country</b>	<b>Brand name</b>	<b>Year of start</b>	<b>Month</b>
Russia	Yandex taxi	2011	October
Belarus	Yandex taxi	2016	February
Armenia	Yandex taxi	2016	July
Kazakhstan	Yandex taxi	2016	July
Georgia	Yandex taxi	2016	August
Moldova	Yandex taxi	2017	June
Kyrgyzstan	Yandex taxi	2017	November
Latvia	Yandex taxi	2018	March
Uzbekistan	Yandex taxi	2018	April
Estonia	Yandex taxi	2018	May
Serbia	Yandex taxi	2018	June
Lithuania	Yandex taxi	2018	July
Ivory Coast	Yango	2018	October
Finland	Yango	2018	November
Israel	Yango	2018	December
Ghana	Yango	2019	June
Romania	Yango	2019	June

The company has sales offices in eight countries outside of Russia. The countries are Belarus, Kazakhstan, the United States, Switzerland, Germany, Netherlands, China and Israel (Yandex).

## 5 FINDINGS

The findings' part is the second empirical part of the research. In total three companies were interviewed for the research. The requirement for a case company was that the interviewed company is from Finland and its products are sold in Yandex's marketplace. The interview was divided into three parts that are company background in Russia, Russia as market and export and sales channels in Russia. The purpose is to understand thorough which channels Finnish companies are operating in Russian market and what kind of actions they have taken in the market.

### 5.1 Company background in Russia

The first part of the interview concentrates on the background of the case companies in Russia. The part includes three questions, and the purpose is to understand for how long the case companies have exported their products to Russia, what is the percentage of Russian sales from the company's annual revenue and how the case company's products have been promoted in Russia. The answers help to draw a more accurate picture about the case company's operations in Russian market.

#### **Internationalization to Russia**

Company A has started its Russian export in the beginning of 1990s, after the collapse of the Soviet Union. The first products sold to Russia by the company were fishing nets and the fabric used in the production of the nets. Both products were manufactured in Asia as there was no production for mentioned products in the European Union. The demand for fishing nets and the fabric in Russia has decreased over the years and the company does not sell them anymore into Russia. The current product sold to Russia is a knife produced in Finland. The interviewed person has worked in the company since 1998 and the person was hired by the company to take care of the company's Russian trade. However, when the person started to work in the company Russia faced its financial crisis in 1998 which had an impact on the company's sales in Russia.

*“Our company noticed the potential of Russia already in the 1990s and we took some actions to promote the sales back then. For instance, the company established its own warehouse*

*for transit products. Unfortunately, the financial crisis of Russia in 1998 had a big impact on our export to Russia. It was quite challenging to collect the receivables from our customers and many of them went bankrupt. However, our company was not depending only on Russian trade and we managed to survive through these times. Those customers who survived in Russia, came back later with bigger deals and brought even more revenues to our company.” (A)*

Company B has exported their products into Russia for 15-20 years. The current sales manager has been responsible for Russian sales for approximately five years. During these years, the company has changed its importer in Russia and the partnership with new importer started 3-4 years ago. The importer was changed because the company felt that the old importer did not have passion to support the company’s product sales in Russia enough. The company divides its products into two categories that are products for professional use and products for consumer use.

Company C is the only company of this research that has subsidiaries in Russia. The company has started to export to Russia in the late 1990s and it has established its first Russian subsidiary in 2006. The company’s internationalization to Russia took a new step in 2012 when the company started to build its new factory in the country. The new factory started its operations in 2016. The company has also expanded in Russia by acquiring some local companies that have Russian production. The acquisitions have enabled the company to offer to its customers local brands that have been developed with help of the company’s R&D.

### **Share of Russian sales**

Company A reported that the sales to Russia have never exceeded 10 % of the company’s total annual revenues. The current sales to Russia are approximately between 1-2 % from the company’s total revenues. Company B informed that the sales to Russia make 2 % of the company’s annual revenues. According to company C its Russian operations make 10 % of the annual revenues.

### **Promotion of products in Russia**

Company A reported that it has not promoted its products in Russia. Russian customers have found the company's product offering from different channels and started to purchase them. The company had in the late 1990s from five to ten customers from Russia who were purchasing company A's products frequently. Nowadays, there is one bigger Russian wholesale store which purchases the company's products in bigger quantities and promotes them in Russian ecommerce channels.

*“We have not been marketing our products actively in Russia. Most of the deals that we have made in the history, have come to us by coincidence. Of course, we have worked on the deals, but still, many of them have been given to us. The company's export to Russia started in mid 1990s when young Russians came to Finland, knocked on the door of our company's office and told that they would like to buy some fishing nets from us. So basically, everything started from quite simple things and in the beginning the deals were small.” (A)*

Company B has made more investments into Russia and its partner in Russia has a brand manager who is responsible for the company's product sales. The company reported that it has started more active promotion of the company's products in Russia and has invested into product visibility. Company B's products are planned to be presented in spring 2021 in brick-and-mortar stores in Russia and the plan is to let people test and feel their products.

*“It is important to let the customers to feel and test the products even though they are sold in ecommerce marketplaces. We have implemented the same strategy in some countries around the world and have received good results. For this reason, we have agreed with our local partners to present our products in few brick-and-mortar stores in Moscow.” (B)*

Company C's Russian subsidiaries are responsible of the promotion of the company's products in Russia. The company's Finnish headquarters are supporting its subsidiaries in product and brand marketing, but local subsidiaries take the responsibility of marketing and choose the correct channels for product and brand promotion in Russia. The arrangement is reasonable as the company's local offices understand the market and are in daily contact with the customers. The company representative mentions that the customers see the products of the industry as following: premium-classified products are imported products

which prices are more expensive and medium-classified products that are locally produced quality products.

