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Marius Lux and Marc Astbury

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Foreign Market Entry Strategies: A Study of Born
Global B2B SME’s

Marc Astbury and Marius Lux

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<td>Approved</td>
<td></td>
</tr>
<tr>
<td>Examiner</td>
<td>Terrence Brown</td>
</tr>
<tr>
<td>Supervisor</td>
<td>Vladimir Kutcherov</td>
</tr>
<tr>
<td>Commissioner</td>
<td>n.a.</td>
</tr>
<tr>
<td>Contact person</td>
<td>n.a.</td>
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Abstract

The global marketplace is becoming ever more accessible. Internet and communication technologies are opening up new opportunities for firms of all configurations. Based on that, this research will focus on Born Global business-to-business (B2B) small, medium enterprises (SME) entering in the German market. The aim is to answer the following two research questions: ‘What does a Born Global B2B SME’s internationalization process look like?’ and ‘Which adaptations should a Born Global B2B SME make to acquire customers in the German market?’ A review of internationalization literature, complemented by company participation and interviews furthers the body of academic research in this subject area.

Qualitative research is applied through a company case study and primary interviews are conducted. A case study is employed to further understand and practically apply adaptations a firm can make to increase its chance of success in a foreign market environment, once internationalizing.

The conclusions drawn that a Born Global B2B SME entering a foreign market should make adaptations in its online presence to cater to the new market. Specifically, language adaptations are required to the native tongue. This research concludes with both practical and theoretical suggestions. The key findings from the interviews show that the Born Global B2B SME’s studied have taken an ‘accidental’ internationalization process.

Keywords: Born Global, fitness industry, German market, market entry strategy and small and medium enterprise.
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Stockholm, June 2017
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### Definitions and Abbreviations

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<tr>
<td>SME</td>
<td>Small to Medium Sized Enterprise</td>
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<td>B2B</td>
<td>Business to Business</td>
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<td>MNC</td>
<td>Multination Corporation</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIBO</td>
<td>Fitness und Bodybuilding Messe (Fitness and Bodybuilding Exhibition)</td>
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1. Introduction

This master thesis looks at the internationalization processes of Born Global B2B SME’s. The investigation uses a case study of GymFuse’s entry into a new foreign market, alongside interviews from Born Global B2B SME’s. This thesis project is completed within the Entrepreneurship and Innovation Management program at the Royal Institute of Technology (KTH) in Stockholm. The section discusses the problem background along with the delimitations and formulation of research questions.

1.1 Background

With the emergence of the internet, the world is getting more connected every day. Telecommunication companies are rushing forward to cover even the most remote regions and countries to provide them with access to internet (The Economic Times, 2016). This is aligned with improved communication, exchange of knowledge and lastly, ease of consumption. The 24/7 possibility of purchasing physical and non-physical goods changed the buying behavior of the current generation. People have access to a vast range of goods and services from their homes (Burt & Sparks, 2003). In 2017, more than one out of 5 of the world's population shopped online in the last 30 days (Kemp, 2017).

A whole new and immense market has been developed since the first e-commerce order in 1994 (Grothous, 2015). This market is barely comparable to a normal domestic offline market. Constant innovation, multi-national customers and more 24/7 availability are only a few aspects which became decisive in doing e-commerce. Being present in this market can be crucial to developing and maintaining a successful business strategy (Grothous, 2015).

Traditionally, small and medium sized enterprises who have resource constraints have had difficulty remaining competitive. However, utilizing internet and communication technology they are more equipped than ever to succeed (OECD, 2000). The term small and medium sized enterprise (SME) is often used in economic discussions, but its definition varies by country and region. In this thesis, the European Union’s definition of fewer than 250 employees and either less than 50 million euros in turnover or lower than 43 million euros on the balance sheet will be used (European Commission, 2017). In the European Union alone, there are approximately 23 million SME’s, representing 99% of all enterprises and are responsible for
more than half of the total added value created by businesses in the EU. Furthermore, it should be noted that 9 out of 10 SME’s can be defined as micro-enterprises consisting of less than 10 employees (European Commission, 2017).

The term SME is broad and makes no reference to the location of the firm’s commercial activities. To narrow the focus of the thesis, firms examined will match the Born Global definition, ‘a new firm that makes at least one international sale to any new market within two years of formation’ (ANZAM, 2009). Furthermore, only firms operating in the business-to-business (B2B) market will be examined. Aggregating these terms gives the following focus point ‘Born Global B2B SME’s.’

1.2 Problem

1.2.1 Academic Problem

Whilst a large body of literature has covered the internationalization of multi-national corporations the researchers noticed, that the field of SME’s has received less attention. This finding is based upon keyword searches in DiVA and Google Scholar. This is potentially due to the previously perceived view that SME’s lack the resources to internationalize (Ruzzier, et al., 1994). The researchers identified that there are two models in the literature review regarding the internationalization of firms: The Uppsala and Born Global models. Those models describe two opposing paths to markets that firms, who are internationalizing, take. However, a gap was identified in both models; there are not practical guidelines for Born Global B2B SME’s that want to enter a specific foreign market.

1.2.2 Practical Problem

The practical problem addressed in this thesis related to GymFuse. GymFuse is an online based business-to-business (B2B) SME, offering clothing solution for the fitness industry (GymFuse, 2017). The company is based in the United Kingdom (UK) and predominantly serves its domestic market. The company’s strategy is to increase market share in Europe, and its first goal is to enter in a new market in this region. The problem identified within the company is lack of knowledge entering a foreign market that goes beyond occasional sales from inbound enquiries. Without a deep pool of resources to invest, a lean, low risk entry strategy must be formulated.
1.3 Research Questions

This thesis will investigate how a Born Global B2B SME should enter a foreign market, based on a case study of GymFuse entering the German market. Following this, the research will present how a firm should adapt its online presence to address the new market. By applying the theoretical models alongside primary data collection. Furthermore, the thesis will build upon internationalization theory by studying the process Born Global B2B SME’s take when entering foreign markets.

Building upon the problems described in section 1.2, this research will answer the following two research questions:

*Which adaptations should a Born Global B2B SME make to acquire customers in the German market?*

*What does a Born Global B2B SME’s internationalization process look like?*

1.4 Delimitations

Delimitations can be categorized into four areas for this thesis: literature review, case study, interview subjects and external environment. The literature review will take on two fronts, the first section of the literature review is concerned with internationalization theory. The second section details the understanding and background of a practical framework (5 C Framework) which can be considered to reside under the marketing umbrella. The researchers did not have the scope to conduct a full literature review on all developed theories and therefore necessary exclusions have been exercised.

The case study in chapter 5 is built upon a UK firm entering the German market. Therefore, the findings may not be adaptable or transferrable to businesses of a different nature or market setting. Information drawn from the case study firm is subject to strategic and operational changes which are to be expected in a new company. The firm’s international strategy is being studied and therefore impacts of its domestic strategy are excluded.
The timescale of the study was limited resulting in a small primary research sample of three Born Global B2B SME firms which may distort reality, and prevent general application. Firms interviewed were residents of the researcher’s personal networks either through location (Stockholm, Sweden) or through previous business relationships. Therefore, they fail to represent a full cross section of society.

As of May 2017, the impact of Brexit is yet to be decided, this may have a strong impact over the practical suggestions in this case. The researchers will discuss possible mitigation strategies in chapter 6 despite the lack of information available.
2. Literature Review

The literature review will focus on establishing the timeline of theoretical developments in the field of internationalization from 1977 onward. The Uppsala model will be presented in its original and updated formats. Following this, being a Born Global firm is discussed along with discussion of challenges typical faced by them. To conclude, a brief discussion of ‘standardization vs adaptation’ in the context of a firm’s online presence will be included.

2.1 Internationalization Theory

2.1.1 Uppsala Model

The researchers selected the Uppsala model due its reoccurring appearance in the literature. The Uppsala model was developed in 1977 by Johanson and Vahlne from the study of four Swedish manufacturing firms. The model suggests firms will begin trade activities in their domestic market until a significant presence is established, before any international activity begins (Johanson and Vahlne, 1977). As a firm's knowledge of foreign markets increases, its commitment to that particular market also increases, simply stated: as a firm gains deeper insights on a foreign market, its commitment to that market is heightened (Johanson and Vahlne, 1977). Based on this, the terms ‘gradual’ and ‘progressive’ internationalization best describe the phenomena observed.

Johanson and Vahlne (1977) detail the following sequential four step process:

1. No regular export activities;
2. Export via independent representatives;
3. Establish foreign sales subsidiary;

A certain degree of market knowledge can be gathered from secondary research methods such as books and other sources, this is described as ‘general market knowledge.’ To gain ‘market specific knowledge’ a firm must participate in the marketplace and engage in learning by doing. Therefore, firms will gradually enter new markets, learn the landscape whilst commitment is low and gradually ramp up commitment over time (Johanson & Vahlne, 1977).
The question of which market first can also be displayed with the Uppsala model. Initially, firms internationalize by moving to countries of similar culture and environment. According to (Johanson & Vahlne, 1977) a firm can pursue one of the three following options:

\begin{itemize}
  \item \textit{Low psychic distance}: the uncertainty level surrounding the new market is low;
  \item \textit{Low cultural distance}: perception of similarity regarding the new markets culture;
  \item \textit{Low geographic distance}: new market is located in close proximity to the domestic market.
\end{itemize}

Whilst it may appear there are three varying criteria built into the model which could suggest three differing markets, it is very often the case that one market fits all three categories (Lindholm & Sylvest, 1997). A prime example of this would be a Swedish firm entering the Danish market, capitalizing on similar culture and history leading to low psychic distance, low cultural distance and low geographic distance simultaneously.

The Uppsala Model has been a prominent model in internationalization theory, however the context and market landscape during the pre-internet era was drastically different (Johanson & Jan-Erik, 2009). The original authors offered a revised version in 2009 stating that size of network was now the vital indicator of uncertainty rather than psychic distance.

According to Johanson & Jan-Erik (2009) being part of a network creates opportunities and knowledge simultaneously. Firms who are part of a strong network are labelled as ‘insiders,’ conversely ‘outsiders’ are those who have not yet established such a network in the new market. ‘Insidership’ is described by Johanson and Jan-Erik (2009) as a key element if a firm is to internationalize with success. The thesis also extends the benefits of networks to ‘knowledge’ effects. Knowledge does not only occur through the firm’s own activities but is a result of the activities of its partners. Summarized, a firm’s learning extends far beyond its immediate horizon and is a result of its network web (Johanson & Mattsson, 1988).

