

The Age of Digitalisation

Market Entry in the Era of Financial Technology

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List of Abbreviations

ETF	Exchange-Traded Fund
BI	Business Intelligence
KPI	Key Performance Indicator
ETL	Extract, Transform, Load
SQL	Structured Query Language
SEO	Search Engine Optimization
DB	Deutsche Bank

1 Introduction

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2 Theoretical Frameworks

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3 The Fintech Industry

Financial Technology, often shortened to FinTech, describes the use of technology in the financial sector in order to provide applied financial solutions. It is important to note that FinTech, albeit an industry that is seemingly rather new, has actually been around since the 1800s. Buckley, Arner, and Barberis (2016) define three key periods in the evolution of FinTech: Fintech 1.0, Fintech 2.0 and FinTech 3.0.

FinTech 1.0 can be traced back to 1866 and is characterised by the implementation of the first Trans-Atlantic transmission cable that significantly reduced the communication time between North America and Europe from 10 days to as low as 17 hours. This in turn resulted in the development of the global telex which then improved financial services. Other applications during the period of FinTech 1.0 include the first handheld financial calculator (Thibodeau, 2019) and the introduction of credit cards in America (Markham, 2015).

Looking back to FinTech 1.0 a clear and noticeable pattern is noticeable and that the primary attribute that associated with FinTech is that technology acts as an enabler for certain processes that were previously either complex or not available. Thus, FinTech 2.0, which took part between 1967 to 2008, was primarily defined by the emergence of the internet and by 2001 "eight banks in the US had at least one million customers online" (Buckley, Arner, and Barberis, 2016, p. 11).

FinTech 3.0 commenced in 2008, post-financial crisis. A survey from 2015 dug into the question of how much confidence does one hold when being confronted with different names of institutions in the American society, the following figure displays the results of the study:

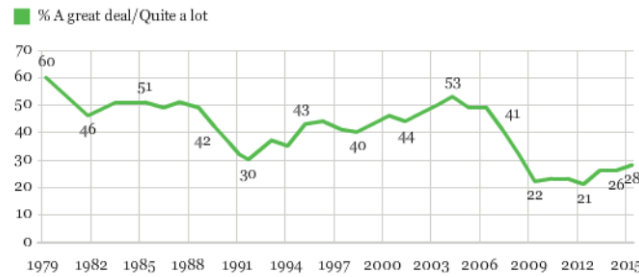


Figure 3.1: Americans' Confidence in Banks (1979-2015)

Source: Dugan for GALLUP, 2015

As illustrated in figure 3.1, only 28 percent of the people expressed a "great deal" of confidence in banks and the decreasing trend displayed since the financial crisis is evident (Andrew, 2015).

The crisis resulted in traditional banks perceived as less reliable which saw the rise of start-ups in the financial sector (Arner, Barberis, and Buckley, 2016). This period revolves around applications emphasising the power of data and the ability to leverage and harness its benefits. As previously mentioned, figure 3.1 demonstrates a clear change in the loyalty of the society. An additional research born out of cooperation between Instantly Brand Monitor and Statista (2015) displays previous statistics regarding the level of trust Americans display towards different types of firm.

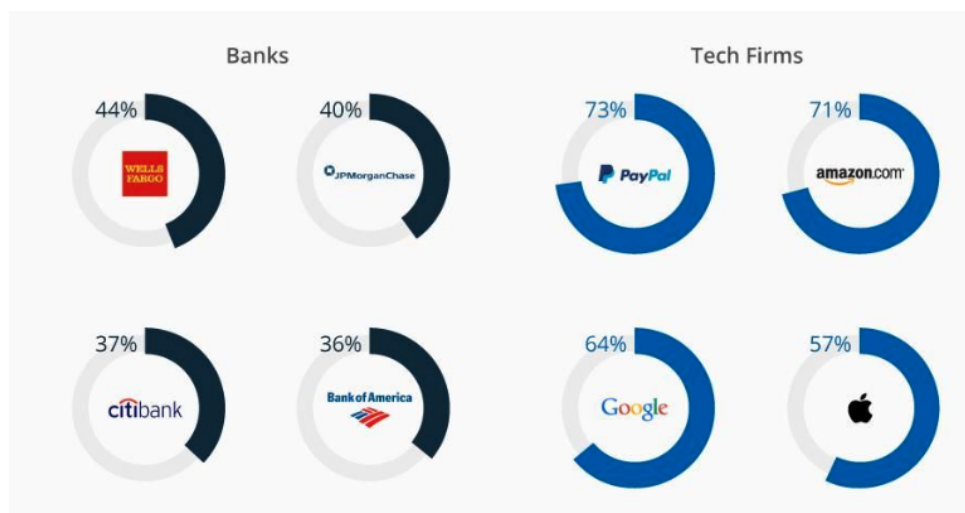


Figure 3.2: Americans' Confidence in Different Organisations)

Source: Instantly Brand Monitor & Statista, 2015

Figure 3.2 depicts a clear distribution between tech firms and banks, and as previously

shown in figure 3.1, the trust placed in traditional banks had been reduced, while in comparison, financial tech firms are awarded with a significant and greater degree of trust.

