Nancy Ahola

INTERNATIONAL NEW VENTURES’ USE OF NETWORKS TO TARGET GLOBALLY RELEASED MOBILE APPLICATIONS

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In this paper, the study will deal with the theoretical basis of internationalization of New Ventures and the importance of networks to acquire the knowledge to develop mobile application products on a global level. It will weigh the different uses of networks for market entry for SMEs that have a lack of capital, both human and financial. The study will also look at mobile applications themselves and the business models they currently have as options to create their new ventures.

While many mobile app and technology companies look to globally release their mobile applications with the same approach without any change or localization, all consumers do not subscribe to the same buying tastes in every region. Taking into consideration buying patterns and regional differences, examination of the product positioning and applying this thought process to technology and how each company’s approach succeeded or failed.

In this paper, the focus will be examining several views: The idea of a globally released mobile application by a company, developed with the thought that the idea is so universal that it will succeed in every market, or the concept that even in the mobile application development area, that each “product” will need to be customized for certain markets for a more successful market entry.

Some other aspects of this paper will take a look at technology itself, both Mobile Applications and the Internet, as methods of market entry. With these technologies available to international new ventures, which do not have the financial capital to commit to internationalize.

Keywords
Internationalization, International New Venture, Networks, Internet Market Entry, Mobile Applications
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1 INTRODUCTION

1.1 Introduction to the Topic and Research Objectives

The purpose of this study is to look at the use of networks by International New Ventures to acquire the knowledge necessary to internationalize and creating targeted market entry strategies for the products they create for the global market. This has great importance in the field of technology development since many firms have taken the same approach for every market, without consideration of culture, methods of how to pay, different regional consumer preferences, and approaches to mobile application. Many International New Ventures that are currently being invested in by major investors in Venture Capital are in the area of Mobile Applications and Gaming, so this area of study is very pertinent to the current business development area. For instance, SuperCell, a Finnish gaming company based in Helsinki, received 1,5 Billion Euros for 51% of their company (BGR 2013), an investment by a combined team of SoftBank, a Japanese operator, and Gung Ho Entertainment. There are now companies such as London Venture Partners, (London Venture partners 2014) that specializes in funding just mobile gaming companies, almost all that are classified as international new ventures.

In this paper, the study will deal with the theoretical basis of internationalization of New Ventures and the importance of networks to acquire the knowledge to develop mobile application products on a global level. It will weigh the different uses of networks for market entry for SMEs that have a lack of capital, both human and financial. The study will also look at mobile applications themselves and the business models they currently have as options to create their new ventures.

While many mobile app and technology companies look to globally release their mobile applications with the same approach without any change or localization, all consumers do not subscribe to the same buying tastes in every region. Taking into consideration buying patterns and regional differences, examination of the product positioning and applying this thought process to technology and how each company’s approach succeeded or failed.
In this paper, the focus will be examining several views: The idea of a globally released mobile application by a company, developed with the thought that the idea is so universal that it will succeed in every market, or the concept that even in the mobile application development area, that each “product” will need to be customized for certain markets for a more successful market entry.

Some other aspects of this paper will take a look at technology itself, both Mobile Applications and the Internet, as methods of market entry. With these technologies available to international new ventures, which do not have the financial capital to commit to internationalize.

This paper will also take a look at different case studies of 5 tech companies: Caktus, a Helsinki-based company that is developing a hydration container to monitor a user’s liquid intake and show the results via a mobile application, EzyInsights, another Helsinki-based company that has created a social media analytics tool used by mobile gaming firms and other companies to monitor and interact with their social media followers, Minus Degree Mobile (Melodio), an Oulu-based mobile app firm that has built a mobile app that adds a voice element to your pictures, Cosmic Gekko, a mobile app company with a family-friendly app called HeyWe, and Fingersoft, another Oulu-based company that has had highly successful mobile games such as Hill Top Racer, Fail Hard, and Benji Bananas.

Currently, the present research in the area of international new ventures focuses on the creation of the venture, through a view into entrepreneurship theory and internationalization. This study looks to bridge the areas of new venture creation, the importance of networks in supplying crucial information for successful market entry, and the basis of how mobile app companies develop and release their products into the different markets. In the study, it also looks to see, through the case studies and Empirical data, the different approaches taken by the 5 case study companies and how each company has been either successfully or unsuccessfully internationalized.

The lack of research is shown through searches into the area of international new ventures market entry strategies through the use of networks for hi-tech products, including the idea that International New Ventures may begin using import-export
and more basic models (McDougall & Oviatt 1994) of market entry to the introduction of the Internet and the Mobile Application Store that provide a platform for INVs with limited business knowledge and resources to expand into multiple markets simultaneously.

This study looks towards the mobile application market phenomenon and look at how certain organizations have failed or succeeded using this model.

1.2 Research Questions

The research question for this paper will be as follows:

How do Mobile Application Companies utilize networks when developing their Country Market Entry Strategies and Business Models?

The subquestions for this paper will be:

What effect does the use of resources and networks have on the internationalization process for international new ventures?

And

How can international new ventures reach the potential new markets through the use of Mobile Application Stores with limited resources and experience?

1.3 Main Concepts

The key concepts of this paper are Internationalization, International New Venture, Networks, and the Internet as a method of market entry, Mobile Applications, and Business Models. These terms will have different definitions based on the context of the source, but in this paper the following definitions are assumed. These topics were chosen to show the inter-relationship between the subject areas as the composite of certain ideas. The use of Internationalization as a concept was conceived to show how organizations traditionally have expanded by domestic
markets and to give a foundation for the concepts of foreign market entry. International New Ventures apply to the organizations itself; small, extremely adaptive, and with limited internal resources to use beyond the basic organization operations beyond product creation and development. Networks, conceptually, were used in this study to show another source of capital: human, financial, technology, and knowledge, to provide essential resources that international new ventures do not have internally. The Internet as a method of market entry talks about the concepts of “psychic distance” and the use of technology to create a medium for an INV to enter geographically distant markets (i.e. – Finland into the U.S. market). The concept of Mobile Applications in this study is used to apply a uniform baseline among all of the case study companies and to give a method of comparison between the organizations. The Business Model concept applies to this study with the use of the Mobile Application Store as a pre-made platform for companies to use as well as a few other simplistic models.

By relating these topics with each other in regards to each other, this study looks to show how international networks provide needed information for mobile applications with limited business expertise. This information provides the access to networks that are necessary to provide the contacts into the market, the information for payment localization, cultural localization, and other aspects beyond language that will be crucial beyond just language for a successful market entry.

International New Ventures is defined as a “business organization that, from inception, seeks to derive significant competitive advantage from the use of resources (Oviatt & McDougall 2005) and the sale of outputs in multiple countries”.

In looking at international new ventures, which comprises the majority of mobile application companies, this study looks to see how these organizations can internationalize with limited resources and lack of capital.

The Internet is defined as “a medium of reaching a particular target market and as a medium of operations for product delivery. This becomes a sales channel for Multinational Companies looking to reach an international audience. This becomes a method of Market Entry (Cateora & Graham 2002) as it ventures into the area of International Internet Marketing”. The Internet has expanded and changed the way
the SMEs can reach outside of their home markets without high costs and allow these SMEs the opportunity to reach other countries that are psychologically distant and well as geographically distant.

Internationalization is defined (Welch & Luostarinen 1988) as “increasing involvement in international operations across borders”. Internationalization is one of the key discussions throughout this paper that connects the ideas of market entry, networks, etc., to be pertinent to this area of research.

Network is defined as “two or more organizations (Thorelli 1986) involved in a long-term relationship”. Networks and resources within the different networks is an important source of information and ways for mobile application SMEs to receive the information and introductions for these companies to internationalize.

Mobile Applications are defined as “dynamic tools (Böhmer et al. 2011) that support users to do a variety of tasks, e.g., playing games, music and a variety of tasks”. Mobile Application SMEs are the center of this study that allow researchers and those interested in this topic to see how geographically distant SMEs with lack of reach can enter diverse markets.

Business Model is defined as “a way to describe (Hedman & Kalling 2003) the key components of a given business”. Business Models have been a difficult thing for Mobile Application companies to focus on, if not supplied from the beginning. The Mobile App Store, as well as the Internet, supplying the medium, and in certain cases, the actual business model, to allow the companies to develop their products without thought on how to operate the business aspects of their companies.

1.4 Structure of the Paper

The first chapter serves an introduction to the paper, a brief overview of the topics involved in the paper and definitions applied to the paper itself. This includes the structure of the paper and what will be covered in the contents.
The second chapter deals with the theories, concepts and ideas regarding International New Ventures, the Internet as a Market Entry Method, and the other concepts relating to Internationalization of companies that create Mobile Applications. The use of the Internet as an internationalization method, the use of this as a sales channel, and the theories will be introduced. This chapter will also concentrate on the theories surrounding the Business Models of Mobile Application Development, Technology Companies and how it impacts their success. The theoretical models will be introduced and how it affects the development strategy of those companies. The theoretical models will look international new ventures, the make-up of the internationalization strategy from the management team perspective (the dedication of the team to go into foreign markets), the use of mobile application stores as an easy business model and sales channel for international new ventures to internationalize, and the internet as a market entry channel to expand into foreign markets.