The researchers believe the 2009 revision of the model increases its applicability in the post internet era. The original Uppsala Model was vital in igniting scholarly interest in the internationalization theory field and therefore played an important role in the development of the following ‘Born Global’ contrasting theory.
2.1.2 Born Global

Welch and Lawrence (1988) first introduced the term ‘Born Global’ as a counter theory to the Uppsala model that dominated internationalization theory during the 1970’s and early 80’s. As mentioned in the previous section, the Uppsala Model suggests that firms gradually internationalize after gaining traction in the domestic market, before crossing into foreign markets.

The term ‘Born Global’ has been relatively ambiguous with no clear requirements round its classification (ANZAM, 2009). The original definition constructed by Welch and Lawrence (1988) was as follows: “those who intend to export upon inception”. Following the creation of the model a large number of amended definitions have been created. A comprehensive review by (ANZAM, 2009) collated all known definitions and grouped the commonalities, in order to spawn a clear and concise statement that can be applied to move the field forward. The outcome and following definition will be used in this thesis:

A Born Global Firm is: a new firm that makes at least one international sale to any new market within two years of formation.

Born Global firms are usually established by teams or individuals who have an ambitious outlook for their firm. A strong entrepreneurial culture and entrepreneurial prowess championed by founders or managers is a commonality among firms (Knight & Liesch, 2016). Narrowing down the definition to Born Global SME’s it is the firm's intangible assets and spirit that enable it to compete alongside resource abundant Multi-National Corporations (MNC’s). Founders of Born Global’s are thought to see the world as their marketplace, operating without concern for national boundaries (Cavusgil & Knight, 2015). In previous work Cavusgil and Knight (2009) explained Born Global’s as “typically smaller firms with limited tangible resources. They face numerous constraints in internationalization, including insufficient economies of scale, often inexperience in international business, and general dearth of financial and human resources”. Despite the apparent disadvantages the study verifies that Born Global’s are usually endowed with distinctive intangible resources and capabilities (Rialp, et al., 2005).

The Born Global movement can be summarized by (Cavusgil, 1994) in his early work on Australian exporters, it stated two important points when looking at internationalization (1) ‘small is beautiful’ and (2) incremental internationalization is becoming extinct. By leveraging
access to information, technology and the flexibility that comes with being small, SME’s can compete with large vertically integrated firms (Cavusgil, 1994). Leapfrogging the traditional stage gates to access global markets whilst still in infancy.

Born Global’s tend to be technology orientated firms, either developing technologies or utilizing them in their operation. Tanev (2012) describes Born Global firms as being technology intensive in their product or industry. The usage and leverage created by the implementation of technology in a firm allows it to not only access but serve a broader spectrum of markets. (Tanev, 2012) continues to suggest that Born Global firms are likely to be present in niche markets that appear unattractive to large firms. Cavusgil and Knight (2009) state that consumers and firms are demanding ever more specialized and customized products, therefore niche markets are ripe for Born Global’s to enter.

**Challenges for Born Global SME’s**

Due to their size and structure, challenges faced by SME’s differ from those faced by larger firms. However, the challenges faced by domestic SME’s vary in contrast to challenges encountered by their Born Global counterparts. Hamza and Zulfiqar (2011) summarized the following challenges most commonly experienced by Born Global firms:

- **Lack of resources:**
  - Resources covers but is not limited to financial and human resources.
- **Management transitions:**
  - Human resource inexperience leading to potential crises in management.
- **Financial access:**
  - Lack thereof leading to inability to acquire foreign firms.
- **Lack of market information:**
  - Lack of experience and/or lack of developed foreign network.
- **Lack of innovation:**
  - Linked to lack of financial resources, limited R&D budget.

All the above can be attributed to their small size and lack of experience. SME’s cannot simply complete an acquisition of a strong brand in a foreign market as more powerful established companies can and have done. Therefore, SME’s must be more selective in their asset allocation and entry mode (Hamza & Zulfiqar, 2011).
A further challenge discussed is the lack of brand recognition in the foreign market of an SME. Multinationals have the benefit of well known, established branding whereby the consumers have at least some peripheral knowledge about the firm (Rennie, 1993). An example of this would-be Coca-Cola entering the UK market for the first time. The above challenges will be considered when conducting the case study, understanding generic Born Global challenges will be supportive in creating suggestions for the firm.

Building upon the challenges identified this thesis seeks to examine strategies Born Global B2B SME’s can implement to optimize resource allocation in order to compete and succeed in a competitive marketplace. An additional challenge identified by the researchers is the standardization or adaptation dilemma. This can be applied to multiple business aspects such as product, brand and online appearance. The following section will detail literature regarding standardization and adaptation arguments regarding a firm’s online presence.

2.1.3 Standardization v Adaptation (online appearance)

When addressing foreign markets a key strategic decision is required according to the literature. Upon the development of the internet, some theorists argued for the emergence of a unified ‘common electronic’ language that would allow people of all nationalities to interact comfortably (Lynch & Beck, 2001). This being said, Lynch and Beck’s findings have shown that customers feel the need to be engaged on a cultural level by the vendor. To further define the terms ‘standardization’ and ‘adaptation’ and more specifically, what each strategy entails. Standardization can be described as a solitary approach to online presence whereby information and adaptations to explain international operations are not shown (Lynch & Beck, 2001). Importantly, a standardized approach displays the same web content in the same language to all users.

Adapted websites on the contrary have visible differences depending on the visitors’ location. This begins with the URL (.de for Germany, .co.uk for United Kingdom). The most notable difference in adapted websites being the language displayed. Kotha et al. (2004) stated in Sinkovics et al. (2007) that firms, in order to sustain a competitive advantage must offer relationship orientated services, focused on building trust with the visitor. Improving the ease of use for the customer should be the ultimate goal of the website therefore (Chakraborty, et al., 2005) states that a standardized approach should be avoided.
Regarding the definition of a Born Global, ‘a new firm that makes at least one international sale to any new market within two years of formation,’ coupled with a key challenge identified as lack of resources. It is evident that a firm could have difficulty adhering to Lynch and Beck’s (2001) findings allowing every customer to feel culturally engaged. The researchers will investigate how Born Global’s address this issue as part of the company interviews in section 6.6 and further apply them to the case study.
3. Theoretical Framework

This section will discuss a situational analysis method known as the 5 C Framework. A situational analysis is used to examine both internal and external elements of a firm and its operating environment. The framework discussed in this chapter will be applied to the firm in the case study displayed in section 5.

3.1 The 5 C Framework

Entering a foreign market is inherently different to entering the domestic market, other factors need to be investigated and taken into consideration (Hollensen, 2004). To understand a business environment, a situational analysis can be conducted to give managers or business owners a clear decision making platform to design its marketing strategy (American Marketing Association, 2017). A situational analysis refers to a group of methods/models a firm can use to gain a deeper understand of both internal and external environments (American Marketing Association, 2017).

In order to understand the company's current capabilities and the business environment, the literature discusses the 5 C Framework, developed by Tunbjer and Jarne (2006). This model is based upon on outward facing aspects and fusing them with firm specific factors. It is conceivable that despite favorable macro-level conditions that a firm may simply not have the internal resources to capitalize, therefore both internal and external factors must be evaluated.

Kotler (2005) discusses factors firms should examine when planning a market entry. The literature lists factors such as; resources, market size, economic and legal factors. Despite covering impactful factors to be discussed, it lacks a formal framework and therefore required adaptations to be applied in practice.

Tunbjer and Jarne (2006) collated Kotler’s factors into the aptly named 4 C Framework. The 4 C model comprises of: company, constitution, competition and customers. After identifying the lack of any cultural acknowledgement, Tunbjer and Jarne (2006) expanded the 4 C Framework to contain an additional factor named culture. The 5 C Framework was applied to a MNC (multi-national corporation) in the cosmetic industry named ‘Oriflame’ (Tunbjer & Jarne, 2016). Due to the purpose of this research the model will be adapted and applied to a Born Global B2B SME in this thesis. The model was selected due to the thorough nature of the
analysis and its inclusion of culture as a relevant factor to market entry success. By selecting a broad, overarching model the researchers will apply three additional frameworks, namely Porters 5 forces, PEST and Hofstede’s cultural dimensions to expand the depth of analysis further.

Figure 1 displays the 5 C Framework, as developed by Tunbjer and Jarne (2006). The domestic market and foreign market connected by the cultural link. The model visually demonstrates the interaction between all 5 C’s, with the ellipses representing the market boundaries.

The researchers will apply mutually exclusive theories inside of the 5 C framework to enable a clearer structuring of the analysis in section 6. The relevant theories have been selected from market entry literature and for their ability to focus on one ‘C’ from the framework.

3.1.1 Company
The company section is centered on the analysis of the company’s strategies, capabilities, culture and objectives. The analysis serves as the measure of the firm's business model strengths and weaknesses therefore, identifying areas that must be adjusted and improved. When using the situational analysis approach, it is essential to understand how the company fits inside the business landscape as a whole (Anderson, 2005).

Business Strategy
When a firm plans to expand its potential market size by looking to new foreign markets, the framework mentions four generic overarching strategies that can be applied (Kotler, 2012):
1. **International strategy**: a firm recognizes a product is not available locally and therefore applies its current product and/or service offering to the new market. The company requires little to no adaptation in its processing operations to be able to serve the new market (Tunbjer & Jarne, 2016).

2. **Multidomestic strategy**: a strategy that is opposed to an international strategy whereby the company tailors its product/service to the local market. To understand differences between the new market and the existing domestic market a firm must incur research and development costs that are not applicable when using the international strategy (Tunbjer & Jarne, 2016).

3. **Global strategy**: a company seeks to diversify its operations into the lowest cost or highest efficiency markets to gain competitive advantages. The retention of the business central control is in the domestic market (Lynch, 2014).

4. **Transnational strategy**: a combined option, both multidomestic and global strategy are fused to allow local responsiveness and specialization whilst diversifying its operations to leverage low cost operational markets (Lynch, 2014).

Once a firm has selected and developed an internationalization strategy as shown above, it must define a method of entry.

**Method of Entry**

The literature describes a wide range of entry methods that can be employed by a firm. The rise of internet and new communication technologies gives a company the opportunity to trade internationally with relatively fewer cost implications (Rothlauf & Dung Le, 2008). The most prevalent and traditional methods used to enter a new market are as follows: **wholly owned subsidiaries, franchising, exporting** and **joint ventures** (Kotabe, 2010). The researchers will not include entry strategies such as piggybacking, turn-key and non-formal alliances due to the lack of surrounding literature. Each strategy can be assessed in terms of both opportunity, resource commitments and risk.

