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A Case Study of Three Norwegian Fashion Brands

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ABSTRACT

Over the last 30-40 years, the world has become increasingly globalised, and large multinationals are ever-present in our daily lives. Initially in the globalisation journey, small firms were thought to be too small and have too few resources to make the move into foreign markets. However, since the advent of the International Entrepreneurship field in the 1980s and 1990s, the degree of globalisation has increased further and more and more businesses, regardless of size, are making forays into international marketplaces. The rapid development of the internet, social media, and online shopping have both reduced the barriers to engaging in exports and increase the ease to which customers are able to seek out a wider selection of suppliers, including foreign ones.

This change in the supplier and retailer space has been particularly felt in the area of fashion and accessories, where a plethora of new "direct-to-customers" entrants have cropped up. In such an environment, where new brands can be launched on a shoestring, but competition is fierce and global, what drives companies to internationalise? And when these firms make the decision to internationalise, how do they ensure success?

These are the key questions this thesis seeks to address; why companies internationalise, and how they do it. Specifically, we are using the context of the fashion industry and the micro-firm to explore the motives and barriers to internationalisation experienced by such firms, the entry modes they chose to use, which market they enter and how fast they move. We deploy a mixed method approach, combining an industry survey with a multiple-case study involving interviews with the founders of three Norwegian up-and-coming fashion brands.

We find that micro-firms in the fashion industry tend to internationalise to increase sales and build brand awareness. They are often driven by the ambition of the founder-manager. On the other hand, a lack of brand awareness can also be a barrier to internationalisation. Difficulty finding the right shops or agents to work with, limited financial resources and a perception the company is too small were also found to be potential barriers.

When these firms go into foreign markets, those more risk averse and reluctant tend to limit their expansion to culturally familiar and geographically close markets. Those managers with a more proactive approach and higher degree of personal ambition chose to target sub-markets in a wider array of countries and are less concerned about cultural or geographical proximity. A third approach was also seen, with companies that have international ambition but went about it in a less structured way. These firms rely to a larger extent on unsolicited orders and follow demand wherever it takes them - at times at their peril.

Most of the exporting micro-firms were found to start doing so early in their development, within 5 years of being established. They preferred to sell to local stockists in the target markets rather than setting up own shops. When doing so, they either sold directly by personally contacting the stockists or indirectly by using intermediaries like agents, distributors, or sales representatives.

The above questions are fundamental to internationalisation research and have been studied at length for large manufacturing multinationals, rapidly internationalising high-tech companies, and to some extent for retailers, both large general merchandisers, luxury brands, and smaller specialist retailers. However, the smallest firms have usually been excluded from studies due to their relative lack of resources and immaturity. Still, we find value in the results from our research given the prevalence of small businesses and the recent changes in the retailer landscape of the fashion sector.

In addition to showing that micro-firms are indeed capable of internationalisation and worthy of study, a key implication for theory of the thesis is the importance of context as we have seen through the study that the fashion sector lends itself particularly well to early internationalisation and is not directly comparable to sectors with higher barriers to entry. Furthermore, the context of being fashion brands place a high degree of importance on the brand image – something not typically emphasised in studies of high-tech Born Globals or international manufacturers. This has implications for both theory and practice, as the idea of staying true to brand seems to be central in both selecting markets to enter and partners or shops to work with. In conclusion, for fashion micro-firms, it seems the brand is important both in enabling internationalisation as well as ensuring a successful expansion process.

Sammendrag

I løpet av de siste 30-40 årene har verden blitt stadig mer globalisert, og store multinasjonale selskaper har en sentral rolle i vår hverdag. I begynnelsen av globaliseringen ble små bedrifter antatt å være for små og ha for få ressurser til å entre utenlandske markeder. Fra introduksjonen av internasjonalt entreprenørskap som forskningsfelt på 1980- og 1990-tallet, har graden av globalisering imidlertid økt ytterligere, og flere og flere bedrifter, uavhengig av størrelse, er aktive på den internasjonale arenaen. Den raske utviklingen av internett, sosiale medier og netthandel har både gjort det enklere for selskaper å eksportere og for kunder å finne leverandører, både i det lokale markedet og i utlandet.