## **5.2 Russia as market**

The second part goes more deeply to Russia as market. The purpose of this part is to understand why the case companies are exporting their products into Russia and how do they evaluate the market potential of Russia. The part aims to find out what kind of results the companies have achieved in Russia when considered from the perspective of the sales and how the companies see the markets biggest strengths and weaknesses. The change of the market and consumer habits is discussed and one of the goals is to find out who is responsible for the company's Russian operations in terms of governance. The part is divided into six questions.

### **Reasons for Russian export**

Company B started to export to Russia when it recognized the markets potential and noticed that products designed for professional use have a big potential and demand in Russian market. The company has also started to sell its products that are designed for consumer use in Russian market. Some important steps toward growing the consumer product category were taken in last year when the company agreed with its Russian importer to use three ecommerce platforms in Russia with an aim to grow ecommerce sales.

*“We have been selling our professional products to Russia for many years. The consumer product category sales have not been big in Russia, but we have now agreed to use three new ecommerce platforms and we are expecting to see some growth in the consumer products. We use our importers own ecommerce platform and as addition to this, the consumer products are sold in Yandex's and Ozon's ecommerce marketplaces.” (B)*

Company B adds that they have entered the Russian ecommerce market with minimal risk and the current strategy is to monitor the ecommerce sales and try to understand the potential of ecommerce market.



*“We have no pressure to achieve enormous growth in ecommerce sales in Russian market. We have minimized our risks and we are right now controlling what kind of success our sales are making in Russian ecommerce platforms. We want to still ensure that our professional products are the brightest diamond of our product category.” (B)*

Company C sees that whichever the industry of a company is, it is very logical for Finnish company to operate in Russian market. The company itself internationalized first to its closest markets in 1990s when the market entries were performed to Sweden, other Nordic countries and to Russia. The company has own factory in Russia where it produces products of certain segments. The rest of the company’s products are made in Finland and exported to Russia.

Company A is ready to sell its products into Russia if the customers are interested and ready to purchase them. However, the company does not treat Russia as an important market and for this reason the company has not made any investments to increase the sales in the Russian market. For now, the company has mainly one customer in Russia that is purchasing knives produced in Finland in bigger quantities.

### **Potential of Russian market**

All interviewed companies agree that Russian market has a big potential, and the growth is possible to achieve. Company A sees that growth in Russian market requires investments that may not be possible for their company right now. Company B feels more comfortable about the market potential and sees that the market is growing in their product segments. Company C comments that Russian market provides new business opportunities which should be utilized by Finnish companies.

*“The market has potential. However, I do see that market entry to Russia requires investments and deep knowledge of Russian market. I also see that Russian language is required if the company wants to operate successfully through a digital platform. Our company is small and the resources available are limited. Because of this we need to decide accurately where we want to operate.” (A)*

*“Russia is a potential market and we have discovered the potential of our professional product category. The growth is possible to achieve also in consumer products. The country has over ten cities where the population is over one million. Russian middle class is growing, and quality awareness of Russian’s is increasing. The thing is that it is hard to evaluate the volumes of the market.” (B)*

*“The market provides all the time new business and growth opportunities. Russian market is potential because it is growing, changing and developing market.” (C)*

Companies A and B mentioned that Russia is its own kind of a place to sell the products and that the market requires knowledge of Russian language and culture. Company B has considered of hiring a salesperson that concentrates only on the sales of the company’s product segments. The current salesperson works for the importer and represents several other brands. The brands are supportive brands for the company B’s products and the current arrangement works for the company, but for the future it would be good to get some manpower in Russia as the market is evaluated as growing and potential market.

### **Results from Russia**

Company A has sold more in the past to Russia. The current sales are made with knife segment and received mainly from one customer in Russia. The sales of fishing nets have stopped, and the company has not sold any of them for Russian clients in the past two years. The company evaluated itself that there are two reason why the sales have decreased. The first one is the currency exchange rate of Russian rouble that has depreciated over the years. The second reason is Russian legislation which restricted the import of foreign produced fishing nets into the country.

*“The legislation set by Russian government restricted and even prohibited the import of fishing nets into Russia. Of course, foreign fishing nets are still sold in Russia, but it means that the import of the products to Russia might require twisting of current laws. Anyway, we saw that there was no future in this business and for this reason we are selling right now only knives to Russia.” (A)*

Company B has received good results from Russia and the company's sales have started to grow. The company's sales manager reports that the sales have increased in the first and second year when the new partnership with the new importer started in Russia approximately four years ago. Last year was comparable to 2019 but beginning of the year 2021 has already seen some increase compared to previous year.

*“We are expecting that the demand may increase when the customers awareness of our products is increasing. Right now, we are monitoring our sales in Russia, but we can already say that the demand has increased during the Covid-19 time.” (B)*

Company C mentions that it has received good results from Russia. As mentioned earlier, the company's Russian operations make 10 % of the organizations total annual revenue and by this Russia is an important market for the company. Due to Covid-19 some of the distributors managed to increase the sales of the products while sales of other distributors decreased. The company says that Russia had more lockdowns than Finland and some businesses were closed for a while. This had an impact on the sales of the company's products. The biggest distributors were in the beginning careful and did not fill their stocks in normal quantities. After the distributors get used to the new situation, the demand increased especially on locally produced products. The company says that brands imported to Russia did not benefit from the increased demand as the products are more expensive and the customers were using cheaper local products.

### **Strengths and weaknesses of Russian market**

Company A named that Russia's strength is its big population that opens a big potential market for sales of numerous products. There are many customers that can purchase high quality and expensive products and, in some cases, even a smaller percentage of population can provide a bigger market than whole Finland does. Company B sees that Russia's long cultural heritage and strong technical knowledge favours the sales of the company's product. The customers quality awareness and raise of middle class are also named as strengths of the market. Company C mentioned as strengths market's size and continuous growth.