1. **Wholly owned subsidiaries** give the firm direct control over operations in the new host market, they can occur through acquisitions of a local firm or greenfield operations creating the venture from zero (Kotabe, 2010). The firm benefits from full control over
its processes and full profit retention. Conversely, a high level of risk is undertaken without the local knowledge from a partner (Alvarez, 2003).

2. **Franchising** allowing willing vendors in the target market to sell under the company's brand by means of trade names, trademarks, business models and branding. In return the parent company receives financial payments through royalties (Kotabe, 2010). Franchising allows a company to enter a new market with little resource allocation, growth can be fast paced if successful. The drawbacks of this strategy are the lack of control the parent company exercises over the franchisee, with the potential for brand damage to occur if best practices are not followed (Kotabe, 2010).

3. **Exporting** is often the starting point for a firm's international operations as the level of risk and initial expense is lower than other methods (Kotler, 2012). The process involves a transfer of goods/services to the new market, usually via a third-party agent (indirect) or from the firm (direct). Due to the low levels of risk and cost, SME’s usually operate via export (Kotabe, 2010).

4. Joint ventures the foreign firm agrees to split equity, costs and profit with a partner in the host nation, this is a common entry method for multinational corporations (MNC’s). Joint ventures benefit from the localized knowledge of the new partner when entering an uncharted market. The drawback to this method is the lack of control over operations depending on the agreed stake for each party. Sometimes joint ventures are necessary to overcome market entry barriers like currently in China, where a partner is needed to enter certain business sectors (Hedley, 2017).

### 3.1.2 Constitution

The second C of the 5 C Framework consists around analyzing the constitution that the company wishes to operate in. When considering an entry into a new market, a firm looks beyond its product offering and potential new market opportunity (Tunbjer & Jarne, 2016). Macro level elements, such as political setting and economic situation must be analyzed to give the firm the clearest picture of the market they are entering (Tunbjer & Jarne, 2016).
Potentially, one of the most famous business strategy tool is the PEST (originally ETPS) analysis which was first documented in Francis Aguilar’s 1967 book called ‘Scanning the Business Environment’. The PEST acronym can be expanded to: political, economic, social and technological factors and helps to analyze potential markers market growth and/or decline (Aguilar, 1967). The model is used in almost every business course worldwide however the quality of outcomes is usually limited, primarily by the fact that assumptions are filled into the model rather than data and research driven and objective conclusions. The PEST analysis can be considered outward looking analysis with no regard for the firm's competencies and resources (Reitmeier & Schmidkonz, 2016).

The researchers argue that due to the broad nature of the terms used in the PEST analysis, there can be a misuse of the framework by analyzing non-relevant factors for the company. A sensible priority must be used to avoid nebulous terms factors being included, potentially at the detriment to other more impactful issues. A criticism of the analysis as described by Burt et al. (2006) is that the future outlook is either given or can be determined by the tools user, which in reality may not be possible. Despite the aforementioned criticism, the PEST analysis tool is valuable when used as a method to later narrow the focus of an analysis. The four components of this model are explained in the following:

1. **Political** elements can include but are not limited to: trading policies, government policy, trade tariffs and regulatory bodies. When discussing market entry, special care must be placed on examining trading regulations which are likely to vary from the home nation (Koumparoulis, 2013).
2. *Economic* factors are macroeconomic performance factors that may have an impact upon the firm’s operations. An example of this is the inflation level in the target market which has a direct influence on the purchasing power of its residents. When trading across different currency zones there is an exchange rate risk that must be monitored, adverse movements will lead to a reduce amount of home currency being received for the same ‘value’ of goods (EDC, 2010).

3. *Social* factors play a pivotal role in examining how a market behaves on aggregate. How consumers purchase products, current trends in the market and ethnic/religious factors are amongst the key questions to be considered. Delving deeper into the social norms of a potential market can allow the company to position itself with far greater relevance for its potential customers (Koumparoulis, 2013).

4. *Technological* refers to technological changes within a market that can shape or redefine how business is conducted within it (Recklies, 2015). The market can experience both favorable and unfavorable technological shifts, in some cases a product can be driven to extinction due to technological progress.

### 3.1.3 Competition

According to Kotler (2012), competition is defined as all actual or potential products or suppliers a customer may consider. A firm must not simply consider obvious, local competitors, but look at indirect competitors offering different solutions to the same end. Expanding upon competition further, Porter (1979) developed the ‘Five Forces’ that shape industry competition, which is a model that expands its scope beyond direct competition and

![Figure 3 - Porters Five Forces (adapted by the researchers from Porter)](attachment:image)
looks deeper into the markets structure, in order to better understand competition not only for sales but also for profits (Porter, 1979). The model aims to understand the competitive landscape in order to assess the potential to generate profit in the industry. If the industries rivalry is seen as intense Porter (1979) suggest firms are unlikely to generate a strong return on investment.

The Five Forces model comprises of Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitutes and Rivalry Among Existing Competitors as shown in Figure 3 and described below:

1. **Threat of New Entrants** brings a new player seeking to obtain market share and therefore, increases pressure on prices and costs. In particular, new entrants who are diversifying their operations from other markets and are able to leverage resources and existing capabilities. The higher the threat of new entrants, the more aggressively a firm must increase investment in its operations and/or hold down its prices. Barriers to entry must be considered when assessing the threat of new entrants. They can be present in a number of forms. For example, switching costs for buyers, economies of scale for incumbents and high capital requirements (Porter, 1979).

2. **Bargaining Power of Suppliers** considers the suppliers with a large degree of leverage that are able to exert a large degree of influence over a market. If the market in question is one of many for the supplier it will attempt to extract maximal profits, however if the industry is responsible for a large percentage of revenues the supplier will protect its place by sensible pricing and investment (Porter, 1979).

3. **The Bargaining Power of Buyers** shows powerful customers, as suppliers can skew their actions to extract a higher than normal portion of value. If buyers are in a strong position, they can demand a better product, lower price and playing participants off against one another (Porter, 1979). Buyers become powerful under conditions of standardized industry products, switching costs are small or not present, the purchase represents a large portion of a company's procurement cost and the supplier’s product has little overall impact on the buyer's final output (Porter, 1979).
4. **Threat of Substitutes**; a substitute can be defined as a product that performs the same or similar function as an industry's own but by different means. Substitutes are often easy to overlook due to their apparently different characteristics. A high threat of substitutes places a profit ceiling on the industry in question. Advancements in substitute industries should be monitored, for instance (Porter, 1979).

5. **Rivalry Among Existing Competitors** deals with tactics inside of an industry from competing firms, this can take the shape of price discounting, new product introductions, advertising campaigns and service improvements. The impact on a firm's profit level is dependent upon the level of intensity amongst competitors and the basis upon which they compete (Porter, 1979).

### 3.1.4 Customers

Customers are at the reason for a company's operations, efforts and ultimately existence. Companies cannot target all possible customers in broad and unspecified markets due to lack of resources and time. Therefore, market segmentation is required to target a specific group's unique wants and needs (Kotler, 2012).

It is the role of a company's marketers to deliver the appropriate message to the intended audience. When appropriate markets are selected, a firm must use cost efficient marketing methods to develop a strong position in its desired segment.

In B2B markets, a firm must gain comprehension over the needs of the target customer clearly, in order to appeal to the rational decision maker’s requirements (Kotler, 2012). To do this, the firm must understand usage patterns for the product and its relation to the customer's business operation as a whole. Furthermore, the firm must understand the role of key influencers to the buying decision and the impact of gatekeepers (Rossomme, 2003). Referred to in section 3.1.3 (Competition), the *Bargaining Power of Buyers* must be cross referenced into the customer analysis and in turn how to appropriately portray the intended marketing message with the buyer’s power in mind.

Aside from factors such as the customer's product requirements, usage and price expectations to assist with acquisition, a firm must study retention characteristics in instances whereby
repeat purchases are possible or likely (Anderson, 2005). The level of communication and support play important roles in securing future cash flows from a customer.

The crossover between customers and culture should be examined at great length to ensure the clarity of any marketing messages conveyed. It is essential to examine the behavioral patterns of the market segment being targeted. Entering a message with a poorly defined message cannot only lose potential custom being have lasting, potentially devastating impact on a firm’s future growth (Kotler, 2012).

3.1.5 Culture

Culture covers the belief systems, expectations and goals shared by a society, which in turn distinguishes itself from other groups (Hofstede, 1991). Culture by its very nature is difficult to quantify. Professor Geert Hofstede conducted in depth cultural analysis developing the ‘six dimensions’ study, in order to be able to draw cross country comparisons (Hofstede, 1991).

1. **Power Distance Index** relates to the level of acceptance from less powerful members of society that power is unequally distributed. In societies of low power distance ratio members of society seek to equalize power distribution, inequalities are challenged and questioned. High Power Distance ratio states the opposite reality; less powerful members of society are more willing to accept unequal power distributions (Hofstede & Minkov, 2013).

2. **Individualism versus Collectivism** describes the likelihood individuals will expand their level of care beyond themselves and immediate family, ultimately defined self-image as ‘we’ rather than ‘I’ (Hofstede & Minkov, 2013).

3. **Masculinity versus Femininity** can be summarized as ‘tough versus tender’ cultures. Masculinity being rated high when a culture values material rewards, achievement and heroism. Conversely, values placed around cooperation, modesty and caring for the weak (Hofstede & Minkov, 2013).
4. **Uncertainty Avoidance Index**: How comfortable do members of a society feel with the unknown? If a society tends to want to control the future, they are awarded a higher score than countries where ambiguity is less feared (Hofstede & Minkov, 2013).

As presented before, (see Figure 1) the 5 C Framework displays the overlaps that culture has with all other facets of the 5 C Framework and market locations. When implementing a market entry strategy, it is essential to consider cultural elements and differences to the home market (La Plante, 2005).

The researchers argue that the 5 C Framework is not specific or does not explain in enough detail which factors should be analyzed in each ‘C’ category. Therefore, the framework itself serves as a starting point/checklist of the factors a firm should consider. Additional models are required to be applied inside of the 5 C Framework the uncover sufficient depth of consideration.
4. Methodology

This section will explain the methodology used to answer the research questions of this thesis. Firstly, the research is classified: the philosophy is established and the method is discussed. Research methods will be displayed along with the strategies used to carry them out: literature review, company observation, desk research, field research and interviews. Ethics and sustainability issues are also discussed.

4.1 Classification of Research

This thesis is classified by the researchers as a predictive research. Predictive research intends to explain what is happening in a certain situation (Collis & Hussey, 2014). The solutions proposed in predictive research can be applicable to cases that exhibit similar characteristics (Collis & Hussey, 2014). The researchers attempt to forecast which business characteristics should be amended to be successful in a new, foreign marketplace. The research aims to be applicable to similar situations with similar characteristics, such as ‘Born Global’, ‘UK’, ‘B2B’, ‘SME’s’ entering a similar market scenario. Consideration will also be given to the trends that firms with these characteristics exhibit when internationalizing.