Endringer i leverandør- og forhandlerleddet har gjort seg særlig gjeldende i klesindustrien hvor en rekke nye "direkte til kunde"-aktører har dukket opp. I dette markedet, hvor oppstartskostnadene normalt er svært lave, men konkurransen beinhard, hva er det som motiverer bedrifter til å satse internasjonalt? Og når de først har tatt den beslutningen, hvordan sikrer de at det blir en suksess?

Det er disse spørsmålene denne oppgaven tar opp; hvorfor selskaper internasjonaliserer, og hvordan de gjør det. Vi bruker moteindustrien og mikrofirmaet som kontekst for å utforske hvilke motiver og hindringer denne type selskaper opplever i internasjonaliseringsprosessen, hvilke inngangsmetoder de bruker, markedene de går inn i og hvor tidlig, og raskt, de ekspanderer. Dette er en *mixed method*-studie som kombinerer en bransjespørreundersøkelse med tre case studier basert på intervjuer med gründerne av tre norske klesmerker.

Vi ser at mikrobedrifter i moteindustrien er sterkt motivert av gründerens ambisjoner om internasjonal annerkjennelse samt ønsket og behovet for å selge mer og bygge merkevarebevissthet. Mangel på sistnevnte kan på den annen side oppleves som en barriere til internasjonal vekst, spesielt da det å finne de riktige partnerne å jobbe med, det være seg butikker eller agenter, kan være svært vanskelig. I tillegg nevnes begrensede økonomiske ressurser og en oppfatning om at selskapet er for lite som potensielle barrierer.

Når slike selskaper går inn i utenlandske markeder, har de en av tre tilnærminger. Selskaper som har en lavere risikovillighet ser ut til å begrense sin ekspansjon til markeder med lav geografisk og kulturell avstand til hjemmemarkedet, mens selskaper hvis gründere har en mer proaktiv tilnærming til og sterkere ambisjon om internasjonal vekst søker seg ut mindre *under*markeder i et bredere spekter av land og er mindre opptatt av kulturell eller geografisk nærhet. Den tredje ble også funnet blant selskaper med internasjonale ambisjoner, men som har en mindre strukturert tilnærming til internasjonalisering. Disse belager seg i større grad på uoppfordrede henvendelser og følger etter kundene - hvor enn de måtte befinne seg.

Når det gjelder spørsmålet om hvor tidlig disse selskapene starter internasjonaliseringsprosessen, ser vi at flesteparten av de eksporterende mikrobedriftene ble funnet til å initiere dette tidlig i selskapsutviklingen, innen 5 år fra etablering. I tillegg finner vi at de foretrekker å selge til lokale forhandlere eksportmarkedene i stedet for å opprette egne butikker, og de gjør dette enten direkte ved å personlig kontakte forhandlerne eller indirekte ved å bruke mellommenn som agenter, distributører eller salgsrepresentanter.

Forskningsspørsmålene i denne oppgaven er sentrale i internasjonaliseringsteori og har blitt nøye studert for store multinasjonale selskaper, raskt internasjonaliserende høyteknologiselskaper, og til en viss grad for varehandel, deriblant for store dagligvarehus, luksusbutikker og mindre detaljister. Dog, de minste firmaene har ofte blitt ekskludert med den argumentasjon at de mangler ressurser. Vi mener likevel at oppgaven har verdi gitt utbredelsen av små bedrifter i sektoren og endringene vi har sett i forretningsmodeller de siste årene.