*“There is large amount of people in Russia that are ready to spend on expensive products. Most of the Finnish companies would be really happy if they could have Moscow or Saint-Petersburg as their market area.” (A)*

*“The market is not growing anymore like in the 1990s, but it has still continuous growth that provides new business opportunities.” (C)*

According to Company B it is challenging to forecast the Russian market, and this is mentioned as one of the weaknesses of the country. The company evaluated also that weaknesses are the unpredictability of Russian rouble and possible new tax or other payments that may come from “out of nowhere”. Company A stated that one of the biggest challenges that limits the Finnish-Russian trade is the border between Finland and Russia. Doing business to Russia includes more regulations than selling, for instance, to countries in the European Union. Company C does not name any weaknesses but confirms that the big market, like in many other big countries, have its own challenges which come from competition. The other challenge named by company C is the legislation which differs from the markets in the European Union.

*“Building a brand in a market like Russia takes a lot of investments and resources. The market of certain product category may have tens or even hundreds of competitors while in Finland there might be only few big players. The competition makes it harder to increase the market share.” (C)*

### **Change of the market and consumer behaviour**

Company A sees that the market has changed a lot during the years. Russia is not the same country that it used to be in 1990s and the way of doing business has changed. The person feels that Russian consumers have more money and especially big cities like Moscow and Saint-Petersburg have become modern. Company B says that ecommerce in Russia, like in many other markets, seems to be growing and will be in the future a channel that may increase the demand significantly. The company adds that the consumers have more knowledge of the product quality and they do appreciate high quality products. The Internet has enabled the consumers to search for information about the products.

*“The ecommerce is growing fast in Russia. I asked our importer to provide some numbers about ecommerce sales and I was really surprised to hear the numbers. According to our importer, approximately 43-44 % of the products exported by our industry to Russia are sold online.” B*

Company C says that change of the market opens new demand for its products. According to the company Russians emphasize nowadays more ecological and environmental factors and they are more interested of materials of the products. When asked why customers are interested about the mentioned things, the company says that Russia has certain standards that may require companies to choose more ecological and environmentally sustainable products. Also, the project specifications may require companies to use products that fill certain standards.

*“Ecological and environmental factors are important in Finland. However, we mention and use more often in Russian marketing documents that our products fill certain regulations. The customers are also asking for the documents and certification when they are deciding which products are selected to be used in projects.” (C)*

### **Governance**

Company A says that closing deals with Russian companies have not required top management level, such as CEO's, inclusion into negotiations. The deals have been closed with export manager and the Russian sides representative has been in contact with the company. However, the company highlights that trade with Russian companies have required deep relationships.

*“Our long-time customer from Russia told once to us after years of business why he ended up as our customer. He came to Finland and went first to our competing company. The competing company brought him a brochure to the parking lot and told him to find out what he was looking for. After that, the person came to our company and we welcomed him warmly. From long-time perspective that seemed to be a correct way to handle the customer as he was doing business with us for many years.” (A)*

Company B's sales manager is responsible for doing business with Russian side and can take care of all deals. The importers salesperson handles the deals with the company B and with Russian end customers. In some cases where the importer's salesperson cannot make the decision, CEO of the importing company is involved in the deals. Company C confirms that their Russian subsidiaries can take care of their Russian business and there is no need for top level management involvement from Finland. The company mentions that the distributors may sometimes come to Finland to see how and where the products are produced.

*“Sometimes our Russian distributors come to Finland and we introduce our company to them. It is important for our distributors to understand from where the products are coming and what kind of a company is behind the business. Distributors do appreciate the fact that the company is Finnish, and the products are made in Finland. This is also the information that our distributors require to be able to successfully sell our products in Russian market.”*

(C)

### **5.3 Export & Sales channels in Russia**

This part focuses on the companies export and sales channels in Russia. The part provides an explanation on how the companies are exporting their products into the country and who is responsible for the distribution of the products to the customers. The part also discusses the possible challenges in export and tries to find out how the companies are handling the possible product returns and reclamations coming from the customers.

#### **Export channels**

Company A tells that they have one bigger customer in Russia which imports company A's products to the market. The customer is based in Moscow and it purchases directly from the company A and arranges the transportation of the products to Russia and takes care of the import procedures. Company A confirmed that it offers its product with delivery terms of CPT (carriage paid to) to Finnish boarder. This means that the company takes care of export documentation and if needed, transports the products sold to the Finnish border where the customer can pick up the shipment. The customer is a big seller of knives in Russia and has ecommerce marketplace where it sells numerous products, including the company A's knives that are produced in Finland.

Company B uses a distributor, and all products are shipped directly from Finland to Moscow. 90 % of the professional products are sold in Moscow and the missing 10 % are sold in Saint-Petersburg market area. The company does not have yet geographical sales figures from the consumer product market. Export of the products to Russia has gone so far smoothly and there has not been any significant problems in the shipments. The company mentioned that the marketing products, that are shipped free of charge, have caused some problems when the company first tried to export them into Russia with regular shipments. The company learned fast that the marketing products should be exported to Russia separately to be able to pass them more easily through local customs.

*“When we started to look for a new importer in Russia, it was extremely important that all procedures concerning customs import documentation, paying taxes and other things were done clearly. We do see that our current importers procedure is transparent, and all required customs documentation and payments are completed. This is important also for our brand.” (B)*

Company C exports its products manufactured in Finland directly to its Russian subsidiaries. The exported products are seen on the market as premium-classified products that are produced outside of Russia. As addition to this, the company has a factory in Russia that produces the company’s products that are classified into medium-class. The company has long experience of exporting into Russia and there are no significant challenges. Trucks are transporting the company’s products each week to Russia and the company has knowledge of required documentation and certification. Company C notes that certification is something that a company must be ready to prepare when planning product export to Russia.

*“Certification is something that a company must take into consideration when exporting products to Russia. The process may take months. If a company wants to introduce a new product to the market on a same date in Finland and in Russia, the company needs to start Russian certification process months earlier. This differs Russia from the countries of the European Union.” (C)*

### **Product returns and reclamations**

Company A and B are saying that it is complicated to return products back to Finland that have once been shipped to Russia. The product return is considered as complicated because exporting to Russia requires handling of export and import documentation. After something has been exported to Russia, the return of products to Finland requires organizing of customs documentation. Both companies confirm that in cases of product reclamations they usually handle the reclamations by issuing a credit invoice or ship a new product to the customer.