4.2 Research Philosophy

Initially, the term ‘research’ must be defined. According to Collis and Hussey (2014) “research is a systematic and methodical process of inquiry and investigation with a view of increasing knowledge”. After defining what research is, the researchers must establish the philosophical standpoint of their research as it can have a drastic impact on the resulting findings. There are two clear philosophical standpoints prevalent in research. The two schools of thought can be separated into positivism and interpretivism. Prior to the development of social sciences in the late 19th century, positivism was the established philosophy as research was largely focused on natural sciences (Collis & Hussey, 2014). Positivism is built upon accepted and established knowledge, following strict formal guidelines which can be verified with mathematical proof. Positivism has been largely rejected by researchers over the last half decade due to its entrenchment in quantitative methods (Chong, 2003).
On the other hand, interpretivism was developed on the back of criticism of positivism, it accepts that reality is subjective and multiple (Collis & Hussey, 2014). Furthermore, the researcher is an integral part of the research as he brings his own beliefs into the study. Interpretivism utilizes qualitative, subjective, humanistic and phenomenological approaches which in turn embraces multiple realities. The core concept of interpretivism is that the research conducted intends to strengthen understanding rather than to prove or disprove predictions (Collis & Hussey, 2014).

It is useful to see research philosophies on a continuum with positivism on one end and interpretivism on the other. Moving across the continuum characteristics and assumptions of one philosophy are gradually replaced by those of the other (Morgan & Smircich, 1980). To approach this thesis with a purely positivist philosophy, the size of data needed would be immense, therefore an interpretivist approach has been selected which is more applicable to the topic and resources available (Collis & Hussey, 2014). This thesis investigates variables such as cultural differences and social contexts, naturally leaning toward an interpretivist philosophy. Investigating a market entry by its definition occurs in a ‘natural’ location, a key characteristic of interpretivist research. Understanding that the researchers are themselves actors in the study who bring their own perspectives and inbuilt biases. The thesis itself intends to strengthen the understanding that Born Global SME’s have over their internationalization trajectories and methods available.

4.3 Research Method

Upon establishing the research philosophy for this thesis as interpretivism, it is important to establish the method of study. Scientific research can be classified into either quantitative and qualitative (Collis & Hussey, 2014).

Quantitative research is classified as research that uses numerical data and statistical analysis to processes this data. The research will be emotionally separated from the respondents and subjects thus to further the reduction of bias (Blaxter, et al., 2002). To gather and process external market data this report must process quantitative secondary data on factors such as market size and value. An additional qualitative research (interview) will be used to study market entry strategies of Born Global B2B SME’s. Existing and potential customer interviews
will be used to determine optimal practices and usage of technology to align with the markets preferences, information which would not be possible via quantitative research. When conducting qualitative research, flexibility must be maintained during the process, in order to extract rich information from subjects. To allow the respondent to detail their experiences without excessive interferences from the interviewer will ensure rich data is collected.

Triangulation involves combining multiple observation methods to study the same phenomena to increase the richness of data collected. This thesis will apply interviews with desk research, and qualitative methods to complement one another rather than seeing them as opposing and non-compatible. By using multiple methods to study one phenomena, it is possible to increase the validity of the findings. Counterbalancing the weaknesses of each method by creating an overlap intended to neutralize the known liabilities (Todd, 1979).

The research process employed by the researchers is displayed in the following Figure 4.

Figure 4 visually depicts the research process that was applied during this thesis. The process was instigated by a thorough literature review which formed the foundation of the subsequent primary and secondary data collection. Placing interviews at the end of the data collection process allowed the researchers to draw upon a larger body of research and experienced from the literature through to the field research.

Figure 4 - Research Process (Researchers, 2017)
4.4 Research Method in Practice

4.4.1 Literature Review
To understand where to focus on this broad topic, the previous research conducted on market entry strategies of SME’s will be completed. To search publications, the DiVA database, Google Scholar and KTH Primo are utilized, primarily under the search terms of ‘Born Global’, ‘SME’, ‘B2B SME Market Entry’ and ‘Internationalization.’ The literature review took place in two phases: (1) market entry strategies of firms, which was focused primarily on past research papers involving case studies. And (2) a search of internationalization literature and theory. The depth of research relating to the aforementioned terms is vast and therefore, as discussed in section 1.4, predefined limitations apply. Regarding this, the most prominent theories will be discussed as determined by literature appearance and researcher’s discretion.

4.4.2 Participant Observation
Participant observation will be used in the case study, since one of the researchers is currently a company director and founder, and the other has no prior involvement with the company. However, due to this research, he will be involved in daily company activities as well. Due to the fact one of the research team is company affiliated, full access to information is possible. Both researchers will be involved daily in the company activities either through practical operational work or through research. This level of involvement is classified as ‘complete participation’ whereby total integration occurs (Collis & Hussey, 2014). By working inside the company throughout the research project impromptu discussions and communications via digital platforms will be used with both company directors, in order to ensure accuracy of information.

The company is controlled by two directors, one of whom is not on the research team but will participate in related discussions and therefore will provide information when prompted. The research not involved with the company formally will also assist in translational work, without financial remuneration. Due to the division of labor within the firm, each director will be used in the circumstance that information is required that falls under their scope of work. The following reference will be used to cite information provided by one of the directors: GymFuse Internal Source, 2017.
4.4.3 Desk Research
Secondary data will be gathered through desk research. Due to the vast amount of information available on search engines, care must be taken over the quality and reliability of sources. To collect information about the case study subject (GymFuse) company observation is used. To apply the 5 C Framework of situational analysis to a firm, a degree of market information is required. In order to obtain this knowledge, the researchers must rely on public market data which will be used from respected market analysts consulting companies.

4.4.4 Field Research
The aim of this research is to gain a deeper insight into the customer’s perception of the brand and its product offering in the targeted foreign market. The research will form the base to answer the research question ‘Which adaptations should a Born Global B2B SME make to acquire customers in the German market?’ To do that, the researchers conducted field research to collect primary data regarding the aforementioned goal. This involves visiting a fitness and bodybuilding exhibition (i.e., FIBO) in Cologne, Germany.

FIBO is an annually held exhibition and the biggest fitness and bodybuilding meeting event in Europe with 150,000 visitors and 1,019 exhibitors from 49 nations (FIBO, 2017) and for this reason, the researched selected this event to attend. The visited during the trade only days (6-7th April 2017) to ensure all attendees were business focused. Attending the exhibition allowed the researchers access to network development and future opportunities for a fitness company entering the German market.

The researcher’s activities at the FIBO where divided into two main parts. First, a physical approach of potential customers on their exhibition stands and pre-scheduled meetings via the FIBO matchmaking service. The researchers have also collected contact details of attendees who could not by physically addressed for email correspondence.

4.4.4 Interviews
Interviews have been selected due to the fit with the interpretivist approach being used in this thesis to gather primary data. Semi-structured, open questioning was used to gain deeper insights into feelings, perceptions and opinions. The interviews, when possible were conducted face to face. International participant interviews took place via telephone and videophone
services, such as Skype. An initial ice-breaker discussion was used, whereby the interviewers explained the research and topic of study before commencing into the interview.

The purpose of the interviews is to understand where the ‘global’ inflection points happen in Born Global B2B SME firms and, which, if any, adaptive strategies are being used. Understanding the motivations and actions of businesses will be used to reference theoretical models to identify similarities and differences in practice. Purposive sampling was used, thereby respondents will be selected by the researchers due to their expertise and relevance to the topic being studied, additional subjects that arise during the study were not pursued.

Subjects were all decision makers who can execute or have direct influence over the business strategy and specifically, the internationalization strategy. The companies selected hold true to the definition of Born Global, ‘a new firm that makes at least one international sale to any new market within two years of formation.’ All companies approached consented to completing an interview for the research paper. Data is also applied in our case study scenario; the interviews aim to discover opportunities for GymFuse to improve its adaptation to the new market. Interviews lasted on average 24 minutes; a recording device was used to record the interviews and fully transcribe after completion of the conversation.

<table>
<thead>
<tr>
<th>Interview #</th>
<th>Company</th>
<th>Gender</th>
<th>Age</th>
<th>Role</th>
<th>Nationality</th>
<th>Time (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Brand Bikes</td>
<td>Male</td>
<td>24</td>
<td>Co-founder</td>
<td>Dutch</td>
<td>21</td>
</tr>
<tr>
<td>A2</td>
<td>Delfts Jenever</td>
<td>Male</td>
<td>26</td>
<td>Co-founder</td>
<td>Dutch</td>
<td>27</td>
</tr>
<tr>
<td>A3</td>
<td>Venue</td>
<td>Male</td>
<td>24</td>
<td>Founder</td>
<td>Swedish</td>
<td>24</td>
</tr>
</tbody>
</table>

Figure 5 - Interview subjects

The interview set was built upon knowledge acquired during the literature review, once an understanding of past literature is established the questions can highlight key literature gaps. (The interview set and interview transcripts can be found in appendix A1 - A4)

**Pilot Interview**

A pilot interview was conducted to test the clarity of questions from the interviewee's perspective, the style of response gathered and the time taken to complete the interview. The founder of ‘Kaffe Engineering’ was used to conduct the pilot interview, the interview was selected through personal connections and the availability of the interviewee. The total time of
21min 34secs was taken during this interview, falling between the desired parameters set by the researchers. Amendments were made to the phrasing of interview questions and introduced probes to help guide the interviewee when necessary.

4.5 Ethics and Sustainability

This thesis will be stringent in following the ethical principle of nonmalficence throughout and will adhere to ethical and sustainability guidelines documented in Collins and Hussey (2014). GymFuse promotes sustainable practices by regularly visiting factories to ensure safe and sustainable working conditions. Furthermore, the company uses a carbon neutral logistics company to deliver all products. Ethical concerns take shape in the following four categories: *harm to participants, lack of informed consent, invasion of privacy and deception* according to Collis and Hussey (2014). All participative research in this thesis will ensure ethical compliance and careful measures will be taken to avoid the following four common ethical issues.

_Harm to participants:_ Harm to participants does not only constitute physical harm, but also mental harm whether it be during the research or to the participant in the future (Collis & Hussey, 2014). To prevent harm to participants the researchers ensured a safe, neutral location was selected for the interview to take place. The interview questions were also designed to prevent any privacy intrusion that could constitute to psychological discomfort for the participant.

