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CHALLENGES FOR DIGITAL EXPANSION TO INTERNATIONAL MARKETS

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ABSTRACT

Global ecommerce continues to flourish and consumers across the world are constantly connected to the Internet. This poses growing opportunities for the digital transformation of businesses and their expansion to international markets succeeding to reach and engage with potential customers abroad. The objective of this paper is to study the internationalization process of digital enterprises and to explore business challenges and opportunities arising from the use of innovative technologies and tools. More specifically, we aim to review the recent related literature and propose a conceptual framework introducing tools and practices regarding strategy, infrastructure technology and on- line marketing & communication needed to assure increased chances of success when digitally expanding abroad. Each country has specific features associated with the business environment, the penetration of ecommerce, as well as, specific cultural and social characteristics. These peculiarities require specific internationalization strategies and dictate parallel adjustments in IT infrastructure, as well as a suitable digital marketing & promotion that need to be followed which are thoroughly analyzed and can become a valuable tool for digital enterprises. **Keywords:** digital expansion, internationalization, e-business strategy, digital marketing capabilities, IT infrastructure

INTRODUCTION

Internationalization in business strategy is a term which is widely used in contract with enterprises that wish to increase their reach and invest somehow into other markets in different countries. In computing is used to describe the ability of software to adapt to regional differences such as language, cultural differences etc. without the need of engineering or core programming changes. Enterprises operating in a digital environment follow their own way of internationalizing businesswise and from a technical and marketing perspective, which calls for special strategies and planning.

Our study aims to review the recent related literature and propose a conceptual framework introducing actions, tools and practices regarding strategy, infrastructure technology and on- line marketing & communication needed to assure increased chances of success. The suggested framework is applicable to the majority of e-commerce businesses, regardless of their activity sector, their physical location and size.

THEORETICAL BACKGROUND

From a business point of view Internationalization is basically the process of increasing involvement in international operations, adapting the firm's strategy, resources, structure and organization to international markets (Boehe, 2016). Although research into business expansion to foreign markets has received increased attention, few studies have so far been conducted on digital expansion to international markets revealing the appropriate strategic steps and techniques for the successful internationalization of online business operations. We draw our literature review from three research streams: Internationalization Strategy and planning (IS), Internationalization Technology (IT) & IT Infrastructure for International e-commerce

deployment and International Online Marketing & promotion (OM). In Table 1 we present recent literature on the above issues.

TABLE 1 HERE

Jones et.al (2011) have constructed a comprehensive ontological inventory of IE research (1989–2009) and assess the intellectual territory of IE research, providing a fully documented methodology for future replication. Additionally, Reuber and Fischer (2011) based on extensive literature review have identified three firm-level resources associated with the successful pursuit of international opportunities in internet-enabled markets: online reputation, strong online technological capabilities, and engaged online brand communities. Moreover, Lin and Hsia (2011), based on an e-business innovation model tying together business technology, business model and value network, present thirteen core capabilities for achieving e-business innovation providing great insights for e-business practitioners. Additionally, Rezaei et al. (2014) suggest that interoperability frameworks are the main component of e-business activities and provide a set of recommendations for any party that is open to the idea of creating or improving an E-business Interoperability Framework. Further research indicates that the accumulation of a firm's Internet capability can assist international operations, especially when operating in a fast changing dynamic digital environment. Based on eight in-depth case studies of small and medium sized travel and tourism firms, successful international entrepreneurial firms which encompass high levels of international innovativeness and proactiveness behavior integrate Internet capabilities to a greater degree (Glavas and Mathews, 2014). Recent literature argues that SMEs can benefit the new environment via e-commerce. In this framework the study of Savrul et al. (2014) presents the issues the SMEs can face in changing business environment and the potential of e-commerce in this new

environment. The Internet has transformed traditional patterns of firm-to-customer communication and opened new channels through which enterprises can engage with consumers around the world. Thus, the e-visibility maturity (e-VM) model presented by Levina et al. (2015) can be used to assess the degree to which a firm or set of firms has the potential to engage customers in the global e-business market. Although the Internet has been shown to facilitate elements of internationalization, such as information accumulation and network opportunities, there is limited understanding of how the Internet combined with marketing capabilities drives international market growth. Mathews et al. (2016), based on a sample of 224 Australian firms, have developed and tested, using structural equation modelling (SEM), a conceptual model of Internet marketing capabilities and international market growth. Results indicate that firms deploying Internet marketing capabilities will benefit due to the reduction of information uncertainty and increased capacity to develop international network capabilities (Skudiene, V., et.al, 2015). Overall, Internet marketing capabilities enhance the firm's ability to generate other internal capabilities within the firm, which in turn have a positive impact on the international market growth of the firm.