*“Our product development and quality control are high class and because of this there are not that many product reclamations. Sometimes, if something breaks at the customer’s site, we can ship a new part to our customer. Our aim is to show to our customer that we care about them and that we want to provide the best service to them. We have also invested into customer service in Russia and there are maintenance workers who can fix the broken product or change a part at customer’s site, if needed.” (B)*

Company B added that if something breaks or the product is faulty, the company still wants to bring the product back to Finland for investigation. Usually in these cases the customer receives immediately a new part, and the old part is brought for investigation after the customs documentation has been handled. Company C says that product reclamations are handled in local subsidiaries and Finnish office does not need to be involved in the reclamations. The company has its own warehouse and local factory in Russia, which enables the company to provide substitute products to the customers in Russia if needed.

### **Distribution to customers**

As mentioned earlier, company A has one bigger customer in Russia that is also responsible for the distribution of the products to Russian customers. The importer uses multiple distribution channels, including Yandex’s ecommerce marketplace. The customers can order the products through the importer’s ecommerce marketplace and the products are shipped by local logistics providers to the customers. Company B reports that its importer has a wide network of dealers in Russia. The network consists over 300 dealers in the country which enables efficient product distribution to the customers. Company B has agreed with its importer to use three ecommerce platforms to promote and sell the products. The platforms are the importers own ecommerce marketplace and as addition to this, Yandex’s and Ozon’s



ecommerce marketplaces. The products are shipped to the customers with local logistics service providers.

Products of company C are distributed in Russian market by its retailers. The company has numerous retailers in Russia that are selling the company's products in the market. Retailers are distributing the products through their own distribution channels that include retail stores and ecommerce platforms. The arrangement is used as retailers' network in the market enable wide distribution of the products in the whole country. According to the company, it is notable that big share of retailer's sales in Russia are coming from their own ecommerce platforms.

### **Ecommerce marketplace of Yandex**

Company A is aware that its products are sold in Russian ecommerce marketplaces as its customer has ecommerce platform in its website. However, the company was not aware that the products are sold particularly in Yandex's platform. The person adds that this does not surprise as the company has been doing business to Russia for many years. It seems that the Russian customer has placed the products to the Yandex's ecommerce marketplace and promoted them in the platform. Company A's representative was happy to hear that the products are available in Yandex's platform. Company A says that it would possibly be ready to start direct co-operation with Yandex if the shipping of products to Russia would become easier. However, in current situation, which requires preparing of customs clearances and organizing of logistics to Russia, the company does consider this as possible option for them.

*"I do see that starting of sales in Russian ecommerce platforms is possible, but it requires that the company hires Russian speaking employees. Only Russian speaking personnel can handle the product reclamations and product returns, especially if the company is selling directly to the customers in Russia. Also, the company should probably open a warehouse in Russia for storing of the goods. Right now, I don't see this as possible option for a company of our size."* (A)

Company B has made some conscious decisions with its Russian ecommerce strategy and was aware that its products are sold in Yandex's platform. The company has recently done a market research in Russia and selected based on the research three digital platforms where

the company's products are sold in Russian market. The consumer products are sold in distributors own online store and in Yandex's and Ozon's ecommerce marketplaces. According to the company, there was no significant price difference when the available platforms were compared. The most important was to collaborate with platforms where the company's brand would not be damaged.

*“For us it was not a money question. The most important thing for us is our brand and we wanted to cherish it. Because of this we did not want to operate with platforms that may have damaged our brand.” (B)*

Company B added that it compared in total six different digital platform providers in Russia. The comparison revealed that some of the platforms have so called special days which means that the platform provider has right to sell the products with special prices for one day. The company did not want to be part of this as it saw that the brand might get damaged from sales with big discounts.

Company C is aware that their products are sold in numerous ecommerce platforms in Russia, including Yandex's platform. Products are placed into Yandex's platform by retailers or by retailers' customers and the company itself has not done any arrangements with Yandex. The representative adds that their biggest customers, big retailers, have not placed the company's products into Yandex's ecommerce platform. It seems that small players are promoting the products in ecommerce platform of Yandex. The company's representative checked the offering of company's products that are sold in Yandex's ecommerce platform and mentioned that there seems to be some mistakes in the product details.

*“I did few searches in Yandex's ecommerce platform and I have to say that there are some mistakes in the product details. For instance, the selection criteria and the results returned can be incorrect. For this reason, I believe that professionals prefer to use retailer's own ecommerce platforms instead of Yandex's ecommerce marketplace.” (C)*

## 6 DISCUSSION

Sixth chapter discusses the findings from the perspective of the existing literature and provides answers to the research questions. The last sub-chapter focuses on Yandex's possible future decisions.

### 6.1 Discussion

Yandex fits the definition of multi-sided platforms (Evans, 2003) as the company allows interaction of multiple sides through its platform and by this facilitates transactions and innovations between multiple sides. Thus, it can be also stated that the company fits the definition of a hybrid platform (Cusumano et al., 2020). It was found out that Russia's market has many operators that operate with digital platform business model. However, it seems that there are only three large companies (ICT Moscow, 2020) that fit the definition of hybrid platform. The companies are Yandex, Sberbank and Mail Group. Rest of the providers can be categorized as transaction or innovation platforms (Teece, 2017; Gawer, 2020).

The platform of Yandex benefits from the network effects (Eisenmann et al, 2006) and every new user increases the value of the platform (Seppälä et al, 2015). The platform of Yandex contains more *within-country* network externalities (Stallkamp & Schotter, 2019) as some of the services are designed for domestic market only. The company's ecommerce platform enables more options for Russian companies which also promotes *within-country* network externalities. However, the company's platform offers options for *cross-country network* externalities (Stallkamp & Schotter, 2019) by allowing international companies to operate in its ecommerce platform.