The progress from FinTech 1.0 to FinTech 3.0 clearly shows how change in technology changed the rules of the game and how traditional institutions are not the only and unique entity existing any longer. Furthermore, this same understanding applies to the fact that the same theoretical frameworks previously applied in regard to the internationalisation processes of firms, possibly no longer applies as a one size fits all kind of solution.

4 Literature Review

Exploring existing approaches or seeking newer directions of inquiry are among the reasons of why literature can assist to improve, shape and give form to a research topic in mind. Rowley and Slack (2004) argue that such reviews play a meaningful role in the identification of relevant literature to the research in question, while giving it context or seeking ways to provide added value. Additional aspects include constructing a better understanding of theories, concepts and terminology. Hart (1998) contributes further benefits, among them are shedding light on any significant variables that may provide additional understanding to the topic while attempting to relate certain concepts, ideas and theory to applications. Therefore, this chapter will explore previous studies in the field of internationalisation in regard to E-Commerce companies and traditional theories in the field, while putting emphasis on assumptions, conclusions and key points.

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4.1 Previous Studies in the field of Internationalisation

Considerable amount of existing research demonstrates the benefits derived from using the internet as an enabler for breaking barriers previously set on the internationalisation borders (Chai and Pavlou, 2004; Shneor and Flaeten, 2008; Arenius, Sasi, and Gabrielsson, 2005). An exploratory research by Loane and Bell (2002) was set to inspect the internationalisation process of E-Commerce companies originating in New Zealand, Australia and the European Union. Eight firms were chosen and demographically analysed using measures including firm

age, firm size, number of founders and the personal relationship between them (close family or not) and the speed in which those firms internationalised in terms of time. Many if not most of the case firms in the aforementioned research have undergone a rapid internationalisation, if not from their inception, in order to gain a competitive advantage. It was revealed that the case firms have used the means of internet technology across the organisation's departments and as a sales channel for their products and thus set themselves on the international stage in ways never possible pre-internet era as "The 'old' rules of business are not obsolete for internet-enabled firms" (Loane and Bell, 2002, p.1965).

A study by Fang et al. (2017) explores the internationalisation process of Scandinavian firms as they attempt to enter the Chinese market. The study integrates two commonly known and dominant approaches used to describe internationalisation, The Uppsala Model and the Born Global Model. However, instead of applying each theoretical approach separately, the authors attempt to unite both into a hybrid, or as mentioned in the paper "parachuting internationalisation". Out of the four firms, one is an E-Commerce company that followed the Born Global approach from inception and harnessed the full power of the internet in its internationalisation process. The internet accelerated the company's expansion across different markets and even allowed for simultaneous market entries. Furthermore, the experiences the four Scandinavian firms underwent in their entrance to China revealed several common factors with great impact: knowledge is of great importance and learning is of the essence; geographic locations are outshined by customer focus and psychic distance is not as promising as previously thought.

In contrast to Fang's finding in regard to psychic distance no longer being in the internationalisation stage limelight, Forsgren and Hagström (2007) find in their study focusing on E-Commerce companies, that at the beginning of the expansion process, firms choose markets of relative distance in the sense of psychic distance.

Psychic Distance is a concept introduced in Johanson and Vahlne study (1977, p.24) regarding the internationalisation process of firms and describes it as "the sum of factors preventing the flow of information from and to the market". The factors preventing the flow of information include differences in culture, business, language, education and how developed is the industry. This approach was empirically analysed by Kogut and Singh (1988) using Hofstede's cultural dimensions. The analysis revealed that the mode chosen by firms to enter

different markets is influenced by various cultural factors. Karakaya (1993) further contributes by indicating another aspect that can shape and raise hurdles in the path of expansion. Karakaya describes market entry barriers and their impact on firms. These barriers include but are not exclusive to cultural, language, political, economic and governmental aspects.

Further emphasis is put on knowledge being a strong factor in the pattern of internationalisation of firms. Petersen's study (2002) concludes that due to the internet, processes conducted during the internationalisation of a firm are awarded with improved efficiency of market transactions. Moreover, with the access to a lake of data provided by the online horizon, firms can react to market changes and improve their learning processes and knowledge, which in turn propels firms into the global business arena.

Johanson and Vahlne (1977) describe internationalisation as an iterative and gradual process and distinguishes between four different factors: Market knowledge, market commitment, commitment decisions and current activities. The study highlights that a firm's market entry process will be influenced by how committed and invested it is in the target destination. Normally, a firm will enter a market while committing as little as possible and expand from that point onwards. Additionally, a corporation will usually enter markets that are familiar to it in terms of a higher psychic distance. The model created in this study describes a process where market knowledge shapes commitment decisions and how current internationalisation activities follow.