The second chapter will also look at the concept of International New Ventures; how they form in the area of mobile applications and foreign market expansion and if/when their strategies are formed in their initial development process. It will look at the use of resources based in different markets and effects on market entry. This chapter will also look at the theories that are applied in this area of research.

The third chapter looks at the empirical study done using 5 case studies in how companies have developed their strategies, comparisons on their success, observations on what has worked and what has failed, which will entail the information needed for the Master’s Thesis conclusion. This will also include the findings of the empirical study. It will also served as an application of how the theoretical information covered in this research can be combined with the empirical information to draw an informed overview of the topics included in this analysis.

The conclusion will be drawn from the empirical study and content of the theoretical study and suggestions for future research will be given in the last chapter.
2 THEORETICAL FRAMEWORK

2.1 Internationalization

Companies have historically depended on their domestic markets, both in the private and public sector, to create the sales and development necessary to keep a company solvent. In the increasingly smaller business world, made smaller by use of technology and ability for individuals to travel, the necessity for companies to internationalize has become more important. Internationalization is defined as increasing involvement (Welch & Luostarinen 1988) in international operations across borders. By defining internationalization, the contents of this study have a foundation in which it can be understood as a way for organizations reach beyond their own domestic market borders and expand on an international basis for sales and marketing.

Domestic markets are a very comfortable option, since the culture, language, and customs are already known. Firms see staying in the same market as a safe choice. In the choice of going into overseas markets, companies are stepping into unknown territory; make it an almost paralyzing situation due to an exploration into unknown areas. This creates the "psychic distance" or "cultural distance", which is the familiarity or the cultural distances between cultures and markets. This may affect not only choices into which foreign markets to enter first and the order to enter them, but a company’s market entry approach (Håkanson and Ambos 2010) to their new market entry strategy. It also will affect how they deal with resources, R&D approaches, the power of their distribution channels and knowledge transfer practices.

When determining the potential of a foreign market that is a possibility for market entry, companies must educate and inform themselves about different aspects, such as cultural difference (Johanson & Vahlne 1977), how business is operated, governmental restrictions, finance and a variety of other factors. As an organization increases its knowledge about a market, they increase their market commitment. As the commitment increases through their current activities, they commit the necessary resources/assets to assure a success market entry.
Because of the limitation of resources (time, capital, human resources, physical facilities), internationalization is a difficult decision for many SMEs (Anderson 1993) due to the lack of the structure to implement a market entry strategy. In smaller firms, the decision to internationalize is done by individuals, creating a conscious choice. This usually applies to small and medium-sized firms. This can be affected by a variety of factors, including innovation or a gradual movement to internationalization.

With the process of internationalization, companies should be prepared to find the resources needed, whether it is money to physically visit the markets they intend to enter, find ways to meet the potential clients and partners, or to find out more information regarding governmental restriction. In the case of the SME, many decision-makers are reluctant to spend the money to enter foreign markets, opting to utilize information through their own local governmental agencies, rather than establishing a direct link to their future market or markets. By having experiential knowledge regarding enter foreign markets (Eriksson et al. 1997), whether targeted or not, companies learn through the physical act of the market entry attempt through a physical resource in the market, adaptation based on success or failure, and finding institutional factors that may affect their market entry success.

As a firm began to think about the internationalization process, the foundation, on average, begins with the elements that are known and can be built. From the founders’ previous backgrounds and experiences, the assembly of networks to internationalize is built, creating the market entry strategies for these companies. As they begin to have an experiential relationship with their networks (Johanson & Vahlne 2009), it begins to build the trust and narrow the “psychic distance” with their current or prospective market, allowing them also to build a new network stemming from the original network.

Especially with the SME and the idea of entrepreneurship in technology companies, the use of networks becomes more important to internationalization. This becomes a method of introduction to foreign market entry, decreasing fear to internationalize, plus the knowledge of the specific markets can be used when approaching their strategy creation. While SMEs have had issues with the possibility of succeeding in
their own markets as far as organizational newness (Oviatt & McDougall 2005) or technology markets, entering international markets may not have as much of a concern regarding the newness of the firm or the organization.

Many that study the area of International Business and Internationalization believe that there are stages in the Internationalization process. Those that follow the stages process (Hadjikhani 1997) believe that internationalization in this order; First: No Export Activities being done currently by the firm; Second – Using agents in different markets to support their activities; Third – Sales Subsidiary in target markets; then Fourth – Production and Manufacturing in a foreign market.

After the decision is make to internationalize, how do companies create the strategies that can support their success in foreign market entry? This has been one of the most difficult questions that companies looking for growth have faced. There have been a variety of answers in this area.

Assessment of an organization’s resources, holistically, is important in determining their strategy. What is their product? How would this organization take their product lines into other markets? This can help them view their organization as it currently exists and help them to see what resources need to be allocated and where. This overview will also give an organization the ability to see the methods of market entry as a financial cost and how best to utilize their financial resources for market entry.

This is an option taken by a number of SMEs, especially in this current time of Venture Capital and foreign investment into growing organizations. By having a larger organization buy a share of the SME, it can provide other resources that may be necessary for the organization to grow. This can take the form of already established offices in other markets, technology, human resources, and established networks (Fernández, & Nieto 2005). The foreign market entry strategy taken on by the SME on their own accord would significantly affect the amount of financial capital they would have to spend on this action with possibly a more negative result.

Some organizations, SMEs very much included in this area, have opted in interorganizational trade in which a supplier/vendor relationship is used to create a
product development team, creating a product using the expertise of both teams. This creates a number of opportunities in this area. They can comprise of integrated efforts, Black Box, traditional Supplier/Vendor, or Advanced (Sobrero & Roberts 2001), depending on the previous relationship. This allows the smaller organization to utilize the capabilities of the larger organization to do their market activities without the capital costs incurred by their own organization.

With a more financially stable organization that has more financial capital to spend on a market entry, but is looking to enter a specifically difficult market due to governmental controls or a large psychic distance from the parent company, a Joint Venture (Kogut 1988) has been a choice many firms to strengthened the market recognition, plus a way to reduce the import costs or R&D costs for a particular market. By using a Joint Venture as a way to enter a market, a firm reduces its transactional costs, acquires the market knowledge, plus a transfer of organizational knowledge into a new market for operation.

By looking at the different aspects of Internationalization, for example, psychic distance, ability of the management team to commit both financial and human resources to the internationalization process, by theoretically defining the ways for companies to enter foreign markets. Looking at the multiple methods from partially ownership of a foreign venture, use of networks, Joint Ventures, use of partners’ networks, SMEs look to find ways to enter markets without financially destroying the company.

### 2.2 International New Ventures

In using Oviatt and McDougall’s (Oviatt & McDougall 2005) definition of international new ventures, the basis of the size of companies in this study are established. Small, flexible and quickly changeable organizations that seek to globalize quickly is the basis of both the theoretical and empirical basis of this study.

International New Ventures have proven that they differ from other organizations since from their creation (Knudsen & Madsen 2002), from their onset, have
conditioned and steered themselves towards entering into the international market. But they also differ greatly with their speed of learning and their asset locations.

During the last 15 years, the Global Economy has received a significant blow. This has contributed to the success and failures of companies, especially SMEs. By them expanding their ability to reach outside (Zahra 2005) of their own country market, they greatly increase their competitive advantage by becoming an international new venture, whether using their own internal resources or not.

For a company to successfully cross national borders and boundaries, they need to develop a way to process information (Barkema et al. 1997) and control capabilities, they need to learn to adapt to diverse environments and develop the skills to interpret ways to develop a strategy in foreign environments.

By using multiple resources, including ones that are not internal in their organizations, many companies are adapting to a global marketplace. By the utilization of a network, possibly based in prior experience, founders or people involved in an INV (McDougall et al. 2003) may have had their own international experience. There has been a hypothesis created that the founders that have had their own exposure to international markets are more likely to see the risks and market potential of areas compared to other founders that lack international work experience.

With many of these organizations, there is an internal culture of innovation that helps them to adapt quickly and swiftly to their surroundings. Therefore, these types of companies tend to internationalize (Knight & Cavusgil 2004) quicker than companies that do not have an internal innovation culture.

Does the customer base expect that the venture is international from its start? With the constant competition, plus at times, being located in geographical compromised locations for their workforce, companies do need to become international in its initial strategy. But this also is part of necessity since information about your company as well as information about your competitor (Oviatt & McDougall 1995) is available all the time and very easily accessible.
Because of the pressures of a quickly changing market with open access to competitor information to create a complete and thorough competitor analysis, many firms must be agile in developing their international strategy. Due to this restriction in getting the necessary resources, many companies increase their competitive advantage by joining networks (Mudambi & Zahra 2007) to expand into international markets without putting extraordinary pressure on its resources. This also allows the managers of INVs to learn and adapt/apply this knowledge when expanding into other markets.

Learning about the market regarding statistical information, language, etc., can be acquired outside of a market, but true market understanding. Local market knowledge such as culture, local sayings, ways to operate in the business arena, politics, subtleties and negotiations are essential in market entry. Foreign firms need resources (Lord & Ranft 2000) that have this understanding to help aid in a more thorough understanding of the needs of the market and market entry.