The company's platform suffers from *multihoming* (Cusumano et al., 2020) because Russian digital market has many similar options and users are taking advantage of them. Also, one of the interviewed companies (B) confirmed multihoming when it mentioned that the company uses three different ecommerce platforms in Russian market. The multihoming becomes possible in Russian market especially in ecommerce platforms where offering is wide, and users are trying to find the fastest and the cheapest supplier for the products.

Yandex's platform governance system (Hein et al, 2019) was studied and it was found out that the decision-making is centralized in Yandex's ecosystem and final decisions are taken in top level of the management. However, the company's structure and divisions of segments allows each segment to operate quite individually which may facilitate the development of the products and services. Yandex has set some platform governance rules (Hagiu, 2014). The company regulates the access to the MSP and it has set some main requirements for companies that are interested to join the platform. The rules include quite basic requirements from having a legal entity and being able to sell retail goods to individuals (Yandex, 2021f). The rules also regulate interactions on the MSP and consider what various sides can do (Hagiu, 2014). Yandex has restrictions on product categories and the company has listed what is prohibited to be sold in the platform. The restricted product categories include explosives, narcotics, weapons and tobaccos. Some product categories can be sold only after the provision of documents. The list includes products from pyrotechnics, medications, intellectual property and alcoholic beverages (Yandex, 2021f). By setting some strict restrictions the company shows that it is responsible and is monitoring its complementors product offering. The restrictions aim to promote the safety of the platform.

The interviewed Finnish companies of the research fitted the definition of Cusumano & Gawer (2002) that defines complementors as "companies that make ancillary products that expands the platform's market" (Cusumano & Gawer, 2002). All interviewed companies are using *direct* export mode when products are exported to Russia (Cavusgil et al. 2020, 399, Hollensen, 2020, 333). This explains why companies knew that their products are sold in Russian ecommerce platforms and marketplaces but why they have small influence on chosen sales channel in Russia. Only one of the companies has made conscious decision with its importer of using Yandex's ecommerce marketplace as sales channel, while others let their partners to select the sales channel in the country. It seems that Finnish companies trust that their partners in Russia can select the best sales channels for the imported products.

The research studied Yandex's internationalization, and it was found out that the company has not moved to international markets immediately and the commitment to international markets has increased by steps. Thus, the internationalization path of Yandex follows more the traditional Uppsala model (Johanson & Wiedersheim-Paul, 1975) than the born global concept introduced by Knight & Cavusgil (1996). The first stage of the Uppsala model

includes *no regular export activities* – Yandex operated first only on Russian market but it was used by some foreign users, mainly in the closest countries. The second stage is *export via independent representatives* – the company reported that it has half a million Ukrainian users weekly (Yandex, 2005). The third stage requires an *establishment of a foreign sales subsidiary* – the company opened a representative office in Ukraine and launched own portal for Ukrainian users in 2006 (Yandex, 2005). In the fourth stage the company *starts a foreign production unit* – the company has expanded its Taxi segment into 17 countries around the world (Yandex.Taxi, 2021). It can be argued that in case of a digital platform provider the opening of Taxi units can be seen as foreign production units.

## **6.2 Answers to the research questions**

The research has studied Yandex’s digital platform from the perspective of the digital platform provider (Yandex) and from the perspective of complementors (interviewed Finnish companies). The two-sided approach enabled to provide answers to the research questions and the answers are discussed in following chapters. The research included two sub-questions that will be answered first and one main question which will be discussed after the answers to sub-questions are given.

Sub-question 1: *What is Yandex’s product and service offering?*

Yandex is a multi-sided digital platform provider that facilitates transactions and innovations within its platform and for this reason may be categorized as hybrid digital platform. The company offers large number of products and services to all sides of its platform. When considered from the perspective of platform lifecycle Yandex can be located to leadership phase. The company has a strong and steady position in Russian market, and it is introducing frequently new product and services. By this the company is sensing new opportunities and is ready to modify its existing business model.

The company’s value-creating mechanisms include six product segments that are introduced in chapter 4.3.2. The most important segments are search and portal and taxi segments that make most of the company’s revenues. Yandex’s search engine is leading the Russian search engine market and is used also in other Russian-speaking markets. Taxi segment is the most

internationalized segment of the company and it operates in 17 countries around the world (table 9). Taxi segment operates under the name of Yandex Taxi in twelve countries but has been rebranded lately and the market entry to latest five countries has been performed under the name of Yango. It seems that the brand name Yango is used in countries that have not been formerly part of the Soviet Union or in countries that are not Slavic countries. It was not explained why two different brand names are used for Taxi segment. However, it seems that the brand name of Yandex is used in markets where are many Russian-speaking citizens and the brand name is widely recognized.

As addition to above mentioned two segments, Yandex's product offering includes four other segments that are Yandex.market, classifieds, media services and other bets and experiments. The more detailed information about the company's product and service offering is provided in appendix 1. Yandex's product and service offering is wide and comparable to other international big hybrid platform providers such as Amazon, Google or Apple. For this reason, it can be evaluated that the company has not introduced anything unique that other companies could not imitate. Thus, if a company wants to predict future moves and product offering of Yandex it should follow closely the actions taken by other hybrid companies.

*Sub-question 2: How Finnish products end up to Yandex's digital marketplace?*

Yandex enables companies to sell products in its ecommerce marketplace with two options. The first option is to publish products in Yandex's ecommerce marketplace and sell them through a company's own ecommerce platform. In this case Yandex can be viewed as a platform where the company promotes its products in Russian market. The company pays agreed amount to Yandex per each click which transmits the customer from Yandex's ecommerce market to customers platform. The mentioned option is available for all users including companies that are located outside of Russia. The second option is to make an agreement with Yandex and start selling products in the platform. Yandex has named this as fulfilment service and the company chooses from three offered options which kind of a service it wants to use. More detailed information about the service is introduced in table 8. Second option is available only for organizations that are registered in Russian Federation.

Thus, from the perspective of Finnish companies, this option is available only if the company has established a subsidiary in Russia.