Generally speaking, distance has been a widely researched and explored aspect in the internationalisation process of firms and as previously mentioned, psychic distance is an application of the broader concept that is distance. It was found that distance plays a major factor in the selection of location, entry mode and knowledge transfer (Xu and Shenkar, 2002; Kostova, 1999; Tihanyi, Griffith, and Russell, 2005). It was further concluded that "essentially, international management is management of distance" (Zaheer, Schomaker, and Nachum, 2012, p.19). Therefore, distance is a concept that is of the essence when discussing factors that might play a role in internationalisation processes and cannot be disregarded.

Terzi (2011) accentuates the added value that is derived by the use of internet and electronic means. In this study, the author describes how the use of e-commerce applications can bear fruit in the form of reduced costs, speed, improved communication, reduced significance

of physical geographic distance and business networks. Factors including historical linkages, managerial structure and fitness to target industry continue to have impact withal. Moreover, the study sheds light on the fact that trade barriers which normally reshape a company's internationalisation, no longer pose such of a big problem with the introduction of E-Commerce activities.

This dissertation author's review of extensive academical work finds certain factors that appear in a consistent manner across the broad scope of research explored. The following table provides a recap of factors, result of the studies covered in this chapter, that play a role in the internationalisation process of E-Commerce firms:

<i>Factors</i>	<i>Authors</i>
Market Entry Barriers	Chai and Pavlou, 2004; Shneor and Flaeten, 2008; Arenius, Sasi, and Gabrielsson, 2005; Karakaya, 1993; Terzi, 2011
Firm Size	Loane and Bell, 2002
Firm Age	Loane and Bell, 2002
The Internet	Loane and Bell, 2002; Fang, Tung, Berg, and Nematshahi, 2017; Petersen, Welch, and Liesch, 2002; Terzi, 2011
Managerial Structure	Loane and Bell, 2002; Terzi, 2011
Knowledge	Fang, Tung, Berg, and Nematshahi, 2017; Petersen, Welch, and Liesch, 2002; Johanson and Vahlne, 1977;
Relative Distance (i.e.Psychic Distance)	Forsgren and Hagström, 2007; Johanson and Vahlne, 1977; Kogut and Singh, 1988; Xu and Shenkar, 2002; Kostova, 1999; Tihanyi, Griffith, and Russell, 2005; Zaheer, Schomaker, and Nachum, 2012
Cultural Differences	Loane and Bell, 2002; Johanson and Vahlne, 1977

Table 1: Factors Impacting Internationalisation: Previous Studies

4.2 Theoretical Framework

Review of literature covered in the previous parts of this dissertations and other academical work imply that while internationalisation belongs to a broad scope of research fields, they mostly are based on theories that are dominant in the field. Each of these theories attempts to explain why firms expand and engage in activities overseas. Through the exploration of these academical works and theories, a set of factors that impact the internationalisation process will be noted in order to produce a set of factors, shared among the theories or not, that will assist in consolidating information scattered across the vast variety of existing research.

4.2.1 Uppsala Model of Internationalisation

Empirical studies involving Swedish firms and the observation of their international development have laid the grounds for the emergence of this theory. The Uppsala model of internationalisation describes the process in which firms incrementally increase foreign market commitment by using and integrating acquired knowledge in a way that shapes the way they internationalise. This behavioural approach was first brought to light by Johanson and Valhne (1977), and was consequently integrated in many other theoretical frameworks of internationalisation (PERHAPS SOURCE HERE SOME).

In their study, Johanson and Valhne (1977) describe the process and order in which several Swedish firms proceeded in the expansion of their business abroad. The behaviour, as previously indicated, was seen to be as one of an iterative nature, where the companies in question had enacted in actions and initiatives that further increased their commitment to the markets of interest. For example, one of the firms mentioned, a firm dealing in the pharmaceutical industry and operating in nine different countries, seemed to follow a certain pattern in which after every certain period of time, the firm would further extend its reach and operations. Among these operations, it was said the firm had received orders from the foreign markets, and after some time and sense of establishment, continued to make agreements with agents and brokers, up until commencing in actual manufacturing activities and thus further committing to the target markets. The Uppsala model sets a clear target, to find explanation behind the iterative pattern of firms.

The model uses four core concepts: market commitment, market knowledge, current

activities and commitment decisions. These core concepts are further categorised into two groups, one being state aspects, while the other is change aspects. The following figure is a depiction of this mechanism:

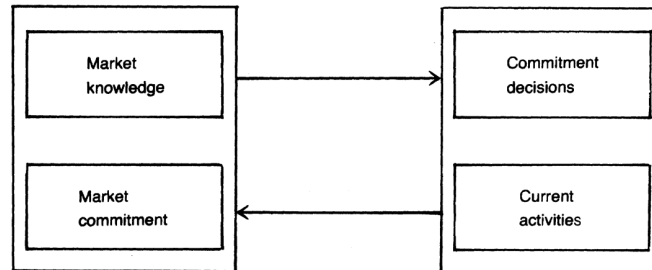


Figure 4.1: Mechanism of Internationalisation - State and Change Aspects)

Source: Johanson and Vahlne, 1977, p.26

As seen in figure 4.1, state aspects include market commitment and market knowledge, these are naturally temporary, while change aspects include commitment decisions and current activities. However, they are not to be regarded separately as they both influence each other and as explicitly stated by Johanson and Vahlne (1977, p.27): "Market knowledge and market commitment are assumed to affect both commitment decisions and the way current activities are performed. These in turn change knowledge and commitment". This statement enhances how these core concepts are interlinked and how one concept affects the other and is also affected by it.