With the creation of the venture, the entrepreneur identifies closely with the organization and ties his/her personal and professional network when doing a new venture idea creation. This also makes the venture creation (Mainela & Puhakka 2011) based also, in large part, also on the network that currently existed.

But in the case of Technology Firms, the process of creating an International New Venture intertwines with Business Opportunity Creation (Mainela et al. 2011) and Technology Development, making it an evolving process. This takes into consideration the social network and system network as the organization evolves and grows. Figure 1 shows the inter-relationship between organizational creation with business opportunity creation with technology development. Each element shown in Figure 1 interacts with each other, affecting the relationship with the social network and system network, growing the organization and process through a natural progression.
The use of social networks (Business Opportunity Centered Process), creation of opportunities based on technology, and the Internationalization Centered Process become important in the creation of International New Ventures due to the access to already established, acquired or new networks based on the process the company has chosen due to the founder’s background.

More entrepreneurial organizations are more likely to take risks when going into overseas due to limited amounts of resources, which lead to use of better knowledge resources (Zhou et al. 2010) due to entrance into international markets early in the organization’s creation. This is also due to encouragement of external learning, exploration and experimentation.

There is also a need to supply their overseas extensions of the firm with knowledge to help them in providing the operational support (sales, marketing, company knowledge) or the “administrative heritage” (Peng, 2001) to help them succeed and have sufficient bargaining power.
But specialized knowledge, such as technological proficiency, is more portable than actual physical assets such as machinery or equipment. International expansion occurs more rapidly when this expertise (Yli-Renko et al. 2000) is tied with fixed assets (human or otherwise) in foreign markets.

International New Ventures, from inception and creation, look to internationalize and globalize due to the previous relationships that the founders and managers have had in their previous professional lives. By using previous resources and their past exposure to internationalization, INV founders are more likely to choose outside domestic markets quicker than traditional organizations. Since INVs are small and lack the resources they need to develop quickly, they utilize their networks, both social and professional, plus technology, to reach beyond their own borders. This also supplies them with the needed bargaining and development information to create their products without putting a resource directly into multiple new markets.

2.3 Networks

Networks have been a crucial but difficult aspect of International Business due to physical distance and also cultural distance to many markets globally. International New Ventures and SMEs have had difficulties in constructing networks without additional help, but have found that networks in potential markets as valuable sources of information, resources and potential sales.

By building access through networks, SMEs can get market entry information, contact to possible agents for their organizations to lower their costs to enter a market, introductions to important contacts in MNCs, potential partners, potential JV organizations, and governmental officials that may possibly aid in getting contracts with national governmental agencies or with any issues regarding legislation.

With the case of International New Ventures (Born Globals) and the access to networks, the ability to get access to networks greatly increases their ability (Zhou et al. 2007) to internationalize at a much quicker and greater speed than traditional companies. By reducing the barriers and ignorance of cultural and cross-cultural
differences, using networks by SMEs allows the organization to internationalize successfully and improve transactional cost efficiency.

For SMEs, allowing themselves and seeking established networks, whether regionally or internationally, they were greatly decrease (Coviello & Munro 1995) the amount of time needed to internationalize (under 5 years) and increased their strength and negotiating power in the markets where their networks were firmly established.

Use of networks also allows INVs the opportunity to acquire the human resources talent that is necessary to help them expand, whether in the product development aspect or in internationalization. With the use of networks, INVs have the opportunity to find kind of talent (Leung et al. 2006) that has access or can build the necessary networks for successful market entry. This use of networks can be vital in the development, either internally in the organization, or externally into other markets/business relationships.

Networks can also serve as an informal structure for a set of rules regarding business, an entry way into countries with a very high entry barrier. This way to circumvent these barriers is to look towards immigrants (Rauch 2001) of the same nationality, serving as their own network, to obtain market information, in order to get access to things essential to product development and product creation.

Networks also serve in other ways: access to technology transfer, market structure (Rauch 2001) in itself (perceived as trade barriers by other nations, such as the Japanese Auto Industry). The use of network intermediaries, individuals that work across industries, can be very beneficial to a firm as they look for opportunities for market entry.

Use of networks can also be essential to SMEs looking to enter markets beyond sales, marketing and operations. This can give them essential knowledge (Elango and Pattnaik 2007) within their network to technology, access to niche markets, financial assistance, human capital, and reputation to enter a variety of markets.
Sometimes during the investigation process in finding a supplier of certain, niche technologies, firms create an "inward-outward" relationship (Welch & Luostarinen 2001) with the firm that supplies the technologies. In discussions with the foreign supplier of the technology, the firm develops a relationship with the supplier, becomes acquainted with the technology, then in turn, uses that relationship in order to tap into the supplier’s network when potentially improving the technology, and exporting it to the supplier’s network.

By using financial incentivization (Freeman et al. 2006) to help them build a network, SMEs takes calculated risks to reach a new network and attempt to overcome the economies of scale. In building new networks to develop the channels necessary to internationalize, firms in an educated manner can approach market entry in order to create a more successful market entry strategy.

Based on the management team’s social networks, the speed in which internationalize, plus the decision-making process, is greatly affected and influenced by this factor. This affects the perception (Kiss & Danis 2008) of international activities (opportunities), initiation international activities and improving the competitiveness as the firm gains more market knowledge.

Similarities in the firm’s abilities to communicate, "cognitive embeddedness", or having the capability to communicate in the same language, similar technologies, or same foundation base in an industry, allows SMEs to internationalize at a more rapid pace since the actors in the transactions implicitly understand each other and there is not a delay in communication when developing networks and relationships.

2.4 Internet as a Method of Market Entry

Many companies are looking to expand their product offering internationally and search for an inexpensive but also far-reaching method that will help them not only target the consumer base they are looking to reach, but also to increase Market Share. They are also looking for easy, low cost and far reaching ways to reach potential customers via multiple channels. The Internet is now considered its own method of
Market Entry and a way more are more companies are looking to reach all of their markets on a simultaneous basis.

Currently, three quarters of online purchases are in the U.S. as of 2006. But industry observers are speculating that the populations outside of the U.S. will dominate online transactions. Because of this, more organizations such as Yahoo and Google (Kotha et al 2001) are developing country specific sites to expand into this area.

In consideration of International Business, the rules of Market Entry also apply to the Internet as a Market Entry Strategy. National cultural dimensions as defined by Hofstede (1984) will give a certain amount of uncertainty (Rothaermel et al. 2006) when the variables have a large enough amount of distance from the firm's country versus the target country.

Another aspect of developing for markets in the Internet arena is the understanding that a company has when operating currently in a similar market. This aids in cultural familiarity, which helps in product and technology creation. This reflects in a “near-market” in which there is an internal company understanding on how certain markets operate and apply the same strategy in entering other markets (Mitra & Golder). This aids in creating a product strategy in which a company can develop a product with those characteristics that would be successful in several different markets. But with this strategy, a company with no experience in certain types of markets or near-markets may have difficulty in product development.

In approaching the new reality of how MNCs/MNEs operate, there is a global economy that has now been created with the emergence of the Internet. This changes the dynamics of the Uppsala model of Internationalization in which companies are limited by a range of entry modes (Axinn & Matthyssens 2002) and greater amounts of importance are placed on Value Chains.

When looking at how to enter a market, a number of considerations must be taken into account, such as the organization’s strategy, international competitiveness, as well as what leads to how they internationalize. This determination will show how quickly an organization progresses (Koch 2001) as shown in figure 2.
Figure 2. Market entry mode selection. Adapted from Koch (2001: 352). Published with the permission of Emerald Insight.
Figure 2 allows us to see the multiple ways that a Market Entry Strategy can be created using the company’s own resources and background. This also takes into consideration the company’s growth stage, determination of proper markets to enter, opportunities, the firm’s competitiveness, similarity of culture/geography. The Internet allows an unrestricted sales channel to accommodate Market Entry. Permissions for reprinting is shown in the Appendix.

This also affects the customer value and how an organization looks to internationalize its customers as well as its own organization. This puts the emphasis on economic utility and how a company's market reputation (Axinn & MatthysSENS 2002) may affect its internationalization process.

In International Business theory, the Uppsala model has been one of the foundations of theoretical thought. With attention to the Uppsala model, the critical actors in a firm acquire and hold the market knowledge. This aids in the internationalization process for the company. But since the proliferation of the Internet, there is no leader in the industry to imitate. Because of this has created ferocious internationalization behavior (Forsgren & Hagstrom 2007) of those firms that look to succeed in this area.

Because of the rapid development of Internet Services and Products, companies should look to regional partners in a Joint Venture to help with development and cultural understanding as well co-marketing strategies to consumers in that region for brand recognition and familiarity. (Kim 2003). By creating a Joint Venture, it will also help an organization with a local presence to deal with any complications during the market entry.