_Lack of informed consent:_ Researchers will provide a full and open account of the research to the participants. Based upon this process, participants will only be used in the study based upon their voluntary participation (Bryman & Bell, 2015).

_Invasion of privacy:_ The privacy of participants will be maintained throughout the data collection process (Bryman & Bell, 2015). When dealing with the topic of the respondents’ business strategy it is conceivable that a subject may not want to disclose certain strategic information. Therefore, we will offer respondents the opportunity to preserve anonymity. Subjects will be treated with sensitivity and regularly presented genuine opportunities to withdraw. Interview recordings will only be used for transcription purpose by the researchers and not shared outside of this context.
Deception: When conducting research, participants must be clearly instructed as to what the data is intended to be used for (Bryman & Bell, 2015). With this in mind, participants will be assured that responses received will be only used for the purpose of the research project.
5. Case Study

This section will display the learnings gaining from the researcher’s participative observation within the company throughout the research period. Secondary data is collected through desk research with regards to the German market will also be presented. The company’s background and strategic goals for 2017-2018 are included.

5.1 Company background

GymFuse was founded in the United Kingdom in May 2014 by Marc Astbury and Daniel Mason, providing an agile B2B clothing solution for fitness specific companies (GymFuse Internal Source, 2017). GymFuse uses e-commerce to allow customers to detail individual specifications and place orders. A supply chain issue was identified by the founders whereby fitness institutions were faced with sub-optimal choices. Adding standardized garments to their product range or investing heavily in both time and money by working with an OEM (original equipment manufacturer). Thereby a market opportunity was spotted by the company’s founders. In 2015, the company was selected to be a part of ‘Great 200 Leaders’ program, an ecosystem of UK based entrepreneurial companies. The company is self-sustaining with no external financing, received as of May 2017.

The company’s biggest market is the United Kingdom with over 80% of revenues coming from domestic clients. The firm’s customers can be segmented into three key groups (GymFuse Internal Source, 2017):

1. Weight training focused gyms;
2. Fitness fashion brands;
3. Sport supplement companies.

GymFuse has attracted customers from a plethora of foreign markets despite the lack of an international market strategy being in place. Besides the United Kingdom, GymFuse also has clients in Belgium, France, Germany, Holland and the USA. Based on the acceptance of clients from outside the UK, the company’s goal is to expand its market share in Europe in the following year (GymFuse Internal Source, 2017). Since Germany is a region that has seen a substantial number of inbound enquiries and is the second largest fitness market (Deloitte,
2016) in Europe, the authors selected this market to examine in this thesis. This research was conducted at an inflection point in the company’s history as it looked for a way to develop a successful, profitable strategy and value proposition to apply to the new geographical market.

The company works with manufacturers in both Asia and Europe, as to design and produce its products. After bulk production, the stock is transported to holding premises in the UK, where it can be finished and fulfilled to the end customer. The company relies on supporting services such as quality control and logistics management, which are all outsourced, in order to remain lean and agile (GymFuse Internal Source, 2017).

The company has highlighted three key strategies for 2017-2018, as follows:

1. Increase market share in mainland Europe
2. Extend the company’s current product range
3. Develop customer experience to increase brand loyalty

Due to the purpose and scope of this research, the first strategy “increase market share in mainland Europe,” will be utilized.

Currently, GymFuse is generating the majority of its revenues from the UK, as can be seen in Figure 6, above. The UK is the biggest fitness market in Europe according to Deloitte (2016). After the UK, Germany is the second biggest market for health and fitness with 4.8 Billion Euros in revenues in 2015. Entering the German market allows GymFuse access to approximately 50% of the whole European market, which makes this market auspicious (Deloitte, 2016). Germany is selected due to its level of development and overall market size.
Furthermore, one of the researchers is a native German with both language and cultural awareness of the market. This gives the firm a comparative advantage when targeting this particular territory.

GymFuse’s current global strategy aims for low cost operations when it comes to production. Products are predominantly produced by a manufacturer in China, which allows the company to have a significant price advantage over competitors using local, EU based manufacturers (GymFuse Internal Source, 2017).

After the low cost of production of goods, GymFuse switches from a low cost to a high efficiency strategy when it comes to printing, fulfilment, product delivery and customer support. As mentioned before, the product is delivered within 10 days after placing the order (GymFuse, 2017). This allows customers to react immediately if an increase of demand happens and they do not have to store large amounts of goods waiting to be sold.

Further, customer’s issues will be processed within 2 days allowing customers a direct support email. Using UK based printing and finishing solutions enables GymFuse to customize their products quickly, have a better control of quality and the end product. This combination of low cost and high efficiency leads to a high customer satisfaction, according the company’s founders. This serves to strengthen brand loyalty, which is crucial for GymFuse to operate profitably.
6. Analysis

This section will display the application of the 5 C Framework discussed in chapter 3. With regards to the 5 C Framework, company, competitors and customers will be analyzed. Furthermore, challenges to Born Global’s will be applied and discussed regarding the case study firm. To conclude, data will be presented by three customer approach strategies tested at FIBO. The presentation and discussion of three Born Global B2B SME interviews are also included. To conclude, the researchers briefly discuss the contemporary issue of Brexit.

6.1 Company

Analyzing a market without a deep understanding of the firm’s own capabilities and strategies is unlikely to be successful (Kotler & Armstrong, 2005). Therefore, the researchers have selected an analysis of the company itself as the first step when entering a foreign market.

From previous named strategies, GymFuse uses a global strategy when trying to access the German market. The global strategy has been chosen because the firm's headquarters will remain in the UK and a low-cost strategy is needed to keep the business operating in the eventuality the market new entry does not generate a significant amount of revenue in a short time period (GymFuse Internal Source, 2017).

This strategy leads to exporting as the desired method of market entry. Exporting gives GymFuse a low risk opportunity of entering a foreign market without having the financial burden that foreign direct investment (FDI) presents (Kotler & Armstrong, 2005). The firm has addressed current international customers with this method and due to the low cost and high speed of distribution companies, it remains viable. International customers that discovered GymFuse thus, far have contributed to its status as a Born Global as discussed in the literature, section 2.1.2.

It is not recommendable to only stick to the identified strategies and entry methods. Being able to innovate and to pivot is crucial when entering new market with online-based SME’s. Nevertheless, those methods and strategies are giving GymFuse a low risk and clear operating structure, which will be suitable in this early state of internationalizing the firm. With reference
to the revised Uppsala model, GymFuse should actively seek to build a network in the new market in order to increase its learning capacity and knowledge (Johanson & Jan-Erik, 2009).

6.2 Competition

After analyzing the company itself, a deep insight in those who are aiming for the same customers is needed. To analyze competition, Porter's Five Forces are included in the 5 C Framework and will be applied to this case study. Theoretical background and prelude to the model’s application can be found in section 3.1.4. Porter’s model is ranked on a ‘low’, ‘medium’, and ‘high’ scale. ‘Low’ meaning the threat has been classified as not significant, ‘medium’ would signify a considerable threat in the marketplace and finally ‘high’ suggests an intense threat is present. Rankings will be generated by listing both positive and negative forces.

6.2.1 Threat of New Entrants

The first section of the Five Forces to be analyzed will be Threat of New Entrants. This threat is of significant importance for GymFuse because customers are not obliged to sign any contracts, which would bind them to the firm (GymFuse Internal Source, 2017). Customers can order whenever they want and there is no predictable revenue stream coming from them. This may make it easier in the first run to get new customers at all, but it is harder to turn them into core customers and create binding contracts.

Due to the nature of the firm’s business model, significant capital is required to compete alongside GymFuse, as stock must be purchased before any subsequent sales revenues are accrued. However, it should be considered that a firm may enter the market with a new business model reducing the need for capital expenditure, in turn opening the market up for new entrants.

The researchers have classified the threat of new entrants as medium due to the lack of any customer contracts coupled with the market growth rate displayed in Deloitte (2016) which is likely to attract new players to the market.

After securing the threats of new entrants, the bargaining power of suppliers is the next step to be analyzed.


6.2.2 Bargaining Power of Suppliers

Suppliers with a high bargaining power can be a threat to every firm that is depending on them (Porter, 1979). In general, this can be address with the order quantity. The higher it is, the less the bargaining power of a supplier can be due to the increased importance of the customer.

In addition, there is another point, which is especially applicable to GymFuse and their supplier in Asia. Manufacturers from the Eastern hemisphere, in general, are aiming for the Western market due to its profitability and developed status (The Economist, 2015).

Based on the experienced gained so far, it is unlikely that the manufacturer will change prices and risk losing a growing customer based in Europe which has the potential of ordering larger volumes in the near future. GymFuse has been increasing its order volumes consistently since the relationship was established. Nevertheless, this is a threat that is hard to deal with, especially with companies in Asia, due to their unique set of cultural dimensions. With a score of ‘87’ in Hofstede’s cultural analysis, Chinese are shown to be strongly long term orientated. Comparing this result to ‘51’ in the United Kingdom (Hofstede, 2001). Seeking to establish strong relationships, rather the one-time transactions is a key part of Chinese business negotiations.

6.2.3 Bargaining Power of Buyers

Buyers with a high bargaining power are correlated with reduced profit in the industry (Porter, 1979). A buyer who is able to negotiate strongly with the supplier finds himself able to decrease price and/or increase the level of service received. There is one threat identified by the researchers, several buyers come together to order as one big customer from a manufacturer and therefore leapfrog the service GymFuse provides. Although it is unlikely, due to the amount of firms needed to co-operate and the difficulty in negotiation across cultures, this threat still needs to be considered. If this happens, GymFuse could see itself subject to pricing pressures and an increase in the number of products and services demanded by its current customer base.

The founders are aware of this problem and the firm is currently using the following strategies to prevent this from happening (GymFuse Internal Source, 2017):
1. Data protection:
   o Customers do not get any information on which other companies have GymFuse as a supplier. Protecting data and keeping customer’s confidentiality also has downstream benefits for the end user.

2. Customer relations:
   o Building a close customer relationship is crucial if one wants to keep customers satisfied in the long run. Direct and regular contact methods are used.

3. Transparency:
   o A high transparency in company pricing and processes is used so customers understand the ‘why’ and ‘how’ to prevent them from feeling deceived.

The bargaining power of buyers is classified by the researchers as **medium** due to the fact that one buyer on his own won’t have a significant impact on bargaining power.

### 6.2.4 The Threat of Substitutes

Using Kotler’s (2012) definition of competitors, any product that a customer may potentially consider leads to a review of non-direct substitute product providers. This analysis will be used to address substitutes and establish a comparison of what GymFuse could possibly learn from them to enhance their market appearance.

Therefore, the 5 biggest substitutes have been identified. The procedure used to find them may seem trivial, but it reflects the typical method of customers when looking for a distributor.