I tillegg til å vise at mikrobedrifter er i stand til å internasjonalisere og dermed verdt å studere, er viktigheten av *kontekst* en sentral implikasjon for videre forskning. Gjennom studien har vi sett at motesektoren egner seg særs godt til tidlig internasjonalisering og dermed ikke er direkte sammenlignbar med sektorer med høyere inngangsbarrierer samtidig som merkevarebygging er en nøkkelaktivitet for disse selskapene, noe sjeldent fokusert på i studier av høyteknologiske Born Globals eller internasjonale industriselskaper. Dette har implikasjoner for både teori og praksis, da det kan påvirke hvilke markeder man går inn i eller hvilke butikker man selger til. Avslutningsvis kan det sies at for mikroselskaper i motesektoren er merkevaren selve nøkkelen til å på den ene siden muliggjøre internasjonalisering, men også for å sikre en vellykket ekspansjonsprosess.

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2 INTRODUCTION

2.1 BACKGROUND

The fashion industry is known, and criticised, for being extremely fast moving. Large, high street retailers such as Zara and Topshop introduce new styles every few weeks while luxury fashion brands present up to eight new collections per year[1] not accounting for their diffusion labels. In this environment, where product development can take as little as two to six weeks from drawing board to shop floor, it seems fair to assume the only companies able to survive should be fast fashion retailers with optimised supply chains and perfected product development processes, or high-end designer brands that can charge a premium because of the name on the tag. However, experience shows there is still place for niche and smaller clothing companies in this landscape.

One example is American company Everlane - something as rare as a VC-backed clothing brand. It launched in 2010/11 with four employees selling just t-shirts. By the end of 2011, the company had 22 employees and were about to enter the Canadian market. As of 2020, their product portfolio has expanded to include a wider range of apparel, shoes and accessories for both women and men. The company has six physical stores, all in the US, but their main sales channel is direct-to-consumer via their webpage, and they can ship to 142 countries with localised partner sites in an additional four.

Everlane is an example of a clothing company that has seen tremendous growth, both domestically and internationally, in a very short period. Within six years of inception, the company passed $100m of sales[2]. What is more, they are not alone. Other small companies, like Off-White[3], Allbirds[4] and Vetements, have also seen rapid ascent (and descent for Vetements[5]) in recent years.

Due to its high pace of change and ubiquitous relevance, the clothing and apparel industry provides a good backdrop for researching issues related to company growth and international expansion. Against this backdrop we will investigate the performance of three Norwegian clothing companies in the international market.

Our case companies all serve unique needs and target different end customers, and they have had varying degrees of success outside of their home market. But there are lessons to be learned from them which are applicable to start-ups and micro-firms inside as well as outside of the fashion industry.

2.2 RESEARCH QUESTIONS

There are several research areas in economics and business management that deal with the global presence of companies, however, two central fields are *International Business* (IB) and *International Entrepreneurship* (IE).

While the objective of International Business research is to "understand *why* firms engage in international operations" (Hymer, 1960, in McDougall, Shane & Oviatt, 1994), a common complaint is that IB theories inadequately explain the behaviour of internationalising *small* firms because IB theories, by default, assume that companies venture abroad only long after inception (McDougall et al., 1994) and, as a result, tend to focus on *large*, mature firms.

In response to an increasing presence of small and rapidly growing firms in the international marketplace, the field of International Entrepreneurship was developed. The field is concerned with "start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation" (McDougall, 1989).

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[1] Autumn/Winter and Spring/Summer for Ready-to-Wear, Couture and Menswear plus Pre-Fall and Resort
[2] https://www.growthmarketingpro.com/ecommerce-marketing-manual-10-secrets-everlanes-success/
[3] https://www.vox.com/the-goods/2018/10/30/18027074/off-white-timeline-history-luxury-streetwear-virgil-abloh
[4] https://craft.co/allbirds
[5] https://www.businessoffashion.com/articles/news-analysis/demna-gvasalia-steps-down-from-vetements

As such, both IB and IE try to understand why companies internationalise and the behaviour of such firms, but their focal firm differ in size and maturity which has led to diverging conclusions.