In Table 2 we suggest the conceptual framework (I-SITOM) introducing core capabilities, tools and practices regarding **I**nternationalization - **S**trategy, **I**nfrastructure **T**echnology and **O**n- line **M**arketing & communication needed to assure increased chances of success following the international expansion decision.

TABLE 2 HERE

INTERNATIONALIZATION STRATEGY AND PLANNING

Target country selection

The internationalization planning of a company or an online shop is a strategic procedure, which involves decision making on target country selection, entry market mode choice and level of internationalization and localization. Prior to entering a country an online store should be aware of dangers as well as possible costs involved and estimated profit potential from doing so. Information about the country, market conditions and level of competition, data about the main competitors, and potential demand of the store's product range in the local market are some typical steps before target country selection. Classic strategic Tools such as PESTEL (Docini et al., 2012) and Five Competitive Forces analysis (Porter 2008) which have been updated to the digital era, should be applied to assess suitability of each target market. Additionally, a competition analysis serves the purpose of gathering information of competitors to formulate a firm's competitive strategy and predict the competitor's actions and responses in the targeted market (Czepiel and Karin 2009).

The number of visits, sales, enquiries or social media interactions from users of foreign markets can be a strong indicator that there is a market that might need a localized approach. Enquiries usually are stored in the CRM of the e-shop, while conversion data as well as visitor amount, online behavior and referring source (social, ads, etc.) are available within a web analytics software such as Google Analytics and Google Marketsense and can serve as introductory signaling.

Choice of Foreign Market Entry Modes

A ‘mode of entry’ is basically the way a company has chosen to operate in a foreign country and is a critical strategic decision (Kumar and Subramaniam 1997). The typical internationalization process identifies two main entry modes, equity and non-equity based (Peng 2016). Online stores with no physical presence or warehouses in foreign countries use the “Non-Equity Mode or a “Digital Entry Mode”. While speed and limited risk when using the “Non-Equity Mode, Export” is important for online shops, it is not possible to apply it in some target countries, such as ones with poor infrastructure in terms of transportation networks or has a high degree of bureaucracy.

Choice of internationalization and localization level

The next step includes estimation of localization costs and choice on the desired level of localization. Any target country can be approached differently. Evernote, the popular note app, which is expanding into sales of physical products, adopted a 4-country tier approach (Edgar Dunn and Company 2015). Tier 1 - "all local" countries includes a local "look and feel" website, local currency and local fulfillment that includes a local warehouse with a local delivery service. Tier 2 - "partly local" countries has a similar set-up as for tier 1 countries, except that local fulfillment is only available on the most popular items. Tier 3 - "local shop window" countries has a local "look and feel" website, but no local fulfillment. Finally Tier 4 - "nothing local" countries shoppers need to visit and purchase from the standard .com website.

IT INFRASTRUCTURE FOR INTERNATIONAL E-COMMERCE DEPLOYMENT

Impact of Cultural Differences

Whether an enterprise already has a global presence or is just getting started, understanding how consumer behaviors and trends vary country-by-country is critical to every strategic plan for growth. Currently, there are 47% of people online across the globe, either via desktop, laptop or mobile device, accounting to only 39% of the world's population. By 2019, more than half of the population will use the internet, equating to 3.84 billion people (eMarketer 2017). When interacting with people of foreign countries, an online store should consider cultural differences as they have impact on important factors such as payment, logistic systems and language (Bin, Chen and Sun 2003). However, cultural parameters are also values, colors, symbols, icons etc. that need to be considered when developing web communication and digital marketing for different countries (Singh 2012).