Market Commitment consists two main factors, these include the amount of resources and to what degree are these resources committed, or better said, how difficult it is to reroute these resources to another use or is it even possible to find an alternative use for them. The amount of resources can refer to different types of investment and expenditures, including marketing, personnel and organisation. While the degree of commitment can be determined by how integrated these resources are with parts of the organisation.

Market Knowledge is classified by how it is acquired and is composed of two types. The first type, is objective knowledge and is teachable. The second type is experiential knowledge, which is harder to transfer and can also be referred to as tacit knowledge. This type of knowledge is regarded as crucial to have a better sense in taking advantage of opportunities.

Additionally, the knowledge can also be distinguished in terms of general and market-specific

knowledge. General knowledge deals with common marketing and customer characteristics and is objective knowledge, while market-specific knowledge, is experiential knowledge and is linked with national markets including demographics, structure of market systems and possible cultural traits. Both of these knowledge types are required for entering a new market and are considered a resource that enhances market commitment.

Current Activities and their consequent impact are described to possess a certain lag between their time of occurrence and their actual reach to fruition. Johanson and Vahlne (1977) give marketing activities as an example for a continuous activity which has to be repeatedly and consistently undertaken in order to see actual generation of sales. This lag itself and its duration leads to further commitment to the target market, with longer lag resulting in more commitment.

These activities are considered to be important due to the fact that they act as the main source of firm's experience, and as previously mentioned, experience is of the essence when a firm is to take advantage of possible opportunities. It is further argued that gain of experience can be done through outsourcing activities of qualified personnel, however, it is additionally emphasised that the needed experience on all of its aspects may be hard to obtain and therefore results in a slower process of internationalisation.

Commitment Decisions are presumably made in the presence of problems or opportunities in a market environment and as previously mentioned, are better taken advantage of when experience is already acquired. This kind of endeavour, be it in response to problems or opportunities will evidently result in additional commitment to the market in question. Each commitment, when extended, is further distinguished by two aspects: economic and uncertainty. It is described, that the firm, by the nature of incrementalism characterising this theory, will continue committing to the market until hitting the maximum risk possible when facing market uncertainty.

Following this logic, it is assumed that the more knowledge or experience a firm holds, the more it is willing to commit due to a lower degree of uncertainty, which in turn results in lower risk.

As mentioned in chapter 4.1, Johanson and Vahlne (1977) introduced the concept of "psychic distance" to point out that companies usually aim to move to countries close in geographic terms to their domicile, due to the fact that their knowledge of those markets is

more extensive. This is a direct result of the theory's statement where a firm is more inclined to commit when possessing more knowledge in regard to a certain target market.

This model was revisited by its original authors (Johanson and Vahlne) in 2009. In the revisited model a firm's network and general relationships play a bigger role. The new model puts emphasis on the fact that a broader scope is required and instead of considering only market commitment, the model also covers the firm's current relations which are affected by the degree of trust, knowledge and commitment. Furthermore, knowledge about the insides of a network is also referred to as an important concept. Generally, the concepts have been slight refined, but the theory's core assumption where experience and commitment are inevitably interlinked still remains.

The following table consolidates the core influential factors in a firm's internationalisation while providing assumptions and reasoning behind them according to the Uppsala Model:

<i>Factors</i>	<i>Assumption</i>
Market Commitment	Amount of resources invested, that are not easily replaced and increases the link between a firm and a market
Commitment Decisions	Define the rate in which a firm gradually enters a market and resources committed to it
Experiential Knowledge	Influences and shapes how a firm can perceive and take advantage of opportunities and possible problems
Physical Distance	Companies prefer to enter markets similar to them or markets which they know better
Current Activities	An enhancing source in terms of added experience to better capture opportunities
Relationships and Networks	Required the development of international activities

Table 2: The Uppsala Model of Internationalisation: Consolidated Representation of Factors (Author's Compilation)

4.2.2 Dunning's Eclectic Paradigm

The eclectic approach first rose to awareness in 1976 by Dunning, (**eclectic'paradigm'dunning'extension**) who defines the functionality of enterprises as an entity that is supposed, by nature, to transform through production, inputs to outputs, while granting those outputs an added value in comparison to their previous form.

Also referred to as the ownership, location and internalisation (OLI) approach (**eclectic'paradigm'dunning**), this theoretical work came to life in order to examine the international production of a firm and its determinants. The eclectic paradigm attempts to give reason and evaluate variables that shape a firm's production and its growth in external markets and it does so by dividing it into three different categories: ownership (O), location (L) and internalization (I) advantages (**Dunning'moremore**). Dunning uses these three independent variables as a basis leading to a firm entering a new market.