When drawing from the expertise of the management team in developing international networks (Loane et al. 2004) and partners, plus having the support of the organization, companies succeeding on a more rapid pace of internationalizing due to a knowledge base of expertise

But while there should be a concentration on development of geographic clusters in the wireless industry’s push to internationalize, there should also be a shift to the
strategic advantage of the organization. This now will develop into the development of the wireless value system will be comprised of regional public policies, wireless innovation and market evolution. (Steinbock 2003). In many markets, the technologies and networks have rapidly changed as mobile markets regularly update themselves.

The Internet as a Method of Market Entry has now changed the traditional ways of how companies are expanding globally. By allowing firms new channels and ways of communicating to potential partners and networks, the Internet has now permanently changed the way that International Business is operated. By allowing organizations that might not have traditionally partnered, the Internet now has rapidly shifted the paradigm of International Business where the competition has greatly increased and joint cooperations become more and more common, even in the area of technology.

2.5 Mobile Applications as a way to Internationalize

Mobile Applications have been increasingly more and more important in the use of technology and has been affecting a variety of markets. This has created an industry in itself and has changed the way that technology businesses are operated. Globally, there is over 80 Mobile App Stores that are currently available. Some are based upon region; others are available on a global basis. In recent years, certain mobile app stores have become more dominant in certain regions. This should be a large consideration for a mobile application company in developing their own applications to put into their App Store. They also have the option of having a third party develop create them?

With the Apple App Store, consumers saw a Value Added Service to enhance their user experience with the IPhone. Apple drew from their experience bundling technologies, culture of innovation, customer orientation as well as their expertise in design and marketing skills. Consumers were looking for what are the main factors for adoption: usefulness and ease of use (Mareno & Besson 2009). Consumers were also looking to engage more with technology.
Since the Mobile App Store concept focuses on providing Entertainment services, there are a number of considerations that much is made that differentiates it from the typical creation of a product line. This method of market entry allows it to be a service-oriented, low cost of market entry. The service businesses must be adaptable to the host country (Samiee 1999) by creating a localized solution. The concept of a multi-domestic/multi-local pattern of internationalization may be the most appropriate.

Their business model has a low entry barrier for third-party developers to develop applications on the iOS platform and gives a development tool for developers to download and fairly simply develop Mobile Apps to be accepted for sale in the Apple App Store. There is an Apple Certification and Approval Process, which is fairly intensive. The rejection rate is high. The applications can then be loaded on to a variety of devices: iPhone, iPad, iPod Touch. The revenue share model provides that the App Store receives 30% of the sale and the developer receives 70% of the sales. While there have been success, very few Application Developers have been successful. A few are Rovio with their Angry Birds Game and the creators of the games Stick Skater, Fruit Ninja and the utility Battery Doctor Pro. (Kimbler 2010)

Created in 2008, Google Play was created as a platform for Android Applications, a Mobile Operating System (OS) that went across a number of manufacturers such as Samsung, HTC, Nexus and other Mobile Manufacturers. (Cuadrado and Duenas 2012). Due to the number of mobile devices manufactured with Android as an OS, Google Play became one of the dominant app stores with over 10 billion apps downloaded on to smartphones and other mobile devices. (Möller et al. 2012)

Supported in over 130 countries, the amount of countries are lower than the other app stores, but through the Android alliance, together with over 20 Android device manufacturers worldwide, the reach of Google Play (Google 2014) is fairly significant as a contender and competitor to Apple’s App Store.

While the Mobile App Stores were a cost effective, easy way for INVs to reach new markets, there is a difficulty in reaching markets, which have a vast, perceived
psychic distance from the parent company. One of the biggest questions for INVs in this area is how to achieve this task.

Localization, while in the programming world, speaks to localizing through language, but also how things in the appearance of how the product presents itself to a user. This can be through presentation of date, location, etc. (Parr 2006). By the use of location takes into consideration the daily attributes on how a user operates, such as time, date, and location-based services.

Language Services/Translation has been a difficulty for Mobile Application Development since there are different dialects, cultural idioms that cannot be translated by an online translating services or system. By using the ability of human translators (Liu et al. 2010) or local resources helps in the development via crowdsourcing to provide the correct translation and text.

Payment systems can be another consideration in how mobile applications can be purchased. This can facilitated by network operators (Barnes 2002) in the form of Visa Cash in the U.K., Sonera’s Pay-by-GSM in Finland, in France the service is Iti Achat. This allows the SIM card in the mobile device to serve as a “mobile wallet” that allows the user to deduct or get charged via their mobile account.

Users can also use services such as PayPal, which is a “layer” in the mobile application that allows the process of masking their credit card information (Au & Kauffman 2008) and allowing them, in the application (service or game), to pay for the product without supplying the payment information directly to the product company. This can be used in several Smartphone systems, giving users the security of not supplying the information directly to be stored.

Because the mobile application product company is essentially a B2C organization (company doing to Business to Consumer Commerce), the mobile payment (Varshney & Vetter 2002) affects the type of transaction that the user completes with the firm. These can be Micro-Payments via phone, Mobile Banking, or Mobile Money Transfer (PayPal, etc.).
The biggest option that allows Mobile Applications to have a global reach and Mobile Application companies to internationalize very rapidly is the Mobile Application Portals. Previously discussed were several models such as the Google Play store, the Apple App Store. These are Centralized Mobile Application portals that are directed at users to find offerings from thousands of SMEs (single developers to small companies) that uses these portals (Holzer & Ondrus 2009) as a way to reach their potential customer base. By placing a set group of standards that are recognized with their brands, firms such as Apple and Google allow the SMEs represented in their application portal the credibility to compete in a global market.

Mobile Applications themselves usually are just looked at as a technological platform. But with the Applications, and in particular, the Mobile App Store, this serves as a method and channel for International New Venture to internationalize without the help of a localized resource that can help them expand in different markets. Language localization, payment localization, a platform that offers a certain set of standards are critical to INVs that are using Mobile Apps as a product but also as way to internationalize. With the reach into 120-180 markets, the App Stores allow these particular INVs the ability to reach multiple markets without additional costs that they usually cannot handle with small amounts of resources. By having a way of finding information via the App Stores, the INVs that use Mobile Apps have greater reach.

2.6 Business Models

Business Models are essential to how a company earns the revenue it needs to become stable, grow and attract the necessities it needs to survive; financial investment, partners, and human capital to produce the services and products it sells. Here we will take a closer look at how the leading global mobile app stores operate and how they compensate developers as shown in Table 1 below.
Table 1. Main features of leading Mobile app store business models

<table>
<thead>
<tr>
<th>Feature</th>
<th>Amazon</th>
<th>Apple</th>
<th>Google</th>
<th>Microsoft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Application Portal</td>
<td>Appstore</td>
<td>App Store</td>
<td>Play</td>
<td>Windows Store</td>
</tr>
<tr>
<td>Mobile Operating System</td>
<td>Android</td>
<td>iOS</td>
<td>Android</td>
<td>Windows</td>
</tr>
<tr>
<td>Amount of apps</td>
<td>75,000</td>
<td>1,000,000+ active</td>
<td>1,000,000+ active</td>
<td>142,000</td>
</tr>
<tr>
<td>Developer's share of application sales and in-app purchases</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70% for the first $25,000 in sales, then 80% per application.</td>
</tr>
<tr>
<td>Countries supported</td>
<td>over 200</td>
<td>over 120</td>
<td>over 130</td>
<td>over 200</td>
</tr>
</tbody>
</table>


In Table 1 shown above, the Mobile Application Store Business Model has been used by a large number of companies to enter global markets. In the table itself, the way to produce revenue is a fairly straightforward business model, with the developers’ share of the application sales and in-app purchases, mostly at 70%, with the exception of 80% after the first $25,000 in sales.

Because of the ease of market entry using the reputation, technology and availability of the App Stores, SMEs do not need a large amount of their own resources for market entry.

Another business model looks at the use of Device Manufacturers, such as producers of smartphones, tablets, and laptops with wireless capabilities. This allows users to access mobile networks with their devices. The revenue (Camponovo & Pigneur 2003) is derived from the sale of the devices, or an upfront initial payment with a percentage of the sales.

The mobile network provider has become the most popular and consistent form of market entry for mobile application developers. The mobile network provider also provides the human capital network to enter regional areas. Examples of this would be Vodaphone, Verizon, Orange, China Telecom, Claro, and other regional mobile
providers that would allow both access to end users in their portals, or potentially on their devices. This would provide a low market entry barrier (MacInnes et al. 2002) for SMEs based in the Mobile Application Development area.

Mobile Networks also provide content portals for different entertainment services (music, games, etc.) and allow content providers the ability to access their target audiences by use of the portals. The revenue model (Maitland et al. 2005) is similar to the mobile application store model in which the portal’s owner takes a percentage of the sales and the majority of the percentage will go to the developer.

Advertising within the application (game, entertainment) has become a popular option for mobile application developers. The compensation (Panis et al. 2002) is based on a click-through rate that is a few cents per “impression”. This model has picked up more popularity since gaming is highly popular. This is based on the technology platform that the developer has chosen.

### 2.7 Theoretical Modelling

With the areas that have been researched in this study, looking at the composite of all the theories, new theories can be derived and formed.