E-commerce Platform Requirements for Internationalization

Several requirements must be taken into consideration in order to establish a successful presence in a foreign market. Bellow we present the most significant ones.

Multi-language support. Multi-language support allows for language targeting which is the lowest level of internationalization. To support multiple languages the e-shop's content management system (CMS) should allow website content and product data to be entered in multiple languages something to be applied to the software's backend too, as data entry might be conducted by editors from different countries. Translating content from an initial language to another is accomplished either in-

house or outsourced. To optimize outsourced translation workflow an automated way is to use a Translation Management System (TMS) in combination with the CMS of the online store. However Translation is one of the most important factors for international sales.

Currency Conversion. Many e-commerce platforms support nowadays multiple currencies. The most convenient way to update fluctuating exchange rates is the utilization of an exchange rates API service which allows for updating the online store automatically. If the e-commerce platform does not support automated exchange rate modification, a server job needs to execute a request in preset time intervals and update the platforms database with the parsed API response.

Payment Options. The ability to offer multiple payment options to a potential customer is of benefit for an online store. While the importance of offering the most popular payment methods in a localization target country is essential, the ability of the e-commerce platform to adapt to the various technologies used by the payment providers needs to be also addressed. Some of the most utilized payment methods around the world include Cash On Delivery, Credit Card by Redirection, Credit Card, Online Wallets and Direct Debit or SEPA Direct Debit in Europe.

Shipping and Logistics. The shipping functionality of an e-commerce platform should not be limited to proposing to the customer available shipping methods and costs. Order fulfillment methods may vary by business model and country. Shipping method and cost depends on the product's location, the recipient's location, the products dimensions and weight and desired delivery speed. Besides defining method

and cost the e-commerce platform should be able to get real time quotes by carriers, inform suppliers and order fulfillment companies about the order, update its inventory etc. Available shipping methods and prices are defined during checkout by considering order recipient's location and product weight and size.

Tax Compliance. The e-commerce platform needs to be able to apply or deduct tax depending on the order recipient's location as tax compliance poses a significant for e-shops. E.g. if a European online shop sells products outside Europe, VAT tax needs to be deducted from the total order. On the other site, if an online shop located in New York delivers to a customer in New Jersey, additional sales tax needs to be applied.

Web Analytics and A/B Testing. It is important to online stores to measure performance and improve conversions using web analytics software. Conversion optimization is a daily task using A/B or Multivariate Experiments where site elements are modified (eg product image size, checkout page wording etc) and multiple variations of them are shown to visitors adopting the ones that improve conversions (Eisenberg, Quarto-vonTivadar and Davis 2008). If an online store is simply globalized (e.g. uses English language), but has an international customer base, conversion optimization using experiments might have poor results and a better approach would be to segment the customer base by location first through geo-targeting.

Multiple Storefronts. An advanced localization method is to use different storefronts for each/country to be served. Most modern e-commerce platforms offer this option when buying additional licenses for each domain. The main advantage is that all

shops are managed from within the same backend. Payment and Shipping Methods and any other content can be set per storefront, making the different domains acting like different websites, but having the same admin panel.

CDN (Content Delivery Network) Support. Content delivery networks (CDN) are dedicated collections of servers located strategically across the wide-area Internet (Saroiu et al. 2002). Those server cache static content of a website such as images, videos, CSS and Javascript files and delivers to the end user through its closest server. CDN improves loading times and improves user experience since online customers expect fast loading web pages (Constantinides 2004).

Website Localization

Localization can be defined as "the adaptation of a product, application or document content to meet the language, cultural and other requirements of a specific target market (a locale). Important issues of localization are determined bellow.

Content. Hofstede, (1980) has identified four cultural dimensions that affect parameters which influence interface design and content (Tegarden, Dennis and Wixon 2013). For this paper a quick reference matrix has been created, containing those dimensions along with the impact on a website's localized content:

TABLE 3 HERE

Culturability. This term which was introduced by Barber and Badre, (1998), and means the merging of culture and usability. Cultural factors such as color, writing orientation and other cultural markers should be considered for website usability.