For a firm to be able to competitively produce alongside firms domiciled in target markets, it must possess ownership advantages in a satisfactory degree to breakeven the costs linked with entering a foreign market. In other words, ownership advantages can award a firm with competitive advantage over other local firms and potential entrants. In order for a firm to unlock these benefits, it must have access to both tangible and intangible assets, that other players in the target market do not have.

Location advantages speak of benefits that can be obtained by the process of a firm positioning its production or segments of it in foreign locations, furthermore, these specific benefits are location specific, hence, they cannot be transferred (i.e. different legislation in comparison to home country that contribute to lower costs, access to natural resources).

The third and last advantage Dunning speaks of is internalisation advantage. Unlocking these advantages is a result of a situation where there are more benefits to be reaped by the retention of specific skills, assets or production driving mechanism, a firm can unlock these advantages. Internalisation is an additional way to reduce operational costs including transaction and transportation costs.

The following table includes the main activities which Dunning describes in his study. Firms may or may not be involved in these activities, but they serve as a rough guideline for

the expression of the three aforementioned advantages, result of this framework.

<i>Ownership Advantage</i>	<i>Location Advantage</i>	<i>Internalisation Advantage</i>
Capital	Access to resources	Control of supply and price
Technology	Raw material costs	Exploiting technology
Organisational skills	Labor costs	Reduction of transaction or information costs
Trade marks	Legislation	Brand reliability
Economies of scale	Governmental policies	
Market access	Geographic proximity	

Table 3: OLI applications

Table 3 depicts examples applying to each of the variables. The table can be looked at in a general way and in different scenarios. For example, if a firm possesses certain tangible assets, special technology, patent rights or a reputable trade mark, it can unlock the benefits of ownership. Having exclusive and specific access to resources or operate in a country with favourable policies can unlock location advantages. Reducing transactional costs by keeping operational processes internal and not external can unlock internalisation advantages.

According to Dunning, each and one of these advantages, when fulfilled, will lead to a different internationalisation process of a firm in a form of market entry mode. These are distinguished in the study in the following way: According to the eclectic paradigm, if all three advantages exist, a company will engage in Foreign Direct Investment (FDI). If a firm will not profit by using locational factors with its ownership and internalisation advantages, then export will be the preferred way to enter a market. However, if a firm will only benefit by using its ownership advantages, then a licensing approach would be the way the firm will most likely choose. In order to simplify, the following table demonstrates all three scenarios:

<i>Ownership</i>	<i>Location</i>	<i>Internalisation</i>	<i>Market Entry Mode</i>
x	x	x	FDI
x	-	x	Export
x	-	-	Licensing

Table 4: Eclectic Paradigm Market Entry Mode Selection

4.2.3 The Resource Based View

The Resource Based View (RBV) approach was born out of the need to explain the successful internationalisation of a firm and argues that a firm's competitive advantage is derived of the resources a firm controls, that are available to it and those which are "valuable, rare" imperfectly imitable, and not substitutable" (Barney, Wright, and Ketchen Jr, 2001, p.625). Resources are further defined as all "assets, capabilities, organisation processes, firm attributes, information, knowledge" (Barney, 1991, p.101) that a firm possesses and are used in the development of a value generating strategy assisting the firm in improving its efficiency and effectiveness.

Penrose's (2009) work had a direct impact on the theory of RBV. Penrose provided theories covering the effective management of a firm's resources and suggesting that a diversified portfolio of resources (e.g. brand, capital) assists in achieving competitive advantage. In other words, firms within an industry can obtain competitive advantage due to the unique resources they own, however, it is not only sole fact of ownership of the resources that grants a company with competitive benefits but the efficient usage of them.

Firms pursuing the international path need to evaluate whether their competitive advantage or advantages, can be placed or used in foreign markets in a way that still places them in a stronger position than other players in the market.

Unlike other theories dealing with internationalisation, RBV sets its eye on internal factors rather than taking into account the interplay of both internal and external factors. More specifically explained, a company should use its internal strengths to respond appropriately to opportunities and threats (Barney, 1991). The following figure illustrates the core concept of

this theory and how it is distinguished in terms of internal and external factors:

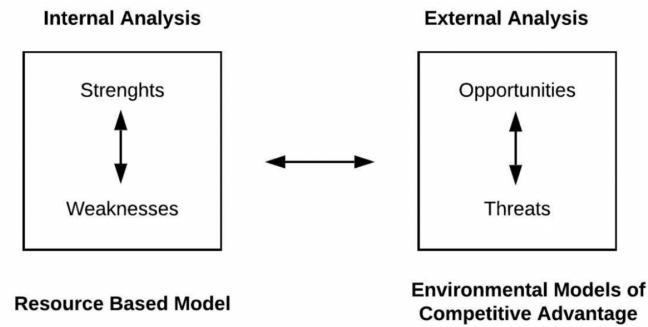


Figure 4.2: The Resource Based Model)

Source: Barney, 1991, p.100

The way RBV encompasses internationalisation by suggesting that a firm would only enter a new market after having considered the resources available, how imitable and replaceable they are and how well the firm is capable to make use of them, while positioning itself in a leveraged spot in comparison to the other players in the market (Ruzzier, Antončič, and Konečnik, 2006).