In regards to Internationalization, Anderson’s (1993) theory regarding the key actor’s in an organization making decisions regarding international expansion becomes an important factor, especially in the case of International New Ventures. Johanson and Valne’s (2009) theory regarding the experiences of the management team regarding certain markets and determining their importance in a company’s growth strategy plays a large role in a company’s expansion plan. Because of the majority of the International New Ventures newness in their own markets, Oviatt and McDougall’s theory regarding international expansion has a choice because of equal domestic competition can be a factor into Internationalization.

But the key theories that impact this study can be combined to create a new theory. International New Ventures who have a management team that is dedicated to global expansion (dedication to markets) regardless of their previous experience have a
greater chance of opportunities. By utilizing trust-worthy networks that can educate them regarding aspects of market penetration (localization, accepted payment methods, etc), those INVs have a greater chance to succeed. By also utilizing Mobile App Stores as an entry facilitator and business model, INVs that have minimal business and internationalization experience can see multiple market entry happen for their organization. By using the same aspects as the Internet as Market Entry, INVs have a framework of how to create their products for multiple markets. By using these networks, it decreases the amount of time for market expansion (Coviello & Munro 1995)

By combining a number of theories regarding how and why certain choices are made by INVs such as the right networks (Mudambi & Zahra 2007) for foreign expansion, this study looks to how we can produce a framework and model for mobile application companies to follow.
3 EMPIRICAL DATA

3.1 Method of Research

Over a period of several months, interviews from 5 companies, both from Helsinki and Oulu, were collected to listen to their past, current and future strategies for market entry and how it will affect and have affected their success and failure in Global and County Market Entry.

Each company was asked a set of questions during the data collection period of December 2013 to April 2014 to benchmark their success/failures and establish the similarities and differences. The interview questions are listed on table 2 below. This also enables a statistical comparison between the companies to better understand their market entry strategies and use of market-based resources.

These companies were chosen due to their stages of growth, success and failure rate, and use of resources in other markets. This was to facilitate a wide sample data set to show the variances in how their growth has happened, possible adjustments in the international strategy, and observations regarding this trend.

Table 2. Interview questions to gather empirical data

<table>
<thead>
<tr>
<th>Interview questions to gather empirical data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Please state the name of the company</td>
</tr>
<tr>
<td>2. Please tell your name and what you do in the company.</td>
</tr>
<tr>
<td>3. What is your company's product</td>
</tr>
<tr>
<td>4. What is your business model? How do you sell your products?</td>
</tr>
<tr>
<td>5. How much is the current revenue?</td>
</tr>
<tr>
<td>6. How many downloads do you currently get in one day?</td>
</tr>
<tr>
<td>Describe the network traffic if applicable.</td>
</tr>
<tr>
<td>7. What countries does your product have a ranking?</td>
</tr>
<tr>
<td>8. Did you have a plan to go into those markets?</td>
</tr>
<tr>
<td>9. If not, did you just release your product globally at one time?</td>
</tr>
<tr>
<td>10. If you released your product globally, did you have a strategy?</td>
</tr>
<tr>
<td>11. Did you target particular groups when developing your product?</td>
</tr>
<tr>
<td>12. Did you market or engage those target groups after the product was finished?</td>
</tr>
<tr>
<td>13. How did you create your pricing model?</td>
</tr>
<tr>
<td>14. Did it affect the traffic to your app?</td>
</tr>
<tr>
<td>15. After you released your product, did you change your product or create a modified version from the original product?</td>
</tr>
<tr>
<td>16. If you did change your product, did the traffic increase due to the change?</td>
</tr>
</tbody>
</table>
The analysis of the data in this Empirical study will be content analysis and qualitative data due to a more composite and thorough representation of the study’s finding and results. Table 2 lists the interview questions asked of each company to give a standard base of comparison between the 5 case studies.

Using a semi-structured interview process for a qualitative analysis allows the interviewer to see a composite of the responses. It includes the values of the interviewee, non-verbal cues when asked difficult questions, ensures that all information is collected. The semi-structured interview also allows perceptions and opinions (Barribal & While 1994)

The case study methodology allows the interview the opportunity to use different approaches with different respondents, depending on the personalities and situations of the interviewee. Employing this methodology allows a holistic and composite view of the subject, supplying more information that is also situational in its manner (Noor 2008)

3.2 Case Study - Caktus

Caktus, founded in 2013 by several engineers in Helsinki, Finland, wanted to use their previous knowledge in software development to help them create a solution that would help others feel better and function more efficiently. While working at the Aalto Design Factory, the 3 founders, Panu Keski-Pukkila, Tappi Honkavaara, Heikki Säteri, realized the potential of creating a modern product that would monitor an individual’s water intake and notify them when there is a possibility of dehydration. This idea came out of personal health issues regarding too high coffee consumption and not enough water. Out of this came the 2 components of their flagship product, the Hug. The Hug has two essential pieces; a specifically engineered bottle that can track the amount of water consumed and the accompanying mobile application that can be downloaded into a wearable device such as a FitBit band or onto your smartphone.

Understanding that they may not have the individual understanding about how to build a company and a product, they joined Slush, a Venture Capital event held
annually in Helsinki to attract international investors to come to Northern Europe and get more information regarding Start-Ups in Finland, Sweden and other Northern European countries, and allow the companies to get better access to funding, business development and advisement, and other opportunities that were not available previously.

With product and technical development based in Europe, specifically in Helsinki, Finland, they have previously relocated from offices in the U.S. due to high operational costs and access to a community of highly-skilled, lower-cost developers that might aid in a quicker go-to-market development process that could enable quicker product development.

Because of the attention that they received during Slush in 2012, Caktus was asked to join NJ Techlaunch, an U.S. Tech Accelerator located in Clifton, NJ, that would allow them easier access to their first planned country for Market Entry, the U.S. By headquartering their company in the country that would be their first Market Entry, as well as the source of financing and business development, Caktus had positioned themselves to be ready to fulfill and operate to their target market.

Caktus has determined that their target market as a health-conscious female, from 25-45 year old age range, and possibly health issues such as kidney stones or other chronic disease. Caktus has also just made preliminary agreements with healthcare organizations to become test cases for their device and give them a possible sales channel for their products.

3.2.1 Internationalization

Even though Caktus has created a mobile application to download from either the Apple App Store or Google Play with their product in order for them to make their products more attractive to consumers, Caktus based their strategy on catering to consumers that have disposable income, are health-conscious, have economic motivation to keep in shape due to high healthcare costs
Caktus has, of course, taken their European market into consideration, but has not given this market the highest priority due to a different consumer behavior. Since most of the operational decisions and product development have been based in Finland, they would like to enter this market due to the “psychic distance” of this market segment in relation to the company founders.

To test the market, Caktus has employed resources in the U.S., namely friends and contacts currently in the U.S. market to help them to reach one of their targeted sales channels, personal fitness trainers and healthcare organizations, in order to have a way to reach their potential target market. In January, Caktus also employed the use of Kickstarter campaign, a site that uses “crowdfunding”, the prepayment of a product or service, to help fund the product development of a company. This method then allows early adopters to get access to products before they hit the general market.

The time that Caktus spent in the New Jersey accelerator allowed them the access to markets on the Eastern Coast of the United States, helping them build it with the connections and networks that they were able to accumulate while physically in the U.S. With the connections in the U.S. while in the incubator, they were able to build a network of potential distributors and financiers that will eventually help them as the Caktus’ business in the U.S., their primary target grows.

Caktus has also reached out to the Finnish business community to aid them in reach a broader audience. Otaniemi Marketing, based in Helsinki and Espoo, helped Caktus by allowing them access to the Team Finland booth in the Mobile World Congress exhibition in Barcelona, Spain, at the end of February, 2014, that gave them greater access to more possible distribution and technology partners.

Using only a small budget of 25,000 euros to do all of their functions, the Caktus team has been using both resources from public organizations and their own time to do the development needed for this product.

Since their initial start, Caktus was able to attend Mobile World Congress in Barcelona, Spain, and using the network built by both Otaniemi Marketing and Team
Finland. Using the international networks they were able to access while in Barcelona, they were able to make an agreement with a U.S. Manufacturer for distribution in the U.S. that would make production easier and more beneficial to them on a taxation base.

Based on their agreement, Caktus was able to raise an additional 600,000€ in Seed Capital for Manufacturing and continuing to grow their network.

### 3.3 Case Study - EzyInsights

EzyInsights was started in 2011 by Duane Atkins, a New Zealand developer that had subcontracted for Nokia and other companies for 18 years. Duane had the desire to reach out beyond the work that he was given and decided to create a company based on a major movement in marketing and sales: Social Media.

Duane created EzyInsights with idea in mind that Analytics would be key in helping companies, especially Mobile Application Development companies, help identify their “Superusers” or most influential users and target those individuals to help use Social Media to reach out to their target audiences, other game players or dedicated product consumers. Companies can use these analytics to identify these users and also to find out the efficacy of their campaigns for product releases, press releases, news about the product or other significant events. This uses the Application Protocol Interfaces (API) created by Facebook, Twitter, or Google+ to identify significant visitors. Discussions about the client company, retweets on Twitter or "shares" on Google + enable their Community Managers to target those that might have a significant impact on traffic to their mobile app in Google Play or the Apple App Store.