First, the search engine Google has been accessed and fed with information about the core area of GymFuse business. (The chosen language is German, due to the target market)

1. Fitness Bekleidung bedrucken
   o English: print fitness apparel

2. Individuelle Fitnessbekleidung
   o English: individual fitness apparel

3. Individuelle Bodybuilding Kleidung
   o English: individual bodybuilding apparel
After examining the four biggest substitutes with this method, an order quantity of 50 fitness T-Shirts has been chosen to analyze pricing, print solutions, delivery and website appearance. These factors will be evaluated in a decision matrix. The outcome will be a ranking which helps GymFuse to see the own deficits and opportunities to develop.

The detailed decision matrix can be found in appendix A5. The outcomes of this analysis are the following:

**GymFuse is currently succeeding in three areas:**
1. Customer support;
   (Based on offered customer service channels such as email and telephone)
2. Pricing
3. Website Appearance

**GymFuse needs to improve in three areas:**
1. Online design application;
   (A function that allows customers to design their apparel in the web browser)
2. Minimum order quantity
3. Delivery time

In addition to this, two other findings were discovered. First, the majority of substitutes offer an online design solution to give their customer an immediate feedback in how the final product will look. Even though this might get the customer an instant mock-up of their apparel, the decision has been made to not implement it because it requires a considerable financial commitment and maintenance in the event of software corruption (GymFuse Internal Source, 2017).

Secondly, two thirds of the substitutes are labelled with a customer protection seal on their website. Those seals ensure that a website is constantly checked by a third party and therefore is serious and safe to use. This needs to be further evaluated and a price benefit ratio has to be established to see if this should would be beneficial for GymFuse. To keep this thesis within its delimitations, this analysis will not be applied and it is suggested that further investigation is conducted.
The researchers have classified the threat of substitutes as **high** due to the factors listed above, if GymFuse loses its niche market focus the perceived customer benefits of selected the firm could lead to the established players moving from substitutes to competitors.

### 6.2.5 Industry Rivalry

Lastly, Porter names the *industry rivalry* (1979). Currently, there are no known competitors aiming for the exact same market segment as GymFuse. The competitors listed above are positioned in the mainstream market and do not provide fitness specific clothing. GymFuse should be prepared for these companies to diversify their product offering to target the ever-growing fitness industry.

Due to the lack of known competitors in the niche market the researchers have classified the industry rivalry as **low**.

### 6.2.6 Five Forces Summary

To summarize the findings for the B2B custom fitness apparel market in Germany in relation to Porter’s Five Forces:

- Threat of new entrants: **Medium**
- Bargaining power of suppliers: **Medium**
- Bargaining power of buyers: **Medium**
- Threat of substitutes: **High**
- Industry rivalry: **Low**
6.3 Customers

To analyze the potential new customers, the researchers attended FIBO. The following section analyzes the strategies tested and the subsequent results achieved. The three strategies tested were: cold approach, prescheduled meeting and email.

6.3.1 FIBO Cold Approach

The researchers began by walking the exhibition halls to identify potential customers in GymFuse’s market segment. The segments predefined by the company as: supplement companies, fashion brands and gyms.

54 exhibitors were approached based on their company appearance and as it can be seen in Figure 7 above, 87% of approached exhibitors were interested and agreed to share contact details to get more information about GymFuse and the products available. Those companies have been contacted again after the FIBO and a total of 15 responses and is still in the GymFuse sales funnel. The following outcome can be shown from the method of cold approach:

*This method achieved 27.7 % acquisition of potential new customers*

The drawbacks of this strategy are the lack of prior information around the firm from the perspective of the newly approached firm. Capturing the potential customer’s attention span and interest is subject to the experience and ability of the representative.
6.3.2 FIBO Meetings

Next to walking from exhibitor to exhibitor, another way of network building has been tested. FIBO offers a matchmaking program where companies are able to create profiles and schedule meetings before arriving. In the case study, 16 meeting with possible customers were scheduled.

Three of the 16 scheduled meetings where cancelled within two hours before the meeting. The content and overall approach was the same at with the personal approaches on the individual stands. However, there are several advantages.

1. The customer has already knowledge about GymFuse and therefore are further along the sales funnel
2. The interview partner has time scheduled to discuss business with GymFuse
3. GymFuse has physical product samples for the meeting

The results from the matchmaking meetings were, 9 of the 16 companies are still in contact with GymFuse.

*This method achieved 56.25% acquisition of potential new customers*
However, this strategy is time consuming because it requires individual preparation for each meeting.

The downside of attending an exhibition is the need to be physically present at the venue. This goes along with costs for accommodation, flights and living. Especially for Born Global B2B SME’s in an early stage of development, referring to the lack of resources challenge that firms face. The following strategy is cheaper and easier to test for resource constrained firms. Furthermore, it became apparent to the researchers that comprehension of the German language was a key asset and necessary adaptation. Of the 13 meetings held only 6 could be conducted in English due to the lack of English ability on the part of the potential customer. Referring to the research question ‘Which adaptations should a Born Global B2B SME make to acquire customers in the German market?’ It is apparent a strategy needs to be developed to allow non-English speakers a more accessible experience.

6.3.3 Email
The lowest cost to reach out to a high number of customer simultaneously is by sending an email. To test this strategy for the case study, an email service was used which allows the sender to see how many people opened and responded to the email.

An email template was composed which consisted of a company introduction, an introductory offer and a chance to read further information. By personalizing the email to the first name of each recipient the researchers were able to directly target the decision maker due to his contact details being shared within the FIBO community. The email was sent to 45 FIBO attendees that were not contacted physically during the time of the event.
45 delivered, 20 opened (44%), 6 potential new customers (13%),

The emails were sent ‘cold’ thereby no prior contact was made with the receivers. Figure 9 shows, all emails have been delivered (email bouncing may occur). 20 people opened and therefore read the email and 6 clicked on the link which opens the offer and forwards them to the website. As expected the conversion rate of this approach was significantly lower than other methods above. Despite this, the method is of course free and a sale was achieved. Further study would need to be conducted on a large sample size.

This method achieved 13% acquisition of potential new customers.

Summarized, the three strategies lead to the following outcome of acquiring new customers:

- **Strategy 1** (cold approach): 27,7 % potential of new customers
- **Strategy 2** (meetings): 56,25 % potential of new customers
- **Strategy 3** (email): 13,0 % potential new customers
6.4 Born Global Challenges

Being Born Global comes along with challenges which need to be addressed if one wants to analyze its strengths and weaknesses and identify a firm’s possibility for improvement.

Lack of resources

The first challenge is the lack of resources. GymFuse has not received any funding or external financial help from creation to completion of this thesis, June 2017 (GymFuse Internal Source, 2017). This approach has been successful in the domestic market with a consistent and stable revenue stream. Reaching out to new markets and customers can highlight a lack of resources (financial or personnel) which may prevent penetration in the new market.

One big problem has been discovered when investigating the Born Global challenges found in the literature to the firm. Acquiring more customers than the firm and its current capabilities are able to serve. This is a major problem and it lead many startups and Born Global’s into bankruptcy (Rouse, 1999). If the product gains traction quickly in the newly addressed market, the firm’s resources can be insufficient to satisfy all new customers. Losing important customers in this early stage of a market entry can endanger the company’s plans. Causing bad will by overtrading can cause irreparable damage to the brand’s reputation and image in the new market.

GymFuse addresses this challenge with a moderate growth rate. Reaching out to only a certain number of customers which can be served and a high transparency when it comes to productions and shipping times will ensure GymFuse will not see itself in a negative situation. The position will be reassessed as the number of new market clients grows and inbound enquiries start to be received.

Management transitions

After the lack of resources, management transitions are another challenge which needs to be overcome, in order to be successful. This problem is bigger for SME’s than for established firms because of the number of employees. Changing one person in a four employee company will have a bigger impact than it has in a firm with thousands of people. Knowledge, which is crucial for the success of the market entry can be lost.
Due to their low number of employees, this challenge is of less importance for GymFuse at the moment. The company consist of only two people during this research and therefore, all information is shared and discussed between them. To address this problem in the future, GymFuse will document all information which is important for the company to review it at any time, even if people who came up with this information already left the firm.

**Financial access**

During this research, GymFuse initially relied on the investment of founders and organic growth thereafter. This strategy has been successful to gain traction in the domestic market but due to the time lag between stock expenditure and the recuperation of this investment, through sales would provide the firm with a cash flow issue. A study by Huhta & Huhta (2014) found that amount of financial capital in early stage was often perceived as adequate, however Born Global’s often encountered financial stress during later stages. GymFuse must plan in reference to expected demand and scale.

**Lack of market information**

The fourth challenge is the lack of market information. As mentioned before, being Born Global comes along with an involvement in many different markets worldwide. Having in-depth information of every market is simply not possible in the early stages of a firm (Hamza & Zulfiqar, 2011). Therefore, a prioritization has been made to identify the most important market information which is applicable to all countries.

1. Size of the market
2. Number and strength of competitors
3. Cost calculation for market entry
4. Entry barriers (Laws, Regulations)

This allows GymFuse a fast evaluation of every market and will lead to a decision if the market should be further addressed or left behind for the moment.

After answering and evaluating those four points, GymFuse will have a decision if the market should be further addressed or only kept as a ‘peripheral’ market. The term “peripheral market” has been firstly named in this thesis by the researchers and describes markets which are passively addressed through the English website of Born Global’s. Besides that, there is no further customer support in the particular country and language. The company visited the FIBO
exhibition in Cologne 2017 to spend invaluable face time with potential customers. Looking at market data fails to give the full picture to make this judgement. Deloitte’s (2016) market report displayed Germany as the second largest in fitness market Europe in terms of total size, however GymFuse operates in a niche segment of this market.

**Lack of innovation**

Lack of innovation can have several different origins. The two biggest one which have been identified in the case study are human capital and financial assets. The advantage Born Global firms usually have, compared to big companies, is their ability to pivot, innovate and make major changes without using a significant amount of resources. (Shane and Katila, 2003). This advantage is crucial to gain traction in the newly addressed market; however, it can be lowered or fully suppressed by management personnel, which is not willing to adapt to changes or even rethink the whole business model if it needs to. Secondly, even if there is a will to innovate, a lack of financial resources can be as harmful as the human capital issue identified above. After identifying this challenge, GymFuse decided to always keep enough assets to even make major changes (GymFuse Internal Source, 2017), if necessary and further possible innovations will be discussed in a weekly meeting to ensure to keep the topic in focus.