RBV does not directly link the type of resource used to a specific entry mode choice, however, the model acts as a measurement to firm performance abroad and by doing so, can help decide on forming a strategy when entering a new market (Tulung, 2017).

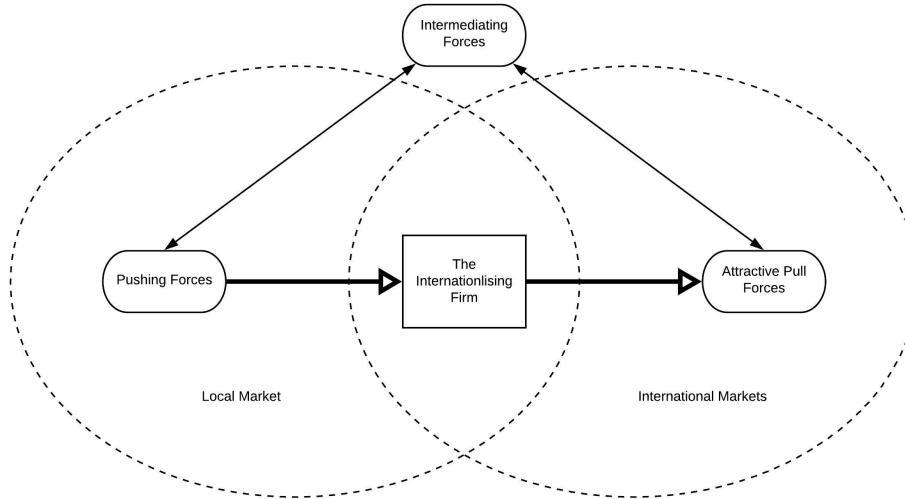


Figure 4.3: Push, Pull and Intermediating Forces in the Internationalisation Process)

Source: Etemad, 2004, p.5.

Figure 4.3 depicts a model covered in a study by Etemad (2004) that is set to bind three general measures in the internationalisation process: push, pull and mediating forces. Push factors are composed of internal (in most cases) factors that force a firm to internationalise due to the firm/ organisation being at a certain risk or conflict. Thus, these factors are in nature pushing or encouraging the internationalisation process in order to realise international opportunities. In contrast to push factors that drive a firm to move from the local stage to the international stage, pull factors are forces existing in the destination country that attract and incentivise the firm to enter its market. These forces are usually external and are composed of opportunities that may answer a certain need or market demand not existing at the time. The mediating forces are composed of a firm's general profile, characteristics and managerial orientation. These forces interact with both the push and pull forces and are influenced by a firm's internal dynamics.

5 Methodology

This chapter will cover the strategy employed throughout the entire research while pointing out how the data was collect and its nature. Furthermore, an interview took place in order to achieve part of the data required to be able and answer the research question this dissertation deals with, therefore, a description of the interview structure will be detailed in this chapter

while putting emphasis on possible constraints encountered throughout the research that lay burden or leave place for further investigation.

5.1 Research Approach

The field of internationalisation is very broad and heavily researched in terms of traditional companies. However, this dissertation's research question deals with E-Business companies in the FinTech industry, and there seems to be a research gap when trying to compile all of these factors together. There are established studies dealing with the internationalisation of traditional companies in the financial sector and how these take place, but as covered in chapter 4.1, not many have investigated the internationalisation process of EBCs in the FinTech industry.

This dissertation employs a qualitative and exploratory type of research. Due to the nature of this field and the vast volume of academic work it is possible to draw conclusions by using theoretical frameworks. Qualitative research holds a significant meaning in the field of international business (EISENHARDT) as it is a part of theory development. Furthermore, the way this work goes around to attempt and reach a possible subset of factors is in its nature abductive. In doing so, it allows building on existing academical work, when it is relevant and can be applied while consolidating several concepts that were never consolidated in the past and provide added value and findings.

According to the research question this dissertation deals with, there are two aspects the research approach takes into consideration:

- An established understanding of the internationalisation process of firms in the financial sector exists. Among those are banks that were studied by using single or multiple case study research.
- Considering banks are part of the financial sector, there seems to be a gap in research according to the literature reviewed in the scope of this dissertation when discussing the internationalisation process of EBCs dealing in the same financial sector (e.g. online banks).

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binding the case by period of time until internationalisation and only a little after to actually understand the internationalisation process and be able to draw conclusions

5.2 Research Design

In order to better understand how do EBCs internationalise and in what way this differs, a qualitative case study approach was the most suitable way of investigating this phenomenon. A qualitative case study, assists in exploring a phenomenon by using a collection of data sources. This approach is of great advantage due to the fact that by doing so, the issue at mind is explored in more than one aspect and is viewed from many different angles. Moreover, it allows the phenomenon in being better understood (Baxter and Jack, 2008) while pointing out gaps in applied theories with the end goal of enhancing theoretical explanations (Ridder, 2019).