If companies do not believe in using analytics to help their companies to target their target audiences, Finnish Mobile App Companies such as SuperCell and Grand Cru have used this analytics software to help them target their superusers and create huge success stories for these mobile app companies to attract both international players and international investors.
3.3.1 Internationalization

Ezyinsights is a relatively technology driven company with little experience in doing business outside of Finland. Their current business model is to have their clients purchase monthly user licenses, but they currently deal with customers that they can service on a face-to-face basis.

In 2011, Ezyinsights travelled to New York, in the U.S., with a delegation that was organized by FinnMob, a Finnish organization that has been facilitating companies to enter the U.S. Market via contacts and a potential office in Nest New York. 15 meetings with different media companies were arranged with interest from the majority of those companies.

Based on the reaction to their product, Ezyinsights was positively surprised and motivated to enter the U.S. market. Devoting a significant portion of their marketing budget, Ezyinsights hired a member of the FinnMob team to be their U.S. agent and facilitate both the meetings and to sell their product. Several months had passed, a significant amount of money spent, and no results. They had hoped to access FinnMob’s network that was being created in New York with major corporations and be able to sell their product to the social media and community manager teams for companies such as Coca Cola, General Mills, and others.

The promises given by FinnMob’s U.S. Team provided no significant results and no additional sales. They believed that based on the strength of the networks created in New York, they would be able to create an easy U.S. Market Entry strategy. Ezyinsights was forced to terminate several work contracts in order to make sure they had enough operational budget.

Ezyinsights had learned an important lesson in entering country markets; to have someone competent, dedicated, and capable of being able to complete and close sales in other markets within their own capabilities. Due to this exercise, EzyInsights has delayed their U.S. market entry and have determined that they are targeting East and SouthEast Asia (China, Japan, South Korea, Singapore, Malaysia) with the help of an agent to facilitate the sales and marketing process in that region.
Currently, Ezyinsights is part of the Kampiki Solutions Group that allows Ezyinsights to be financial stable and allow the growth of Ezyinsights supported with other ICT projects.

3.4 Case Study - Minus Degree

2012 was an important year for Jonathan Massey and Samu Keranen. They established Minus Degree Mobile with the idea that they would establish a company that looked at mobile apps and tap into a growing trend of Lean Start-Ups.

Started with some partial funding from the Nokia Bridge Program and other public funding ventures, Minus Degree Mobile looked to the Social Media area to create a product that would use it to convey ideas, emotions and sound to create a deeper bond between the user and the event or company marketing to that person.

Minus Degree is very similar to other companies in the Start-Up area; lack of business experience, a wealth of technical ability and the need for capital to build their operations. Add to the lack of geographical access (based in Oulu, Finland), Minus Degree has attempted to gain access to funding through Butterfly Ventures, an Oulu Venture Capital/Seed Funding Company. With the failure of this partnership, Minus Degree has participated in other Start-Up events such as Midnight PitchFest and Polar Pitching. Minus Degree was one of the finalist. This allowed them to talk to certain Seed Investors and Venture Capital Groups.

With a small amount of staff (4 people, all located in Oulu), Minus Degree has relied on public organizations such as Business Oulu to help them to reach different sources of aid via financing and advising.

Because they are currently only in the Apple App Store as a sales channel, Minus Degree realizes the need to branch out and put their product in Google Play and the Android Marketplace since these mobile platforms are now dominating the market share. Minus Degree is looking at the 16-32 year old market that wants to share moments in their lives like concerts, when they are traveling, funny moments or significant moments.
They would like to also tap into the OEM or consumer market with customers such as Coca Cola, Capital Records, etc., to attract usage and downloads from users in their target market as well as “sharing” images via social media.

3.4.1 Internationalization

Minus Degree has struggled in the area of Internationalization. With their belief that the U.S. Market is their primary Market Entry, they have retained the services of a PR consultant in New York to help them reach advertising companies and PR agencies. While there has been some visibility regarding some web publications, there has been no sales or business development initiations as of this moment.

The consultant is not working for Minus Degree on a full time basis, so it has been difficult for them to get the success that they need and want at this moment. The next market entry that Minus Degree has planned has been the East Asian Market, targeting Japan, Korea, China and Singapore. They believe that with this market segment, they can target those that do extensive travel and wish to both share and remember these events with both images and sound.

They have had difficulty in finding the right markets and also finding the human resources to enter those markets, in any market. With the lack of business experience, Minus Degree has also had difficulty determining the right business model to help them generate the revenue they need to retain the resources, both technical and human, in order to develop the product as fully as necessary. The necessity to also begin to reach outside of Finland is becoming more and more necessary for Minus Degree to actually start doing business vs. the capital fundraising that they have concentrated in recent history.

Due to their lack of social networks on an international basis, Minus Degree has had great difficulty in any regional and global market entry. The lack of networks has set up a barrier into especially East Asia and the U.S. due to lack of access to decision makers that would be able to purchase their products in a large quantities (licences) and to provide the channel to access to potential users.
Their lack of platform development in the Android area has slowed their growth due to a partially implemented market release strategy. Also, the lack of targeted marketing regionally has not allowed them access to potential end users.

For Minus Degree, Social Media becomes a very powerful tool since their resources, both financial and human, is limited. By using Social Media, Minus Degree would be able to reach more international audiences, use the resources they can find in those markets, and push their products visibility to increase the amounts of visibility, plus also use the resources to find other channels in which they can increase the amount of downloads to begin getting the necessary revenue for growth.

3.5 Case Study - Cosmic Gekko

Nokia’s restoration and downfall created an overabundance of experienced engineers with a workplace and without an ecosystem that provided other companies to make up for the lack of other employers, many engineers opted to create their own companies through the use of funds provided by the Nokia Bridge Fund, a fund created by Nokia to help ease the large amounts of employees that they had displaced during employment negotiation to start new enterprises, from jewelry companies, stores, to software companies, both hoping to ease the blow and possibility of these companies creating new technologies that they can acquire.

Cosmic Gekko was one of the companies that received funds from the Bridge Fund, utilizing the expertise of developers creating GPS technology and those that were beginning to experiment with Android technologies. With more and more Nokia employees getting their jobs reduced from the employee headcount, Cosmic Gekko utilized this opportunity to increase the amount of developers that they had on staff to create their product, HeyWe.

Cosmic Gekko, following in the footsteps of many Oulu businesses, looked for sources of funding, both private and public, to finance their ability to internationalize, do product development and to cover operational costs. The team of 20, with experience from Nokia and then Accenture, put their contacts and expertise in the Mobile Industry into action as they created their product, HeyWe, and began to
look for their potential customers in different markets based on their previous networks.

HeyWe is a mobile app created with families in mind to track the location of each member of a family. Cosmic Gekko marketing this product as a way to keep track of children that might not answer their phone, or an elderly family member that might wander off with their phone in their pocket, so they can easily be located.

Cosmic Gekko looked at the Channel Marketing Business Model, hoping to sign agreements with different operators all over the world and to have HeyWe in those channels, utilizing those resources in the different global markets.

3.5.1 Internationalization

Cosmic Gekko developed a strategy that had they sign agreements with different operators, such as China Telecom, Orange, Vodafone, etc., to help them gain easy access to their different markets in China, France, Italy, Great Britain.

In June 2012, Cosmic Gekko travelled with an Oulu business delegation to Manaus, Brazil, to meet with some organization that would be participating in the planning for the 2014 FIFA World Cup. Cosmic Gekko saw this an opportunity to possible get into the Brazilian Market, as well as doing some marketing research in Brazil to see if their product was suitable enough for this market.

While there was a positive response to HeyWe, Cosmic Gekko did not put additional time and resources into any market, utilizing only their operator agreements to be their main sales channel for their mobile app. Operators, in these agreements, only offer the visibility of the mobile application in either their proprietary App Stores, location in some of their websites, but no concentrated marketing efforts in any of their markets.

Cosmic Gekko lacked the networks that would be able to market to their customer base. By not creating the network to access their potential market, families that are willing to pay and download HeyWe, Cosmic Gekko lost an opportunity to be able to
access the markets necessary to grow. They also did not create the strategy using new networks to help them attempt market entry in the long term.

The plan that Cosmic Gekko had created was to do a huge Public Relations campaign, but in the Tech magazines such TechCrunch and others. The visibility for this app was not in the general market that catered to families, making it difficult to get sales, downloads, traction and agreements for downloads by companies catering to families.

As of December 2012, Cosmic Gekko has mostly closed, with operations being dismantled in Oulu and the company being shutdown and layoffs among the whole company. All the employees are either employed by other companies, or are in search of employment.

Through 2013, Cosmic Gekko attempted to find additional partners and financial resources through public funding in order to revive their operations. In March 2014, Cosmic Gekko officially closed their operations, with the computer servers hosting their product completely shut down, effectively closing down all operations.

3.6 Case Study - Fingersoft

Started by Toni Fingeroos, Fingersoft began with an idea and a passion for games. Building upon his own experiences in playing games and working in developing games that were easy to play, but addictive.