While proponents of IE have criticised IB for not including smaller companies in their samples, IE research can also be limited to companies of a certain size, typically *small and medium sized* ones, to make sampling easier and to eliminate some of the more extreme immaturity and lack of resources assumed for even smaller firms. However, fashion and clothing retail companies typically outsource a sizeable portion of their value chain and therefore are relatively resource light leaving the number of employees and revenue to be less of an issue.

We will therefore use the fashion industry as a backdrop not only to investigate how and why companies internationalise, but specifically to look at *micro-firms*[6] and how the internationalisation process of such companies compares to that of larger firms and the leading theories in IB and IE research.

Our research questions then end up being the following:

1) *Why* do *micro-firms* internationalise?
2) *How* do *micro-firms* internationalise?

To answer the first question, we will be reviewing the *motives* and *barriers* to internationalisation as discussed in IB and IE literature and experienced by our case companies. The second question relates to the internationalisation process itself and will cover the *pattern*, *pace* and *modes* used in that process. In other words, we will be focussing on the market selection strategy, the timing of initial and subsequent market entries, and the entry and operating modes used in each market. This is summarised in Figure 2-1.

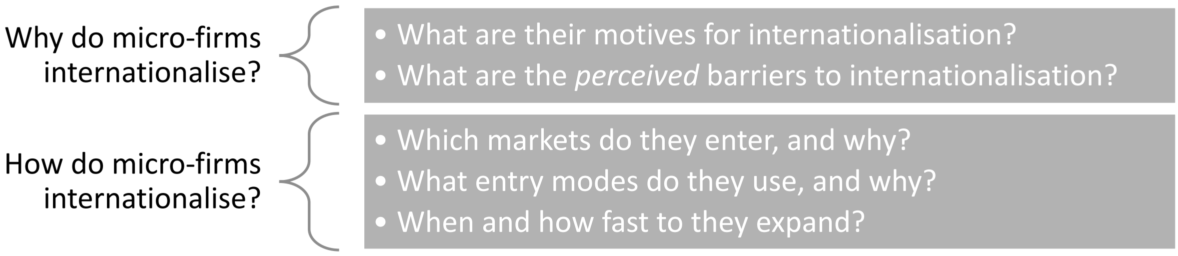

Figure 2-1 Structure of thesis research questions

Figure 2-1 provides the structure for the subsequent chapters and the conclusions are built upon the discussion of theory and case study results for each of the five sub-questions, which together will answer the two main research questions.

2.3 Limitations

The thesis has been developed to reduce potential limitations; however, some still exist.

First, the study is limited to companies within the fashion and clothing industry. Companies in this industry often outsource large part of their internal value chain, especially on the production side. Therefore, there will be structural difference between fashion brands and more manufacturing heavy industries which may affect the applicability of the learnings from this thesis. Still, for more retail and consumer orientated sectors, there should be lessons to be had.

Second, the case companies are all defined as *micro*-firms. These firms have significant resource constraints and while research shows that size is not a great determinant of foreign market performance, some of the findings may be unique to companies of such a size. While we are drawing on theory and research on the internationalisation process of companies of different sizes, there are few studies of micro-firms specifically.

[6] Defined as companies with less than 10 employees

2.4 Thesis Structure

The thesis starts with an executive summary followed by this introduction. Next is a presentation of leading theories and frameworks related to the research questions outlined above. We will be bringing in aspects from both IB and IE literature, as well as research specific to fashion and apparel retail internationalisation. This will allow us to contrast and compare findings for different types and sizes of companies to thereby be able to determine how generalisable the findings from our study will be.

The literature review is followed by a chapter outlining the methodology used to gather data for the analysis before the results of the case studies and questionnaire are presented. In Chapter 0, the results from Chapter 5 are discussed in light of the presented theory from Chapter 3. The thesis is concluded with a discussion of the implications for both practitioners and theory.