**Lack of brand recognition**

Lastly, the lack of brand recognition has been named as a challenge for Born Global’s. Personal experience is often the key point to keep purchasing a specific product. If this personal experience is missing, one reaches out to a general reputation of the firm or product (Hamza & Zulfiqar, 2011). This is where Born Global’s usually have a disadvantage compared to big and established firms. However, as mentioned earlier, GymFuse current approach to new customers is customer service orientated and therefore can help to overcome the lack of brand recognition and develop a strong and competitive brand in the long run.

Following the application of the 5 C Framework and Born Global challenges for the case study company, a practical application is conducted. This chapter contains practical approaches towards a new market. In this case study, an industry related international exhibition has been attended and in addition, several Born Global B2B SME’s have been interviewed.
In order to develop a strategy Born Global B2B SME’s should use when aiming for new markets, several different approaches has been created and will be evaluated in the following section.

1. Attending an industry related exhibition or fair
2. Personal and physical approach of customers in the targeted country
3. Cold email approach

Furthermore, several Born Global B2B SME’s have been interviewed to investigate their perception and efforts when acquiring new customers in a new foreign market.
6.4 Interviewing Born Global’s

The following interviews were held to collect primary data regarding Born Global B2B SME’s path to internationalization and specific tactics they are using to address the foreign market. Interviews with Brand Bikes, Delfts Jenever and Venue are discussed below.

6.4.1 Brand Bikes

The following section will discuss and analyze the conversation the researchers had with Brand Bikes co-founder via Skype. The abbreviation (A1) will be used to reference his quotes.

“Our focus was the Dutch market only. Netherlands has 1 million bike sales per year, the domestic is large enough for us to grow a profitable business” (A1).

Brand Bikes’ co-founder stated that during the company’s incubation phase and early trading, they had no intention to expand their market horizons beyond national borders. A1 went on to state that “we know the landscape pretty well and have a network here”. This statement’s use of the term ‘network’ has surrounding ambiguity, however the researchers believe both potential customers and supporting communities were being referenced.

The interviewee continued to state that the first international enquiry came after 3 months of formal operation. Further to this, A1 stated his move to a new country as fuel to target his now local market. “Using the mentor network establish in Sweden to leverage contacts” (A1). The reoccurrence of the term ‘network’ may be due to the subjects own personal experience of ‘word of mouth’ and ‘referrals’ as successful sales origins.

The company, despite not having any local language ability, used their English language knowledge to serve the Swedish market, “the website is now in English, we do not have any Swedish language skills but Swedish have strong English ability” (A1). Whilst the solution could be view as imperfect, it has been successful in allowing the companies message to be communicated with the market.

“We export to the new market, we see this as the best method to address new markets without large costs” (A1). As quoted, the firm rely on exporting as their market entry method due to financial restrictions. The co-founder went on to add “bikes are pretty expensive to ship but
this is the only feasible method for our budget right now” (A1). The researchers argue that the respondent may be open in the future to other entry options with a potentially lower marginal cost, but is currently restricted by financial resource scarcity.

The co-founder went on to answer the researcher’s checklist of current and future strategies that can be seen in appendix A4.

6.6.2 Delfts Jenever

The following interview was conducted in person with the co-founder of the company, his responses will be referenced (A2).

When asked about the company’s market focus (A2) stated; “Yes, we focused on introducing this product to young people. This product is usually associated with older, traditions and we wanted to make it cool for people in Holland to drink it again!” This response could be said to infer that the firm was initially focused on addressing the domestic market.

The co-founder went on to explain the story behind the first international enquiry and subsequent sale; “We had an international enquiry the day we launched! We launched the product at a festival and a German company ordered a batch of product that day” (A2). The company apparently had no intent to target international attendees at the festival, summarized by the response, “We knew there would be international buyers present but they were not our focus” (A2). A conscious awareness of international visitors being present did not sway the firm to target them.

When asked about internationalization ambitions, the co-founder stated, “we will just focus on Holland right now” (A2). The firm is content with picking up international customers if they come forward but have no direct focus on obtaining them. “We are yet to fully research the tax and import issues” (A2) the product is alcohol based and therefore is subject to import/export legal implications which the firm have no yet fully investigated.

The product sold by Delfts Jenever is unique in the sense its identity is tied to a specific city and culture. When discussing future plans to target foreign markets, the co-founder stated “This should benefit us when selling to foreign buyers as the novelty factor is high” (A2). Leveraging the product itself a means to internationalize is a strategy being considered by the firm.
The list of strategies, both current and future from Delfts Jenever can be found in appendix A2.

6.6.3 Venue

The interview with the sole founder of Venue took place in person, responses will be referenced (A3).

Venue made its first international sale very quickly, “1 month after launching the platform” (A3). The techniques used by the firm to attract and obtain new customers, both foreign and domestic were very direct “reaching out to the international customers. I didn’t invest market activities, our budget didn’t allow us to do this” (A3). The founder spent time on obtain customers rather than marketing activities or ‘brand building.’

Despite obtaining international customers the founder stated, “I will focus on Sweden first” when asked about his strategies about targeting foreign customers. The reasoning behind this strategic move was not discussed further and/or if the interviewee was implying he personally wouldn’t deal with foreign markets.

The respondent stated that the company website had been translated into English “We offer English for all foreign visitors so far, this works for us as most people have a conversational level in English” (A3). In a similar strategy to Brand Bikes (A1), English has been used to cover a range of potential foreign markets and not for specificity in the UK or American markets.

As mentioned, Venue is a virtual platform therefore no physical product is present, this has bearing over the firm’s entry method into the market. For example, the researchers argue that exporting would not be an option for Venue. The founder stated a method not previously discussed in this thesis. “We are using ambassadors who are familiar with their local market” (A3). It is unclear if the ambassadors are being financial rewarded for their role.

The list of current and future strategies confirmed by Venue can be found in appendix A3.
6.7 Brexit Analysis

One topical factor in play during the writing of this thesis is the impact or lack thereof with regards to the UK leaving the European Union. GymFuse, as shown in section 4 is registered and currently trades from the UK. During the time the researchers spent talking to foreign customers at FIBO a reoccurring statement was mentioned.

“You are a British company, have you thought about the Brexit?”

Due to the importance of this topic, Brexit and the impact on GymFuse has been evaluated.

GymFuse could face significant problems when the UK leaves the European Union. While writing this thesis and analyzing the German market, the researchers found that shifting part of the company from the UK to Germany could reduce the Brexit threat. There are several reasons supporting this theory most importantly, the currency (i.e., Euro). Exporting from the UK comes along with a possible loss, due to the fact that the Pound is much stronger than the Euro. Currency fluctuations being difficult to anticipate and plan for, especially for an SME that does not have a designated financial department.

Secondly, a company based in Germany will keep all the benefits from the EU and won’t have to deal directly with the outcomes of the Brexit. This can be crucial in the current state of GymFuse. All resources should be concentrated on gaining a substantial market share in Germany and not misused for handling a political issue which can be easily prevented if the company shifts to Germany.

Lastly, Frankfurt is the city where GymFuse products from China are arriving in the first place. After Frankfurt, the goods are sent to England to the warehouse. Cutting this distribution line can save money and reduce shipping time, which will result in higher profits. For this reason, the researchers argue that Frankfurt would be the preliminary choice of location for a new GymFuse headquarters.

Since the Brexit procedure is still ongoing, the researchers recommend GymFuse to keep evaluating the possibilities regarding to this issue. Nevertheless, it will take two years until the
UK leave the European Union and therefore, this topic will be postponed until a sustainable entry strategy is found.
7. Conclusion

This section displays practical conclusions that will be suggested to the case study firm. Building upon insights gathered from the research methods applied, the researchers intend to offer practical and applicable conclusions. Furthermore, the theoretical implications of the research will be discussed. To conclude, a discussion and acknowledgement of limitations is included.

7.1 Practical Suggestions

After examining the literature, conducting field research at the FIBO and interviewing three B2B Born Global’s, several practical suggestions will be put forward for the case study firm. Strategies suggested will be centered around maximizing the return on investment with the view to increasing market presence in Germany. Resource intensive strategies will be ignored due to the lack of practicality for a small business.

Combining both primary and secondary data, the researchers argue with a strong degree of confidence that a market entry into Germany could be strategically beneficial to GymFuse. Below are the suggested steps the firm should take in order to enter the market. Referring back to the research question ‘which adaptations should a Born Global B2B SME make to acquire customers in the German market?’

1. Export focused

By addressing the new market via export the firm can reduce costs to enter the market. Should a new strategic direction be taken, the firm can pull out of the market without any financial implications. Two out of three firms interviewed utilized exporting as method of entry (A1, A2), and the firm’s own experience thus far has found no significant delivery issues by using third party delivery solutions. Based on that, the researchers advocate exporting as the initial entry strategy. This strategy however, may or may not be affected post Brexit. An introduction of trade tariffs or other adjustments to the current free trade policy amongst EU member states could leave this entry method as undesirable or no longer feasible.
2. Translated website
After interacting with potential customers at the FIBO, it became apparent that a considerable number of contacts felt uncomfortable communicating in English. According to Chakraborty et al. (2005) maximizing ease of use for the customer should be prioritized. If customers are required to use a translation service to navigate the website, a significant roadblock has already been placed in front of them. Furthermore, during the discussion with Brand Bikes, the founder stated a translated website being of vital importance to entering their new market (Sweden). This can be carried over to GymFuse and applied in Germany, to the German language. The aim of improving the experience for users and increasing the perceived commitment to serving the market.

3. Language specific customer support
According to the founders of GymFuse, an average of e-mails the customer exchanges with the company is 6 (GymFuse Internal Source, 2017). Following on from findings stated above, customers must feel at ease when communicating their needs with the company. It is strongly recommended that GymFuse allows customers to receive accurate email responses in their native language. A low-cost option of offering this service would be to outsource German correspondence to a third-party firm. All three Born Global’s interviewed had multiple languages available for customer to communicate with the firm in. As GymFuse is intent on entreating a market whereby English is not primarily spoken the researchers suggest offering German language customer support.

4. Reduce Brexit threat
Whilst the direct implications of Brexit cannot be accurately forecasted, customers in Germany brought the topic up in discussion. With fear of potentially increased prices due to both currency fluctuations and potential import duties. GymFuse are suggested to open a subsidiary in Germany to allow flexibility in the event of negative Brexit outcomes. A positive externality of this move is the peace of mind offered to current and future German customers. The legal and financial implications of a foreign subsidiary were not examined in this thesis and therefore would need to be investigated further. The UK has a two-year timeframe for EU exit and therefore March 2019 is the end of this transition period.
5. Trade show presence

The return on investment of visiting the FIBO exhibition 56.25% of customers significantly advanced in the company’s sales funnel. Based upon results of this visit it is a strong recommendation for the firm to continue to attend trade shows in the target market. Utilizing the pre-arranged meeting facility GymFuse can ensure face time with customers before committing to the expense of international travel and accommodation. Referring back to the importance of network building discussed in both the literature and company interviews, physically presence and face time with industry players is seen as highly valuable.