When considered from the perspective of Finnish company, options offered by Yandex are quite complicated. Even though the first option allows a foreign company to promote its products in Yandex's ecommerce platform, it does not provide a solution to a problem that raises from CBEC. If a customer from Russia places a purchase order to Finnish company, the company must, depending on agreed delivery terms, take care of export documentation, ship the products to the customer and possibly take a responsibility for import documentation in Russia. The second option offers a possibility to operate more deeply with Yandex and allows to a company to store their products in Yandex's warehouse. If the products are sold directly in Yandex's ecommerce platform, Yandex can also process the orders and offer Russian-speaking customer service to the customers. However, this option requires foreign direct investment from Finnish companies as this option is available only for organizations that are registered in Russian Federation.

Because of previously mentioned reasons, interviewed Finnish companies are not selling products directly to Russian customers through Yandex's ecommerce marketplace. Finnish products are mainly placed into Yandex's ecommerce platform by local operators that may be importers, distributors or retailers. In most of the cases Finnish companies are selling their products directly to these operators and are aware of the fact that the company's products are sold in many different ecommerce platforms in Russian market. However, only one of the companies reported that it has made a conscious decision with its distributor to sell the company's products in Yandex's platform.

Main research question: *How Finnish companies can benefit from Yandex's digital platform?*

Yandex' platform offers many options for Finnish companies and it provides a possibility to achieve growth in Russian speaking markets. First, the platform may be used as a sales channel. Finnish company could start immediately sales of their products in Russian-speaking market by placing their products into Yandex's marketplace. This would require that a company has an existing ecommerce platform, and it subscribes as a customer to

Yandex's ecommerce marketplace. The company's products would be available in Russian-speaking market after Yandex has checked the background of the company and that products sold fulfill their requirements. If Finnish company has a subsidiary in Russia, it would be able to make an agreement with Yandex about storing and selling of the company's products. The agreement would enable the company to operate in Russia's digital platform market without a need to rent own warehouse or having own customer service representatives. None of the studied case companies have been operating directly with Yandex's ecommerce marketplace. Thus, it cannot be discussed how the partnership with Yandex works when the agreement is done.

Second, Yandex's platform offers numerous advertising possibilities for Finnish companies. For instance, Finnish travel agency could place advertisements into Yandex's product platforms and by this promote Finland in Yandex's platforms as a place that must be visited. Simultaneously, the company could place its hotels or cottages into Yandex's travel platform where Russian-speaking customers are able to search and reserve them through the company's travel booking system.

Third, Finnish company could become a complementor of Yandex. The companies that are selling their products in Yandex's ecommerce marketplace can be viewed as complementors, but Finnish company could become also a direct complementor or supplier of Yandex. Yandex is developing all the time new services that may require complementary products that are not available in Russia. For instance, the company's autonomous car project requires numerous complementary products that cannot be all produced by Yandex itself. The company has already collaborated in this project with many car producing companies and Finnish technical knowledge could be also offered to Yandex.

Fourth, Yandex's platform offers many services which could be also used by Finnish companies in daily business. Just to name some, the company's offering includes cloud computing services, analytics and marketing services, route optimizing services and CRM system for business. All the services are available worldwide and Finnish companies could, at least, take these into consideration when making a decision of using certain service in the company's business operations.



### **6.3 Future of Yandex**

Predicting of the future is always hard, but it is important to try to understand what kind of actions the company could take in the future. Right now, Russia's digital platform market is going through a constant change and the Covid-19 pandemic has moved the sales of many products into ecommerce platforms also in Russia. Russia's ecommerce market is in interesting phase, as it is missing a clear leading platform provider. The market has big operators like Wildberries and Ozon, but there is still a lot of potential to achieve growth and become the biggest player in Russia's digital platform market. It is notable that Russia's leading bank service provider, Sberbank, has turned its business model to a hybrid company and the company is currently offering many digital products and services. The transformation of Sberbank has started only few years ago and it indicates that Russian companies are paying attention to the potential of Russian digital platform market.

Yandex has all the potential to maintain its position as one of the biggest digital platform providers in Russia. The company has big resources which enables it to grow its ecommerce business in Russia from current eight place to the top three biggest ecommerce platform providers. Yandex has predicted that it will be able to grow its revenues in 2021 and the growth will be primarily driven from ecommerce business that includes Yandex.Market, Lavka and grocery part of Yandex.Eats (Yandex, 2021b). This statement indicates that the company believes in two things: (1) the consumer behaviour in Russia is changing and the customers are moving from brick-and-mortars stores to the ecommerce platforms and (2) the company's service offered is good and it is willing to invest into it.

When trying to predict Yandex's future it must be noted that the company does not have any unique services which could not be imitated by other big hybrid platform providers. For this reason, if a company is interested to predict the future moves of Yandex, it should follow closely what kind of actions other big hybrid platform providers such as Amazon, Google or Apple are taking.

## 7 CONCLUSIONS

The last chapter concludes the research and introduces practical implications. Limitations and suggestions for future research are provided.

### 7.1 Conclusions

Multiple sides are interacting through MSPs and the research offers valuable information from complementors side in Russian digital platform market. As addition to this, the research provides information of Russian digital platform provider Yandex which ecosystem was studied widely. The study achieved its goal, and all research questions were answered. The research confirmed that Finnish companies are not in direct relationship with Russian digital platform providers and the products of complementors may be sold in Russian digital platforms even if the company itself has nothing to do with the platform. The research opens widely Yandex's ecosystem and provides answer to the main research question of how Finnish companies can benefit from Yandex's digital platform.

Yandex's platform offers possibilities for Finnish companies mainly on Russian-speaking market. It was found out that the case company Yandex is a big hybrid platform provider which offers many products and services mainly in Russia or in Russian-speaking markets. The company's internationalization has started from the closest countries and the company has expanded horizontally mainly to Russian-speaking markets. However, there is an exception in one segment which is Yandex Taxi. Taxi segment has managed to expand into 17 countries around the world and it can be forecasted that this segment has potential to grow into many new markets. Most of the company's other offering of is mainly targeted to Russian-speaking markets and will not probably grow horizontally that much. Thus, Yandex's platform opens a possibility for Finnish companies to co-operate with Yandex's digital platform when Russian-speaking markets are targeted.