Beginning small, Toni began building games to help him have a way to show the capabilities in gaming conferences and also used the Gaming Ecosystem that was being built in Finland and in Oulu. With a talented pool of game developers and people passion about their industry, Fingersoft built games that people became eager to play and capitalize on that model.

The advent of in-app purchases as the standard model for mobile gaming, Fingersoft built games that would need the "tools" built into the game, making it difficult to
progress for a player without them. A common business model became an important tool for Fingersoft’s revenue stream.

Fingersoft used its knowledge of current practices in the gaming industry, plus by widening the amount of their sales channels by putting their games in the Windows Phone App Store, they saw a different type of success underserved by others in the gaming industry.

3.6.1 Internationalization

Fingersoft used the gaming community as an entrance into their markets. By attending industry conferences in the U.S. such the Game Developers conference and others in the U.K., Germany, Sweden and other markets, they built a network that would help them target, develop, gain access to others in their communities and help them to cultivate their following.

As their game, Cartoon Camera, began getting more popularity in the Google Play App Store, Fingersoft developed the game, Hill Top Racer, and released it, using Cartoon Camera as a way to advertise its new game. Instantly, Fingersoft had a top selling game in Google Play, which they release in the Apple App Store, and also became an instant hit. It eventually passed Bad Piggies, Rovio’s top selling game in the different app stores, and hit the 150.000.000 download mark.

Due to the huge success of its game, Fingersoft was approached by a number of partners, including Google, Samsung, Microsoft, Nokia, and others. Their partners, with a large amount of experience in working in multiple markets, began demanding that Fingersoft needed to start localizing the languages, way of presenting one of the Business Models, In-App Purchases, in different ways for different markets.

By using its partners’ expertise in market entry for different markets and working with different regional managers, Fingersoft used location-based resources that helped increase their success even more through the outside expertise. As new games were released, Fingersoft now had the understanding in how each market
works and what work needed to be done in order to enter those markets. This became a valuable asset and tool for Fingersoft in their market entry strategy.

Because of the access to new market knowledge and technology transfer through access to new markets, Fingersoft was able to grow exponentially and now dominant the U.S., U.K., German, and major European Markets. They have attempted to enter the Chinese market using a network facilitator, but the results have not been as successful as other markets.

Fingersoft is looking to access markets via networks to get into Brazil, Japan and other countries and hopes that they can access the networks to create other successful market entries.

3.7 Findings Regarding the Empirical Data

The empirical data used the following information as a control for the study:

- Companies had similar backgrounds with large corporations (i.e., Nokia, F-Secure) as a foundation.
- Access to start-up capital
- Access to build networks
- Willingness to Internationalize
- Mobile Technologies as their product base

Koch’s (Koch 2001) model of market entry strategy applies in the instance of the case study companies, if even not intentionally, in determining market entry methods. This plus Hofstede’s (Hofstede 1984) model of cultural dimensions became one of the guiding factors in determining which markets were the most important for those companies when making their decisions.

With the exception of Ezyinsights, all of the companies had mobile app downloads or a component of mobile apps as their product offering. All of these firms began as International New Ventures, with an initial strategy to go global from the beginning.
of the ventures. The basis for their business models were downloads or monthly subscriptions as the way to generate revenue.

Table 3. Target market and revenue of the selected case-study companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
<th>Mobile Platform</th>
<th>Target Market</th>
<th>Revenue from mobile applications (eur)</th>
<th>Download traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caktus</td>
<td>CEO Panu Keski-Pukkila</td>
<td>Apple iOS</td>
<td>U.S. (New York, New Jersey)</td>
<td>&lt; 25.000*</td>
<td>No</td>
</tr>
<tr>
<td>EzyInsights</td>
<td>Managing Director Duane Atkins</td>
<td>Mobile Web Application: Facebook, Google+, Twitter</td>
<td>Finland, Sweden</td>
<td>600.000*</td>
<td>N/A</td>
</tr>
<tr>
<td>Cosmic Gekko</td>
<td>Mikko Viljakainen</td>
<td>Apple App Store, Android App Store</td>
<td>Global</td>
<td>&lt; 1.000</td>
<td>1000 downloads</td>
</tr>
<tr>
<td>Fingersoft</td>
<td>Jarkko Paalanen</td>
<td>Apple App Store, Microsoft App Store, Google Play</td>
<td>U.S., Finland, U.K</td>
<td>&gt;30.000.000</td>
<td>150.000.000 downloads</td>
</tr>
<tr>
<td>Minus Degree</td>
<td>CEO Jonathan Massey</td>
<td>Apple iOS (Android version under development)</td>
<td>U.S., Japan, China, Korea</td>
<td>0</td>
<td>1000 downloads</td>
</tr>
</tbody>
</table>

Source: audio recordings from the case-study interviews,*= €

Looking at table 3, from a comparison of the data, three companies (Caktus, EzyInsights, Minus Degree) had low to moderate success when using resources in other markets such as the U.S. 1 company, Cosmic Gekko, has had failure when using an initial resource in other markets (Italy, U.K., China), then transferring the responsibility to resources in their headquarters. The only complete success case, Fingersoft, utilized resources in other markets, and continued to (in partnership) with their headquarters. Mainela’s perspective (Mainela et al. 2007) on an evolving process regarding technological development in International New Ventures became a key aspect for Fingersoft. By using their network resources, Fingersoft used their technological development to find and enter a network, to evolve within the network, and finally, use the network with successful results. To also apply this theory, 2 other case companies, Minus Degree Mobile and Cosmic Gekko, did not seek out and find the right networks to help them in create and implement their internationalization strategy.
The contrast between the companies is starkly shown when looking at the market entry strategies and the resources put behind each targeting strategy. First applying Johanson’s and Vahlne’s (Johanson & Vahlne 2009) theory of trust building and reducing the psychic distance, Cosmic Gekko, EzyInsights, and Minus Degree Mobile did not building the experiential relationship that would have aided greatly in internationalization. Looking in contrast to Johanson and Vahlne, applying Oviatt and McDougall’s (Oviatt & McDougall 2005) theory, Caktus and Fingersoft achieved market entry success by using their technological newness and SME status to internationalize with greater success rather than staying in a domestic market. With the cases such as Fingersoft, and the moderate success cases such as Caktus and Ezyinsights, the use of resources in other markets such as the U.S. and the U.K., plus the use of targeted social media tools greatly aided in their success. In this approach, Caktus and Fingersoft proved Freeman’s theory (Freemen et al. 2006) that networks that incentivizes the market entry process and the acquisition of new networks to have a more educated strategy garners more success for INVs.

In particular, the success of networks gained at events such as the Game Developers Conference in San Francisco, California in the U.S. was extremely important to Fingersoft since it allowed them to find out the profile of their target market, but also allowed them the ability to build a viable network for the U.S./U.K. market for help when their new and current products are released. In this instance, Elango’s (Elango and Patttnaik 2007) theoretical base of using networks in niche markets allows SMEs to enter global markets with more ease with access to multiple aspects: sales, financial capital, etc.

As show by table 4, the Market Entry strategies for each company in some form predetermined the amount of success for the companies involved in this study. For firms such as Cosmic Gekko, the lack of a strategy plus network did not aid in their market entries. Without access to the target market, in this case, families, Cosmic Gekko failed to target and engage their target base. Elango’s and Pattniak’s theory (Elango & Pattniak 2007) becomes true regarding the lack of networks equating to the lack of access to essential knowledge to the operational aspects of the business to succeed, as well as a disconnect with the reputation and resources (human, financial, etc.) needed to do market entry. With a business model created by thought into their
backgrounds in relationships with network operators, Cosmic Gekko continued using their current network due to familiarity rather than building a new network that would allow access and visibility to their new target market.

Table 4. Market entry strategy of the selected case-study companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Original plan</th>
<th>Change in strategy</th>
<th>Outcome of the strategy change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caktus</td>
<td>U.S. market entry.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cosmic Gekko</td>
<td>Global release.</td>
<td>Signed agreements with mobile operators.</td>
<td>Failure due to no additional sales or revenue.</td>
</tr>
<tr>
<td>Fingersoft</td>
<td>Global release.</td>
<td>Targeting markets via social media.</td>
<td>100 million downloads (10/2013)</td>
</tr>
<tr>
<td>Minus Degree</td>
<td>U.S. market entry. Difficulties getting global traction.</td>
<td>Sell batches of downloads to device manufacturers.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: audio recordings from the case-study interviews.

Coviello (Coviello & Monroe 1997) theory regarding SMEs accessing networks, either regional or international, aiding in the internationalization process of INVs has been a key point and the difference in success and failure for the case companies. Fingersoft and Caktus were able to access the networks to distributors, device manufacturers, etc., supplied the means and knowledge to have a more success market entry.