Three prominent frameworks of conducting a case study exist: the Yinian (2017), Stakian (1995) and Merriamian (1998) approaches. All of the approaches seek to provide a good coverage in terms of exploration and revelation of the phenomenon in question. However, each of the authors use different frameworks and definitions for a case study execution.

The approach chosen for the scope of this paper is the Yinian approach. According to Yin (2017), a case study is an empirical method that should be conducted when either of the following criteria are applicable: a study attempts to answer "how" and "why" questions; the researcher shouldn't be able to manipulate the relevant behaviour of events; the researcher wants to cover contextual conditions believed to be relevant to a phenomenon in question; or when the boundaries between phenomenon and context are not clear. The last two points are further simplified by Yin and are explained that a case study would be relevant in those cases where a real-world phenomenon is to be understood, and this understanding involves contextual factors pertinent to the case.

This study deals with a "how" question and the relevant behaviour of events cannot be manipulated, as the case will observe the behaviours of firms using historical and current data in sequential and chronological order to derive patterns, behaviours and distinguish between differences. Additionally, the research question deals with a real-world internationalisation behaviour of EBCs and traditional companies dealing in the financial sector, therefore, contextual relationship exists and further validates that this research stands in line with the

conditions required to conduct a case study.

Yin (2017) distinguishes between various types of case studies. As this research attempts to point out differences or similarities in internationalisation behaviour of firms, the type of case study chosen to be used in this thesis is multiple-case studies. This type of case design enables to explore differences and draw comparisons between cases. In addition, Yin (2017) describes different ways according to which a case study can be structured. The structure chosen for this study is a chronological structure. Therefore, the case will cover events in the order in which they had happened.

The comparative nature employed in this case study deals with two companies dealing in the financial sector, one company is an EBC providing financial solutions and the other is a bank included in the list of global systemically important banks (“2019 List of Global Systemically Important Banks (G-SIBs) - Financial Stability Board”, 2019).

What is the studied timeframe? Why?

The case study candidates were chosen by following a defined set of criteria. Both the EBC and the bank chosen to be studied had to have already been operating outside of their domicile and preferably in several different markets in order to be able to analyse their internationalisation process. However, a stronger emphasis is laid on similar markets entered by both companies and the first market the companies internationalised into. The reason behind this is to further observe whether internationalisation constructs such as psychic distance and relative geographical distance differ, while allowing for comparisons where applicable. Furthermore, both, the EBC and the bank had to uphold a relatively similar set of services. The EBC chosen for this study provides banking as a service and other financial solutions commonly offered by traditional banks, there, a bank was the most suitable choice for comparison.

WRITE ABOUT THE CONSTRAINTS OF THE SECOND CASE DUE TO THE FACT THAT THE BANK EXISTED DURING WORLD WAR

5.3 Data Collection

This dissertation

. When the case studies are compared to each other the researcher also can provide the literature with an important influence from the contrasts and similarities (Vannoni, 2014;2015).

<http://www.diva-portal.org/smash/get/diva2:1064378/FULLTEXT01.pdf>

<http://lnu.diva-portal.org/smash/get/diva2:1337264/FULLTEXT01.pdf>

5.4 Interview Structure

SSS

5.5 Limitations and Constraints

as

6 Empirical Findings

What are empirical findings and how do they assist

6.1 Deutsche Bank AG

In January 22, 1870, two private entrepreneurs set out to establish a bank in Germany. Couple of months down the road and the reigning government back then granted it a license to operate as a bank in the country. Shortly thereafter, Deutsche Bank (DB) opened its branches in Bremen and Hamburg and thus began its operations in Germany. It was not long after and alongside the opening of domestic branches that DB displayed a rather quick expansion of its foreign operations with the establishment of branches in Shanghai, Yokohama and London, with London being the most important foreign branch. The first decades of DB's operations could be described as a "period of rapid expansion" with the bank having an "eye for good business prospects and a sound feel for risk" (Deutsche Bank AG, n.d., p.4). However, due to the outbreak of World War One, shortly followed by World War Two, DB had closed most of its international activities.

Consequently to the Second World War, DB resumed its operations and entered the general retail banking, or in other words, commenced on servicing the general public. DB's strategy during this time was to operate uniquely in its domicile, servicing local customers and providing loans.

The start of the 1970s is characterised by international expansion for DB, and once again, since the Second World War, DB opens representative offices in London. As DB becomes more global the company makes key acquisitions in Italy, Spain, United Kingdom (UK), and the US. DB's internationalisation strategy puts strong emphasis on settling in central economic and financial hubs while executing foreign bank acquisitions and converting representative offices to branches.

In 1976 DB converts its office in London to a branch. Following the conversion, DB increased its commitment to the British market with a minor acquisition of the investment bank, Morgen Grenfell. Consequently, five years later, DB ended up acquiring Morgen Grenfell in full form and thus increasing its customer base in UK (Deutsche Bank AG, 2020b).