Customer Relationship Management (CRM) systems."Customer Relationship Management (CRM) systems, capture and integrate customer data from all over the organization, consolidate the data, analyze the data, and then distribute the results to various systems and customer touch points across the enterprise. The three main points that are crucial for digital expansion regard data collection, usage of data in the context of internationalization and customer support. An online store, as any organization, collects data when interacting with users through email addresses personal information and more. Online stores collect more information, such as browsing behavior, user location etc. by using cookies. This data can be used to predict future user behavior utilizing models such as the Customer Behavior Model (CBM) (Sadath 2013). To effectively utilize data for internationalization it is important to segment user data by user location, as this affects the way of interacting with the user for marketing and sales purposes. User entered data such as emails, telephone etc usually can be used for email marketing, postal letters and printable coupons, sms messages etc. by considering cultural differences (e.g. color and wording) when communicating with a cross border audience (Jenkins 2009). User behavior data and its evaluation using the CBM can be used to personalize the users online experience and predict user behavior in countries that have similar cultural dimensions. Finally, customer support is a crucial element of success in cases of internationalization. It is usually done by email, online chat or phone, using in-house personnel or outsourced to call and support centers and cultural differences need to be considered also. Moreover, a local telephone contact can be an advantage in cultures with a high degree of uncertainty avoidance.

Payment Methods and Logistics and Order Fulfillment

Payment Methods. Online store owners may assume wrongly that consumers around the world use common methods such as credit cards to purchase goods online. However, this is not the case as major global markets such as China, Brazil and Germany tend to favor other payment methods. As payments methods vary by country an online store needs to examine the target country's customer preferences and offer them in order to achieve increased conversion rates (Van Hove and Karimov, 2016).

Logistics and Order Fulfillment. An online store, with a presence in multiple countries, need to consider all available methods to store and to ship its products. Stocking location and available shipping methods depend on the countries taxes and customs, transportation system and infrastructure. The 'last mile' delivery, which is discussed over the next sections, is a common challenge in underdeveloped countries. Orders by an online shop are stored and shipped to the customers as following. Store's Warehouse where the store keeps product's in its warehouse, packages and ships to the customer from there. Supplier's Warehouse (Drop-shipping) when the order is forwarded to the supplier who stores and ships the products to the customer using neutral packaging, useful if the supplier location is close to the customer's area/country. Contractor's Warehouse (Order Fulfillment) when the suppliers ship products to a fulfillment company which takes care of customs, stores the products and it warehouse and ships the order to the customer by paying a fee for its services.

When the recipient's locations cannot be served by a courier company (eg in an country area, or in underdeveloped countries) a Last Mile problem (the distance from

the nearest to the customer logistic hub to the customer) occurs (White 2015) where direct investment entry mode is suggested.

Online marketing contribution to global expansion

Nowadays many digital marketing compatibilities & communication channels for interacting directly with customers are available providing global accessibility and competitive advantages, interactive communication, updating convenience with more customization abilities and online information & selling services (Skudiene et al., 2015). In Table 2, according to the proposed I-SITOM framework, Online Marketing decisions include core processes, methodologies and tools aiming to speed up internationalization. Search Engine Optimization, Pay per Click (PPC) and Display/Banner Advertising, Social Media planning and execution, mobile marketing applications, international affiliate networks activities and web and social performance marketing, using appropriate KPI's and metrics constitute the core capabilities supporting international online marketing decisions.

Good organic placements in search engine result pages (SERPs) are an extreme valuable competitive advantage for online shops. Organic traffic is highly important to online shops as it is almost free compared to paid advertising and reduces in that way the cost per sale, allowing for higher profits. To know which search engines are top in a country, specific market data can be obtained from websites such as Net Market Share (www.netmarketshare.com) and Statista (www.statista.com). It is important to check search engine optimization efforts against the local version of the dominating search engines.