The other three case companies did not build or have access to the right or reliable resources/networks that were necessary, making it more difficult for them to enter in those markets without the right understanding of culture, context, and others to help them not only create their products, but also access to the appropriate channels that would allow them the most visibility to their target markets. In this case, Zhou’s theory (Zhou et al. 2007) regarding INVs ability to internationalize at a quicker pace due to their networks seems to be proven true to the reduction of barriers to market entry and cultural/cross-cultural differences.
The use of the business models with these case companies are also a determining factor in their success. With Ezyinsights, the business model is fairly work intensive and time consuming due to the actual use of human resources that would need to use their networks and contacts to create new business for them. For Caktus, the combination of the app store and sales network that serves as a distribution channel for their physical products, this also becomes a labor-intensive business model. Yli-Renko’s (Yli-Renko et al. 2000) theory of technological proficiency being more portable than physical assets (Caktus’ process of developing their product in Finland, but production is physically in the U.S. in partnership with a U.S. manufacturer/distributor) is demonstrated and shows the use of technological capital as a pathway for market entry.

In the case of Minus Degree, the business model of the release of the products into in the Apple App Store has not been as successful as planned without the addition of any other marketing that is necessary for them to begin to build sales momentum. The use of Leung’s (Leung et al. 2006) theory regarding talent and resources that could aid them in marketing, finding internal national networks and access to the right sales channels has shown that the theoretical basis for the use of this methodology. This would also apply to Cosmic Gekko as well, since their choice of the mobile app store as a business model without targeting created a failure in the case of this company.

For Fingersoft, the Business Model became their ultimate success. By using the App Stores to their benefit, plus pushing for more visibility in an App Store that has less competition, this increased their competitive advantage, plus enabling them to also use additional sales methods with their in-app purchases model. Panis’ application (Panis et al. 2002) taking the advertising within the application as a successful business model for this firm, accounting for the majority of their revenue. This methodology has created so much success, that it has created a partnership with a product line within Google, and also been used a case study with other companies.

Fingersoft’s use of their partner network (Samsung, Intel, etc.) became a very important new aspect in building their market-entry strategy, which was not developed until after the initial launch. Rauch’s (Rauch 2001) network theory
regarding lowering trade barriers was very much in effect regarding Fingersoft since through their network, they were educated in different aspects of each market: payment structure, localization, etc., plus the introduction to different potential partners for more success in other markets or other revenue channels.

From this study, the five companies have had a variety of strategies, some with no localization or market entry strategy to others that have implemented a targeted strategy. This study’s statistics show that 20% of the companies involved in this study have had failure due to lack of strategy. 60% have low to moderate success when beginning to implement a strategy and need more information/time to see the results. 20% of the companies have had great success when apply their strategy, networks, and resources to successfully target their market. Parr (Parr 2006) theory regarding localization assists in the process, making applications display a better user experience.

Anderson’s (Anderson 2001) theory regarding decision making by an individual in SMEs applies to the strategies developed by several of the companies: Caktus, Minus Degree, EzyInsights, and Fingersoft. By in the case of Cosmic Gekko, Ericsson’s (Ericsson et al. 1997) theory is most applicable, with the lack of resources based in their country entry market, the lack of knowledge was apparent in their internationalization process.

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**Figure 7. Elements and process towards market entry success.**

Figure 7 illustrates the process that international ventures create along with the members of their network. The information and ideas that international new ventures create when interacting with their network, which is the market entry knowledge.
This creates the business strategy, which is a combination of which business model is most appropriate for the market represented, and culture/localization/etc. needed for the target market. Using this formula has increased the rate of market entry successs.

Taken from the data, target market entry plus networks/resources are instrumental and key in determining the failure or success of an International New Venture. Limited resources, both human and financial, are not available to small companies. Due to this factor, networks and resources located in different markets, not always belong to the company, are one of the key determining factors in their success.

This, combined with a deep connection to their target market, Fingersoft used both resources in their target market, both industry-wise and geographic-wise, in order to increase engagement with their audience. Tied with a tightly-tied social media strategy using their ”superusers” as their advocates and potential advertisers for new releases, deals on in-app purchases and other elements such as new game levels, Fingersoft leveraged their expertise as well as resources in other markets to help them sell their games and achieve over 150.000.000 and to become one of the most successful independent Finnish gaming start-up. This, as well as recognition in their own organization as a ”lean start-up” helps in the agility of the organization as well as the readiness to use outside resources, even stepping out of their normal networks, to achieve the market entry results in a variety of markets, aiding in overcoming the location of geographically secluded location for their company.

The findings have also shown that the standard methodology that many current start-ups, such as in the case of Cosmic Gekko, into reaching in their familiar territory of network operators versus their actual target audience, families, shows the lack of engagement in finding the right regional network, i.e. children’s networks, educational organizations, food producers, toy companies and a variety of Multi-National Corporations related to products catering to families, had a significant affect on the outcome of this companies failure.
4 SUMMARY

The main results of the empirical study conducted on the 5 companies listed in this study has been the idea that technology companies do follow the same theoretical base as any other industry that chooses to do new market entries internationally. Prevailing thought previously concluded that due to technology, many companies such as mobile technologies were Born Global, successful internationally from inception.

Based on the current study listed above, the current thought process considered valid in the technology community is disapproved and the idea of localization and market entry targeting still apply in technology-driven industries such as mobile development.

Using the 5 case study companies, this study found that while International New Ventures are extremely flexible and willing to internationalize, the use of networks has greatly decreased the time to penetrate markets to under 5 years. This greatly decreases the amount of time that traditional technology companies can reach into their markets successfully, providing a model for others to follow.

By looking at the Internet model and the current ways that organization review their internal makeup and understand the stage that their organization is at, it provides a baseline for how to approach new markets. Also by using technology, mobile application stores in particular, INVs can utilize this as a business model to initial internationalize, then expand.

The current methodology in mobile product development has been that the reach of technology and current distribution methods for mobile applications does not need additional marketing or targeted market entry strategies. Kiss and Daniss’ (Kiss & Danniss) theory regarding the use of networks to supply the information to increase competitiveness is essential because this information is a hidden, regionally based knowledge base that cannot be accessed outside by anything except human capital (employee, person in the network, etc.)
The results of this study differ from previous studies on technology-based companies due to the aspect of companies as International New Ventures, regardless of the industry. The use of location-based resources and localization as an important and vital component of their product development has once again been supported in any industry. Previous thought in this area of study to use one product to be released globally had been proposed as a way for mobile app companies to base their market entry strategy.

The business models of the different Mobile App stores plus the particular channels became very important in this discussion regarding the market strategy of these particular companies. Due to the lack of games plus the high compensation rate for games in the Microsoft App Store, this aided in the success for Fingersoft, while a wider country market offering is more appropriate for companies such as Minus Degree and Caktus.

Results can be generalized by applying the theories of International New Ventures and categorizing the companies based on non-specific features of the companies: availability of resources and networks, etc.

The results are fairly reliable due to the information collected from the companies regarding their growth, both technologically and firm-wise. Their methods are detailed by their descriptions as the interview process collected the qualitative data to be compared and contrasted among a variety of companies that can be compared on the same criteria: methods of market entry, status as an International New Venture, Business Model, use of location-based resources and use of networks.

When looking at the theoretical basis in this study, the importance of the Internet as Market Entry, Business Model plus the use of the International New Ventures model becomes an extremely important tool and proof in the success and failures of the case study companies.
4.1 Theoretical & empirical implications and limitations of the study

The restrictions of the study are the limited amount of companies participating in this study. For a greater evaluation of the successes regarding using networks for Mobile App companies, a larger sample with a wider geographical reach should be considered for a larger sample base.

The results of this study can be used to create a simplistic, but rudimentary roadmap for use by Mobile App Development companies to have as a benchmark for their success. Many companies have had a great deal of failure and are searching for a way to help them better understand what they can do to create a successful International New Venture. Companies may still fail based on this model, but it will give some structure and possibilities of what their potential can be.

This may also give more credibility for business researcher to help those entrepreneurs that are technologically advanced, but unsure on how to approach the business aspects of creating a new firm, intended to be an International New Venture from inception, begin to understand the usefulness of networks in helping their target marketing, and create more possible scenarios with positive outcomes.

4.2 Managerial Implications

The managerial implications of this study are as such:

Technology, while effective, is not a replace for essential information provided by human networks. International New Ventures, usually with less experienced management teams and employees, should not completely rely on the use of technology, i.e., the Internet and Mobile App Stores, as their only way to globalize. By utilizing important information and contacts that exist within established and new networks, managers must rationally and carefully consider what and who are the best resources for their organization can use in order to enter both regional and global markets.
Managers must look not only one section of their organization, but the future goals of their organization and how they can reach other markets.
5 FUTURE RESEARCH

The conclusion of this study has supplied a number of gaps in the research and data collected and documented in this area.

While there is a large amount of information regarding the Internationalization process and the Internet as a Market Entry mode, there is insufficient information regarding Mobile Application development and the Business Models that can be used to create an SME’s internationalization strategy.

Studies regarding the success of SMEs that specialize in Mobile Gaming are greatly lacking, making it difficult for researchers to find the pertinent information that would supply the foundation for further studies or to aid in the creation of the actual strategy of a SME wishing to go in this area.

The technology aspects of Mobile Applications have a sufficient foundation, but there is a hole in the amount of research in which the business aspect of this area has had some concentration. The theoretical base is small and insufficient to help build the foundation in which an area can be created for new venture creation in this research area.
REFERENCES