7.2 Theoretical Implications

The practical recommendations in section 7.1 whilst being applicable to the firm in the case study may have limited scope for further scenarios. The literature review coupled with Born Global interviews however, have offered some insight into the internationalization processes firms may experience.

This thesis aimed to add to the research pool in the field of internationalization theory, specifically in the sub-category of ‘Born Global B2B SME’s’. The research question ‘*What does a Born Global B2B SME’s internationalization process look like?*’ aimed to examine how accurately current literature was able to describe the path firms took to a new foreign market. The findings gathered from three interviews have shown that the original Uppsala model of gradual internationalization based on the premise of psychic distance did not apply. Furthermore, all firms interviewed were classified by the chosen definition as ‘Born Global’, meaning they were already present in this theoretical camp. The literature surrounding Born Global’s does not discuss the trajectory or reasoning behind a firm selling to a foreign market.

The updated Uppsala Model (2009) can be cross-referenced to the interview findings, respondent (A1) used the term ‘network’ when discussing the positives for his Swedish market entry.

Building upon the findings from Born Global interviews, the researchers have developed a preliminary model, titled the 5 Step Model, as shown in figure 10. It is intended to display the process and sequential steps a firm takes to not only selling to a foreign market but at what
point strategy is influenced. Built upon interview findings, it helps Born Global’s to understand in which state their company currently is in, and what the upcoming steps will be. The model and a more detailed listing of the steps is displayed in the following, Figure 10.

1. Firm is born with a domestic focus:
   Firm begins trading with the main goal of acquiring customers in its domestic market, showing no regard for targeting foreign markets.

2. Firm acquires initial domestic customers:
   As the firm begins to attract its first customers, the majority of whom are based in the domestic market. Traction in the domestic market begins to be achieved by the firm as it executes its initial strategy.

3. Firm receives foreign market pull:
   Unprovoked interest from foreign buyers is shown in the firm. This may be through enquiries and/or completed sales.
4. Firm makes adaptations to its online presence to cater to foreign buyers:
The firm, based upon the recent contact from the foreign market begins to make adaptations, specifically to its online presence to increase its accessibility for foreign customers.

5. Firm includes foreign customers in future strategy:
The firm begins to include foreign customers in its strategy moving forward, usually through further adaptations and marketing focus. Due to the trade established, the firm begins creating a network in the foreign market.

The 5 Step Model developed serves as the starting point to describe the internationalization process encountered by Born Global B2B SME firms based upon the findings unearthed in this thesis. Section 7.3 below suggestions some subsequent research to critique and refine the model.
7.3 Limitations and Further Research

This study and the established framework will not give an absolute answer to Born Global B2B SME’s whether they should enter a market or not. The model will rather present recommendations for Born Global B2B SME’s to consider if a foreign market entry is rational at their current stage of development. The research conducted interviewed only three companies, therefore the researchers acknowledge a larger sample size and model testing is required. Geographical biases may be present in regards to the interviews, Dutch and Swedish were the subjects and therefore differences may be presented compared to firms of other countries.

This research followed an interpretivist paradigm and therefore is subject to the associated limitations. Interviewer bias and the imposition of the researchers view point on the interviewee being a possible occurrence. Due to the qualitative nature of this thesis, biases and preconceived viewpoints of the researchers may have an impact of the interpretation of the results derived.

Following from this thesis, further research is suggested to conducted. There is a disconnect in the theory between sequential internationalization and the Born Global phenomenon. We have observed Born Global firms by nature begin trading internationally very early in their life cycle. All cases of international trade in our study were born through non-provoked inbound enquiries due to an online or physical presence being discovered by the buyer. The continuation of these international sales sparks an interest in the firm's management to seize a bigger portion of a foreign market (usually the market that the enquiries have originated from). Therefore, we observe firms trading internationally but becoming interested on a deeper level in one or more foreign markets. The model presented in section 7.2 intends to serve as a starting point for further research into the field of SME internationalization that extends beyond the narrow scope of ‘Born Global B2B SME’s’.
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Appendix

A1) Interview Transcript (Brand Bikes):
   o Could you briefly describe the products/services your company offers?
   We are a one stop shop from branded company bikes.
   o What is your role within the company?
   I am the Co-founder. Being an early stage company my role is varied, Marketing specialist/website design. Sales/customer support.
   o Did you have a market focus upon starting the business...if so, what was that focus.
   Our focus was the Dutch market only. Netherlands has 1 million bike sales per year, the domestic is large enough for us to grow a profitable business. Both founders are Dutch so we know the landscape pretty well and have a network here.
   o After how many years/months did you receive your first international enquiry (sale) - call/email/online form all bear different weights.
   3 months, online enquiry form.
   o Before you received the first international enquiry, did you invest in any marketing activity to target international customers?
   Probe: What type of investments have you made?
   Did you expect to get international enquiries by investing on it?
   No, but after this, as we are studying here in Lund we started using the mentor network establish in Sweden to leverage contacts. Our mentors have large networks which include potential clients so we are hopeful of using word of mouth can help us gain new customers.
   o Upon obtaining international customers, did you create any new strategies to target this new market?
   Probe: come up with some examples
   Yes. We adapted some of our marketing channels, the website is now in English, we do not have any Swedish language skills but Swedish have strong English ability. Our brochures are made in English to spread amongst network in Sweden. The founders are located in Sweden so using this location as advantage to gain new clients. We have seen a change in the quantity of foreign emails since using an English option on the site.
   o Did you do any competitor research in the foreign market?
   No
   o Have you adapted your website to cater to foreign visitors?
Yes to English, we did this fairly recently to allow our Swedish potential clients to be able to read further about the business.

- **Do you use a local domain or .com/.net?**
  
  .nl only

- **Do you offer customer support in multiple languages?**

  Support is offered in both Dutch and English. Due to my own language ability these are the only two languages we offer.

- **Which method do you use to serve the foreign market? (exporting/joint venture/wholly owned subsidiary/franchise)**

  We export to the new market, we see this as the best method to address new markets without large costs. Bikes are pretty expensive to ship but this is the only feasible method for our budget right now.

<table>
<thead>
<tr>
<th>International Adoptions</th>
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<th>Future Plan (Yes/No)</th>
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<td>Foreign sales rep</td>
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- **Did you have to change/adapt your product because you are focusing in a new marketing with a different culture?**

  No, we have the single product offering right now, the Dutch market and Swedish market from our experience are pretty similar. We are more focused on getting traction with this product at the minute. If later we enter a different market in terms of habits and culture we may have to revise our offering.

- **Do you intend to open a new office/have representatives in the new market?**
As I said I am currently living in our ‘foreign market’ so yes sure we have a representative here.
A2) Interview Transcript (Delfts Jenever):

- Could you briefly describe the products/services your company offers?
  Jenever, it is a gin based alcohol product from Holland.
- What is your role within the company?
  Co-founder
- Did you have a market focus upon starting the business...if so, what was that focus.
  Yes, we focused on introducing this product to young people. This product is usually associated with older, traditions and we wanted to make it cool for people in Holland to drink it again!
- After how many years/months did you receive your first international enquiry (sale) - call/email/online form all bear different weights.
  We had an international enquiry the day we launched! We launched the product at a festival and a German company ordered a batch of product that day.
- Before you received the first international enquiry, did you invest in any marketing activity to target international customers?
  Probe: What type of investments have you made?
  Did you expect to get international enquiries by investing on it?
  No nothing – the fair we attended was based in Holland. We knew there would be international buyers present but they were not our focus.
- Upon obtaining international customers, did you create any new strategies to target this new market?
  Probe: come up with some examples
  No, we will just focus on Holland right now. We are yet to fully research the tax and import issues so this will come later.
- Did you do any competitor research in the foreign market?
  No, the product is specific to Holland therefore any foreign Jenever products would be inauthentic.
- Have you adapted your website to cater to foreign visitors?
  No all language on the site is in Dutch.
- Do you use a local domain or .com/.net?
  Local, .nl domain
- Do you offer customer support in multiple languages?
Both the founders are proficient in English so any foreign enquiries we have we can respond in English to them.

○ Which method do you use to serve the foreign market? (exporting/joint venture/wholly owned subsidiary/franchise)

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</table>

○ Did you have to change/adapt your product because you are focusing in a new marketing with a different culture?

No, we are really focusing on the Dutch origins of the product. Later products will also be focused on this and will be used as our marketing tool. This should benefit us when selling to foreign buyers as the novelty factor is high.

○ Do you intend to open a new office/have representatives in the new market?

No
A3) Interview Transcript (Venue):

- Could you briefly describe the products/services your company offers?
  
  Venue is a crowdfunding platform for live music. We connect artists with venues.

- What is your role within the company?

  CEO and Founder

- Did you have a market focus upon starting the business...if so, what was that focus.
  
  Expanding to the other countries and eventually becoming a standard of booking shows.

- After how many years/months/days did you receive your first international enquiry (sale) - call/email/online form all bear different weights.
  
  I month after launching the platform we agreed a deal with a foreign customer.

- Before you received the first international enquiry, did you invest in any marketing activity to target international customers?
  
  Scouting and reaching out to the international customers. I didn’t invest market activities, our budget didn’t allow us to do this. Lots of direct emails, phone calls and knocking on people’s doors to get the first sales.

- Upon obtaining international customers, did you create any new strategies to target this new market?
  
  Not yet. I will focus on the Sweden first

- Did you do any competitor research in the foreign market?
  
  Yes, for the European market to see what other services were out there

- Have you adapted your website to cater to foreign visitors?
  
  We offer English for all foreign visitors so far, this works for us as most people have a conversational level in English.

- Do you use a local domain or .com/.net?
  
  .se, local domain

- Do you offer customer support in multiple languages?
  
  Only English or Swedish for now

- Which method do you use to serve the foreign market? (exporting/joint venture/wholly owned subsidiary/franchise)
We are using ambassadors who are familiar with their local market and how to approach prospective customers.

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- Did you have to change/adapt your product because you are focusing in a new marketing with a different culture?
  Not yet but it could be possible in the future. Depends on the market and the culture. It is hard to predict right now

- Do you intend to open a new office/have representatives in the new market?
  Not yet, for now we are focusing on ambassadors. However, we are planning to open new offices in the longer term future.
## A4) Interview Summary

### Current strategies used

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### Future strategies planned

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### A5) Decision Matrix

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