When it comes to optimizing a website for search engines the actions required do vary slightly across search engines. The most important steps and factors are Keyword Research, Domain Name Ending, Mobile Compatibility, The hosting server IP, On Page Factors, Off Page Factors. Keyword research is important as besides identifying trends in a country, is helps also identifying the exact search terms as well as synonyms and variations that need to be used in website elements (eg Meta Tags, Titles etc), page content for SEO and paid CPC advertising. Social media platforms are highly important to international business answering to: "which are the major social media platforms in a selected area for a given audience with certain demographic characteristics", and "how to engage and communicate with users taking into account cultural differences in each geographic area". Thus, the areas related to the international performance from online – digital marketing perspective is needed to test the above OM capabilities empirically.

CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

E-commerce is a becoming the dominant trends for developing commercial enterprises, expanding all over the world without limitations and boundaries. Using ICT infrastructure and a number of internet tools, they can now identify the best markets to enter and the best ways to market successfully to local customers, removing the need for a physical presence away from home. while reducing time, cost and logistics. This paper mainly aims to contribute to e-commerce digital community, to develop and introduce tools and best practices for the successful internationalization of online stores, which are useful for both academic and

practitioners. It examines the foundations of the successful internationalization of e-commerce companies that lay in the preparation of successful entry strategy planning, a reliable IT infrastructure and a conversion optimized online marketing plan for each target country.

Further research can analyze detailed strategies for each target country and mode of entry. New trends in e-commerce that could be researched such as m-commerce practices. Specific Predictive Models and Benchmarks can be developed to estimate chances of internationalization success. While we attempted to cover as many as possible dimensions of the internationalization of online stores, due to the broad spectrum of e-commerce and the significant differences in culture and values among the world's countries, not all possible strategies for each country could be addressed.

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Author(s)	**Research focus**	**Findings**	**DM areas**
Yaprak, A., Yosun, T. and Cetindamar, D., 2018	Firm-Specific (FSAs) and Country-Specific Advantages (CSAs) : evidence from Turkey	five major firm-specific factors ranging from financial and operations supremacy to adaptability in foreign markets	IS
Cao, L., Navare, J. and Jin, Z., 2017	Business model innovation in an international context.	An analytical framework for firms adapting their business model internationally.	IS
Rickard, A., Wagner, J. and Schull, J., 2017	An economic model of digital emissions and rights management is proposed	A cap-and-trade policy from environmental markets is proposed for digital markets	IT IS
	opportunity-based international entrepreneurial culture (IEC) opportunity-based view (OBV) in SMEs	18 case studies in three countries (USA, UK, Greece), IEC characteristics vary between SMEs in all internationalization dimensions: time to internationalization, market presence, and mode	IS
D.M.Boehe, 2016	**Internationalization framework** DMSI: domestic market-seeking internationalization	internalization theory, country-specific advantages	IS
V.Skudiene, V.Auruskeviciene, L. Sukeviciute, 2015	A revisited conceptual internationalization model from e-marketing perspective.	information availability and usage, international mindset, international business networks & communication interactivity and e-marketing strategy and tactics perspective leading to internationalization process success	OM
S.Mathews, C.Bianchi, K. J.Perks, M.Healy, R.Wickramasekera, 2016	A conceptual model of **Internet marketing capabilities** and international market growth	Internet combined with marketing capabilities drives international market growth	OM
Olga Levina, IrisVilnai-Yavetz, 2015	E-visibility maturity (e-VM) model of firms, industries, and countries	e-VM assesses the potential of companies to engage customers in the global e-commerce (on 1868 firms, 27 industries and 5 countries)	IS
M.Savrul , A.Incekara, S. Sener, 2014	The issues **SMEs** can face in changing business digital	Technological progress in logistics and distribution enables nearly SMEs to buy,	IT

	environment and the potential of e-commerce	sell and cooperate on a global scale	
Reza Rezaei, Thiam Kian, Chiew Sai, Peck Lee, 2014	E-business Interoperability Frameworks	A comparative analysis is detailed based on interoperability issues.	IS
Li-MinLin , Tzyh-LihHsia , 2011	Core capabilities that are necessary for achieving e-business innovation.	Based on data collected through an intensive literature review and an exploratory Delphi study, thirteen essential capabilities were considered as the keys to e-business innovation exploitation and exploration	IS IT OM
A. R. Reuber, E.Fischer, 2011	Factors related to the pursuit of international opportunities through online markets	internet-related firm-level resources: online reputation, online technological capabilities, and online brand communities	OM IT
M.V.Jones, N.Coviello, Yee Kwan Tang, 2011	**International Entrepreneurship** IE **resear**ch domain by thematically mapping	Based on 323 relevant journal articles published in the period 1989–2009, a reliable, ontologically constructed and practically useful resource is offered	IS