When Finnish companies are considering the market entry to Russia, it can be suggested that they should investigate the possibility of operating through a digital platform and utilize the possibilities of Russian ecommerce platforms. The potential of Russian market is big, and the customers are starting to use ecommerce marketplaces in their everyday life. The country

has many big cities where logistics channels are already good, and the belief is that the process of logistics will develop in the future also in smaller cities. This direction will bring Russian markets closer to foreign sellers.

## **7.2 Practical implications**

The results of the study found out that Finnish companies are still interested to operate in Russian market and the potential of the market is recognized. However, Finnish companies are not utilizing the possibilities of Russian digital platforms and ecommerce marketplaces directly. The companies are selling their products in the market mainly through importers or distributors. These operators are distributing the products of Finnish companies in Russia and are also placing the products into sales in Russian ecommerce marketplaces. The study on Yandex's ecommerce marketplace revealed some reasons for this trend. The marketplace accepts companies from outside of Russia, but the sales action is in this case operated through the company's own ecommerce platform while fulfilment services are available only for organizations located in Russia. This fact makes it complicated to enhance CBEC directly from Finland to Russia and for this reason Finnish companies feel more comfortable when they operate with local distributors or importers.

Internationalization to Russia requires some arrangements from the companies and market entry to Russia may possibly require hiring of new personnel. One fact that was mentioned by all companies differently is knowledge of Russian language and culture. Company A saw that entry to Russian market requires hiring of Russian-speaking personnel while company B mentioned that they have evaluated the need of hiring a sales manager who is responsible for the sales of the products in Russian market. Company C operates in Russia with subsidiaries and has by this Russian-speaking staff and persons who understand the market well.

Russia's digital platform market itself is in interesting phase as it was found out that the market has no clear leader. None of the companies have big market share and some of the companies are investing heavily into logistics with an aim to facilitate the transportation of products to the customers and by this gain market share in the market area. The ecommerce market is believed to see enormous growth in the coming years and situation with Covid-19

is believed to speed up the process. Thus, Finnish company that is interested to operate through ecommerce marketplace in Russia should consider the possibilities of the market and start to test the market with placing some of its product offering into Russian ecommerce marketplaces. The reason for this suggestion is that building of a successful logistics channel, finding of a possible partner and agreement on all needed details and documentation may take some time and the company should be ready to operate in Russian market when the market grows more.

### **7.3 Limitations and future research**

The research studied Russian digital platform market from the case company Yandex's perspective. Thus, the results of the study cannot be directly applied to all Russian digital platform providers as their product offering was not studied as deeply as the case company was. It was found out during the research that some of Russian providers have quite similar hybrid platform offering as Yandex does while others are concentrating more on facilitating transactions or innovations. For this reason, a company that plans to start export activities to Russia through Russian digital platform should study well the offering and backgrounds of the country's digital platform providers.

Complementors side was studied from the perspective of Finnish companies. The interviewed companies were limited to Finnish companies and the requirement was that their products are sold in Yandex's ecommerce marketplace. Especially the limitation on products sold in Yandex's ecommerce marketplace turned the concentration of complementors more on Yandex's digital marketplace than on the other offering provided by the company. The interviewed companies were limited to Finnish companies as the initial plan was to provide information from Russian digital platform provider for Finnish companies and open the possibilities of Russian digital platforms for Finnish companies. However, it can be argued that the results apply to all companies that are exporting from the European Union to Russia because the same logistics requirements and customs documentation apply to all companies. The case company's rules and requirements are also the same for all companies exporting from the European Union.

Russia's digital platform market has not been studied that well and it provides many future research possibilities. The ecommerce market is expected to achieve enormous growth in the future, and this is something what could be studied more deeply in future research. One of the suggestions is to study more deeply how products coming from the European Union are priced in Russia's ecommerce platforms and how the prices differ from the prices that are used in the European Union. One of the interviewed companies mentioned that the prices may be even 35 % higher compared to Finland because of customs procedures and logistics charges. If this is true, it would be good to evaluate how the prices of foreign products could be decreased in Russian market as lower prices may increase the demand of products. Also, one interesting aspect is to study Russian digital platform market from the perspective of Sberbank. The company has turned its business model from a bank service business model to a digital platform business model. The transformation provides an interesting aspect to find out what the transformation requires and how the company sees its future.

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## APPENDICES

### APPENDIX 1 – YANDEX ECOSYSTEM PRODUCTS AND SERVICES

<b>Service</b>	<b>Function</b>	<b>Year of launch</b>
Yandex.Search	Search service. Comparable to Google search	1997
Yandex.Market	Ecommerce marketplace	2000
Yandex.Mail	E-mail service	2000
Yandex.News	News service. Part of Yandex.Search.	2000
Yandex.Direct	Platform provides contextual advertising on Yandex	2001
Yandex.Partners	Advertising network of Yandex	2001
Yandex.TV	Shows the timetables of TV-shows	2001
Yandex.Images	Part of Yandex.Search. Users can search images	2002
KinoPoisk	Acquired by Yandex in 2013. Offers movies, tv-shows, reviews etc.	2003
Yandex.XML	Enables to send documents in XML-format	2003
Yandex.Webmaster	Search query statistics	2004
Yandex.Maps	Web mapping service. Includes routing, traffic and street panorama.	2004
Yandex.Weather	Platform for weather forecasts	2004
Yandex.Blog.Search	Enables users to perform searches on blogs. Part of Yandex.Search	2004
Yandex.Advertisiment	Platform for advertisers	2004
Yandex.Afisha	Ticketing portal for concerts, theaters, sports, movies, other live shows	2005