DB's entrance to the Italian market in 1977 exhibited similar behaviour. Just like in the UK, DB opened a representative office in Milan and consequently, converted it to the first actual branch. DB further committed to the Italian market with the acquisition of Banca d'America e d'Italia in 1984. Through the acquisition, DB commenced with operations in the retail banking market of Italy. A decade later, the acquired bank was renamed to Deutsche Bank AG which further enhanced the integration of the DB brand. Going forward in Italy, DB continued in making acquisitions and investing itself in the Italian market (Deutsche Bank AG, 2020a).

In the United States DB first joined the European Banking Industry Committee (EBIC). The EBIC is a consolidated group of European banks in which DB participated. Thereafter, in 1968, the EBIC established the European-American Banking Corporation and the European-American Bank and Trust company in New York. This first catered to businesses only and not private customers. In order to serve its private customers, DB proceeded to make major expansions in the American foreign sector and in 1979 opened a branch office in New York, a location very far from its domicile. Again, resembling its behaviour in other locations, DB acquired the Bankers Trust in New York. This move was done due to the fact that DB required more growth that could not be achieved in other ways (Deutsche Bank AG, 2020c).

Having reviewed the internationalisation process of DB in a chronological order, taking into consideration the period before World War one and two, it can be said that DB initiated many of its initial operations through joint ventures (e.g. the EBIC), however, in the 70s and onwards, a shift in DB's behaviour is noticeable as it moves from local activities to pursuing

global endeavours. DB begins to open its own branches and continuously extending its reach and commitments in the markets it enters by acquiring other companies and owning them.

A study by Slager (2005) puts additional emphasis on DB's international behaviour by calculating the degree of internationalisation of a bank, also referred to as the transnationality index (TNI). This index is calculated by taking into account foreign assets, foreign gross income and foreign employment. The following figure illustrates DB's internationalisation pace and globalisation strategy:

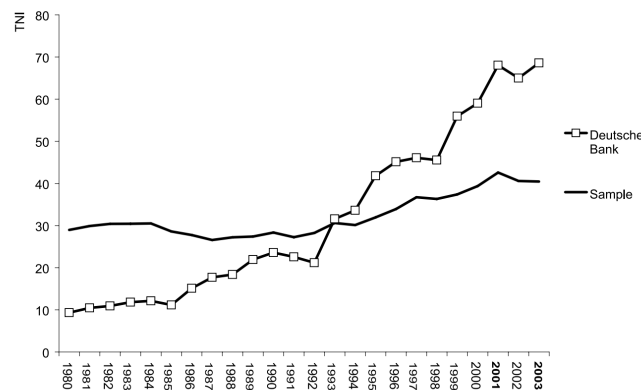


Figure 6.1: DB Degree of Internationalisation)

Source: Slager, 2005, p.39

6.1.1 Internationalisation

6.1.2 Barriers and Hurdles

6.1.3 Possible Drivers

7 The E-Market Environment

The internet changed the rules and supplied different conditions for companies operating online and digitalising their products. This chapter attempts to point out how the internet has made things easier and more accessible for businesses.

Physical products, services or processes, can nowadays be digitised and communicated through networks. Examples can include the addition of electronic interfaces in smart cars and other smart appliances, visiting a website to shop instead of visiting a physical shop and even

opening bank accounts or depositing money in savings accounts all over the world. Digital products can be distinguished from their physical counterparts using different measures. If a product can be sold using the Internet as a medium for its marketing, advertising and performing inbound and outbound transactions (payments tied to purchasing), then it can be defined as a digital good. This can be even further extended to the claim that anything sent and received over the internet is possibly a digital product or can be turned into one (Choi, Stahl, and Whinston, 1997). Furthermore, unlike physical products, digital products are harder to experience, or in other words, it is harder to know how good something is until you have experienced it in its tangible form (Shapiro, Carl, and Varian, 1998). Due to the nature of such transactions over the internet, it results in a situation where the buyer is in a riskier position in comparison to the seller, who is familiar with the product in question. The theory of reasoned action (Fishbein and Ajzen, 1977) explains how consumers take specific actions when there is a specific result expected, while depending on the available information. Therefore, the quality of information and its reliability can greatly impact a customer's buying decision, customer retention and customer loyalty. Trust issues aside, using the internet as a sales channel results in a high worldwide penetration and reaches a broad audience. A study made by Statista (2019) presented that by 2017, 60.2 percent of global internet users executed a purchase online. The data further presents forecasts up to 2021, where the percentage is expected to rise to 65.2 percent.

An additional distinguishing feature of the electronic marketplace is that the internet significantly reduces costs. First, the costs of exchanging information while making decisions, also known as transaction costs, are greatly reduced by the use of internet technology. The internet accelerates communication and lowers its cost, optimises product selection process, mitigates errors, and improves the link between buyers and suppliers (Bunduchi, 2005). Furthermore, the development of a digital product or digital unit in the purpose of profit, often results in high initial costs, however, additional copies cost virtually nothing or are very easily reproduced. This can also be described in economic terms whereas fixed costs are large, while the variable costs of reproducing the item are small (shapiroInformationRulesStrategic1998a). Therefore, bigger volume of customers will lead to higher profitability.

8 Projects and Tools

9 Conclusion and Key Takeaways

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