Table 1: Relevant literature

Decision Making Areas	**Core process**	**Methodology & Tools**
Internationalization **S**trategy and planning	Target country selection	-Information about the Country, Market and the Level of competition -PESTEL Analysis - Five Forces Analysis -Competitor Analysis -Web/Social Metrics Evaluation and Sales Data
	Choice of Foreign Market Entry Modes (FMEM)	Equity & Non-Equity Based modes according to previous analysis
	Choice of internationalization and localization level	Tier 1 - "all local" countries Tier 2 - "partly local" countries Tier 3 - "local shop window" countries Tier 4 - "nothing local" countries
IT Infrastructure for International E-commerce Deployment	Assessment of Impact of Cultural Differences	Defining Culture and Values Cultural Parameters in e-commerce
	Assessment of E-commerce Platform Requirements	Multi-Language Support Multi-Currency Support Payment Methods Shipping and Logistics Taxes Web Analytics and A/B Testing Multiple Storefronts CDN (Content Delivery Network) Support
	Website Localization (l12n)	Content Culturability
	Customer Relationship Management (CRM) systems	Collecting Data Using data for effective internationalization Customer Support

	Choice of Payment Methods and Logistics and Order Fulfilment	Payment options examination Order Fulfilment: Store's Warehouse or Premises, Supplier's Warehouse -Drop- shipping, Contractor's Warehouse - Order Fulfilment Last Mile Delivery Problem
International **O**nline Marketing	Search Engine Optimization	Keyword Research (Search Trends, Google keyword planner, Yandex and Baidu Keyword Tools, etc.), on & off page SEO, mobile compatibility, TLD and Hosting Server Location
	Pay per Click (PPC) and Display/Banner Advertising	International PPC Vendors, PPC Basics, Location and Device Targeting,
	Social Media Marketing	Social Networks management Mobile Marketing Strategies
	Mobile Marketing	Why how what Mobile Marketing,
	Affiliate Marketing	Why Affiliate Marketing, International Affiliate networks, Choosing Affiliate Network and Provision Model, Creatives and Promotional Materia Merchant - Affiliate Communication
	Web and Social Metrics - Evaluating Online Marketing Efforts	KPI's and metrics tools

Table 2: **I-SITOM** conceptual framework

Cultural Dimension	**Definition**	**Impact on Content**
Power Distance How the distribution of social power is dealt with in the culture.	A culture with high power distance believes in authority, in a culture with low power distance people believe that power should be equally distributed.	In high power distance culture a website should emphasize on the "greatness" of the leaders of the firm, "proper titles" should be used for executives and testimonials by "prominent" members of the society should be posted
Uncertainty Avoidance Explains to what degree a culture is comfortable with uncertainty.	Members of a culture with a high degree of uncertain-ty avoidance avoid taking risks, value tradition and are comfortable in a rule drive society.	In cultures with a high degree of uncertainty avoidance more customer service needs to be provided, local contacts need to be available, trust seals should be used and relationship of local culture to products should be pointed out
Individualism vs Collectivism Shows the level of emphasis the culture places on the individual or collective ,or group	In North America and Europe individualism is rewarded while in East Asia it is believed the group is more important	Collective societies need information on how the company is "giving back", to the community, supports "member" and "loyalty" programs. Individualistic societies need more personalization on the website, emphasis on the uniqueness of the products .
Masculinity vs Femininity How well masculine and feminine characteristics are valued by the culture.	In a Masculine culture characteristics such as being aggressive, as-sertive, ambitious and competitive while femi-nine cultures value characteristics such as being encouraging, comp-assionate,	In masculine societies emphasis should be given to the effectiveness of the products offerings while in feminine societies focus should be on aesthetics

Table 3: **Cultural Dimension's Impact on Website Content**

View publication stats