Yandex.Time	Displays times of different countries and cities	2005
Yandex.Traffic	Part of Yandex.Maps. Shows traffic jams on maps.	2006
Yandex.Calendar	Calendar for scheduling meetings etc.	2007
Yandex.Video	Platform for sharing videos. Comparable to YouTube	2008
Yandex.Internetometer	Enables users to test the speed of their Internet connection	2008
Yandex.Site.Search	For adding search service button to websites	2008
Yandex.Metrica	Platform for web analytics	2008
Yandex.Timetables	Platform enables to search timetables of airplanes, trains and busses	2008
Travel.Yandex.ru	Search and purchase of tickets for flights, trains, hotels and buses	2009
Yandex.Travel	Platform for purchasing airplane, train and bus tickets. Hotel reservations are included	2009
Yandex.Auto	Multifunctional voice-controller solution for cars. Connects with cars system.	2009
Yandex.Display	For managing display ads on Yandex services	2010
Yandex.Music	Music service. Podcasts enabled in 2019	2010
Yandex.National.Maps	Part of Yandex.Maps. Enables users to draw more specific maps	2010
Yandex.Realty	Platform facilitates renting or selling of apartments between user and sellers	2010
Yandex.Jobs	Platform for finding employers or employees in different fields	2010
Yandex.Tutor	Users can train for exams on this platform	2010
Yandex.Souvenirs	Part of Yandex.Store. Offers discounts for products sold in store	2010
Yandex.Translate	Automated translation service. Comparable to Google.Translate	2011
Yandex.Taxi	Online ride-sharing service	2011

Yandex.Disk	Free storage service up to 10 GB. Free access to Microsoft Office Online.	2012
Yandex.Browser	Browser launched by Yandex	2012
Yandex.DNS	Secures home internet	2013
Yandex.Toloka	Enables users the opportunity to make money online by performing simple tasks. Task can be analyzing or rating of web contents.	2014
Yandex.Business	CRM system for business	2015
Yandex.Zen	The platform is based on a recommendation system and uses machine learning for creating interesting content to its users	2015
Yandex.Disk Pro	Disk with more space and more features.	2015
Yandex.Delivery	Platform for goods delivery. Designed for ecommerce stores	2015
Yandex.Radio	Platform for playing radio channels	2015
Yandex.Audience	Enables users to create data segments from data available	2016
Yandex.Health	Enables users to consult their doctors online	2016
Yandex.Taxi.Business	Taxi services for corporate clients	2016
Yandex.Telephony	Telephone service for small and medium sized businesses	2016
Yandex.OFD	Service for businesses. Enables storing of bills and includes statistics of sales	2016
Yandex.Appmetrica	App analytics and marketing platform	2016
Auto.ru	Connects buyers and sellers through the platform and exchange new or used cars	2017
Yandex.Alice	Intelligent voice assistant for Russian market	2017
Yandex.Radar	Shows the ratings of how people use the internet in Russia and other countries	2017

Yandex.Tracker	Tool for project management	2017
Yandex.Forms	Platform for creating forms	2017
Yandex.SDG	Yandex autonomous car project	2017
Yandex.Surveys	Platform for creating surveys	2018
Yandex.Drive	Car sharing platform	2018
Edadeal	Acquired by Yandex. Platform that aggregates coupons and discount codes allowing users to save on grocery purchases.	2018
Yandex.Cloud	Platform for cloud computing services. Requires monthly payment	2018
Yandex.Plus	Platform offers against monthly payment ad-free movies, unlimited music streaming and taxi and car-sharing ride discounts	2018
Yandex.Uslugi	Platform for searching specialists, for instance, jurists	2018
Yandex.Efir	Live stream service for TV-channels	2018
Yandex.Education	Digital platform for education. Offers materials for teachers.	2018
Yandex.Eats	Platform for ordering food	2018
Yandex.Kyu	Social networking page for questions	2019
Yandex.Praktikum	Allows online education for its users	2019
Yandex.Lavka	Express delivery of products	2019
Yandex.Delivery.Go	Delivery service for all users	2020
Yandex.Announcement	Platform enables users to announce different things. Used only in Russia	2020
Yandex.Mail.360	E-mail service for business purposes	2020

Yandex.Handbook	Organizations may add own information here. Information appears, for instance, in Yandex.Maps	2020
Yandex.Plus.Account	Platform for users' investments. Operates with one of Russia's biggest banks, VTB bank	2020
Yandex.School	Offers a possibility to educate from home	2020
Yandex.Go	Application for Android and iPhone. Facilitates orders of taxi, food and other deliveries	2020
Yandex.Zapravki	Platform facilitates the payments on fuel filling stations	2021
Yandex.Games	Innovation platform for selling games online	N/A
Yandex.Collections	Service for finding or sharing ideas and inspirations	N/A
Yandex.Mapconstructor	Allows to create maps, mark objects on maps, draw routes. Part of Yandex.Maps	N/A
Yandex.Messenger	Chat service	N/A
Yandex.Patents	Enables users to perform searches on patents. Part of Yandex.Search	N/A
Yandex.Sport	Offer sport news for its users	N/A
Yandex.Technologies	Introduces the tools of Yandex	N/A

## **APPENDIX 2 - THE INTERVIEW LAYOUT**

### **Part 1 – Company background in Russia**

- For how long has the company exported products to Russia?
- What is the percentage of Russian sales? (From total revenue)
- How the company's products have been promoted in Russia?

### **Part 2 – Russia as market**

- Why the company exports to Russia?
- How does the company see Russian market?
  - o Strengths?
  - o Weaknesses?
- Results from Russia – has the covid-19 affected the sales?
  - o Growth or decrease in sales?
- How has the market changed?
- How has the consumer behaviour changed?
- *Governance*: who is responsible for Russian operation?

### **Part 3 – Export & Sales channels in Russia**

- How are the products sold to Russia?
  - o Direct or indirect export?
- Are there any challenges in export?
- Reclamations and returns:
  - o How are these handled?
- How are the products distributed to the consumers?
- Is the company aware that the products are sold in Yandex's ecommerce platform?