3 LITERATURE REVIEW

This chapter presents established theory on the internationalisation process of companies. Specifically, we will look at research related to motives and barriers to internationalisation, market selection strategy, foreign market entry modes, and the pattern and pace of internationalisation. We will draw upon theory from both International Entrepreneurship and the wider International Business field, while supplementing with research on the internationalisation of retail operations (IR) and fashion companies specifically.

The chapter starts with an introduction to internationalisation theory and its main subfields, followed by two sections presenting literature relevant from both IB, IE and IR for the two main research questions outlined in the previous chapter, i.e., *Why Companies Internationalise* and *How Companies Internationalise*. These Sections 3.2 and 3.3 are subsequently broken into subsections covering the five topics outlined in Figure 2-1.

3.1 INTRODUCTION TO INTERNATIONALISATION THEORY

The research on internationalisation processes can be divided into two main groups: International Business (IB) and International Entrepreneurship (IE). The key differentiating factor between the two research groups are what type of companies they look at, i.e., the size, age and resource availability of the focal firm, and when, in the lifetime of the focal firm, internationalisation takes place. Different starting points then lead to different conclusions, not only on the pattern and pace of internationalisation, but also the motives and barriers perceived by the focal firm.

Internationalisation Theory aims to describe the behaviour of internationalising firms in light of these two perspectives and particularly what leads to or enables successful internationalisation. The fundamental elements of Internationalisation Theory coincide with the main topics of this thesis, namely the *pattern*, *process,* and *pace* of internationalisation.

3.1.1 International Business Theory

The field of International Business came to as globalisation, in the wake of WWII, led to increased trade and foreign direct investments. As the cross-border activities of companies began to increase, the academic interest followed suit and lead the way for IB as a separate research area. The objective of International Business research is to “understand *why* firms engage in international operations” (Hymer, 1960, in McDougall et al., 1994).

Common for IB research is the focus on Multinational Corporations (MNCs), global conglomerates and other large companies. It was a widely held notion that resource availability and strength were prerequisites for successful cross-border operations. Another central element to IB is the concept of internationalisation as an incremental and risk-averse learning process (Oviatt & McDougall, 1997), with companies said to engage in international activities only after having gained significant experience in their domestic market. Therefore, the scope of IB research has typically been limited to larger and more mature companies.

The idea of internationalisation as a learning process stems from research such as Johanson & Wiedersheim-Paul (1975), Johanson & Vahlne (1977), Bilkey & Tesar (1977), Cavusgil (1980), Reid (1981), Czinkota (1982). The model Johanson & Wiedersheim-Paul and Johanson & Vahlne described is often called the Uppsala Internationalisation Model, or simply U-model, given their affiliation with the University of Uppsala in Sweden. At the same time, Bilkey & Tesar, Cavusgil, Reid and Czinkota developed four quite similar models that have all been included under the umbrella term Innovation-Related Internationalisation Models, or the *American* I-models, given the researchers’ association with American universities and use of US-based focal firms.

Common for both the Uppsala model and the I-models is that the internationalisation process is described as a *learning experience* whereby companies initially expand into geographically and/or culturally proximate markets and learn from these experiences before venturing on to more distant markets in an *incremental* and *appropriately paced process*. For the initial move, they typically commit limited resources while progressing to more resource demanding entry modes as they gain experience. Therefore, these models of internationalisation are also called *incremental stage processes* or the *stage theory of internationalisation*.

Johanson & Vahlne (1977) depict this learning process as a dynamic relationship between the knowledge a firm have of a specific market and its activities in said market, as shown in Figure 3-1. The model shows how the firm's market knowledge informs its decision to commit resources to a market as opposed to its domestic or other markets. This will then impact the actual activities the company will perform in this market which subsequently determine the commitment to said market, both in terms of amount of resources committed and degree of commitment.

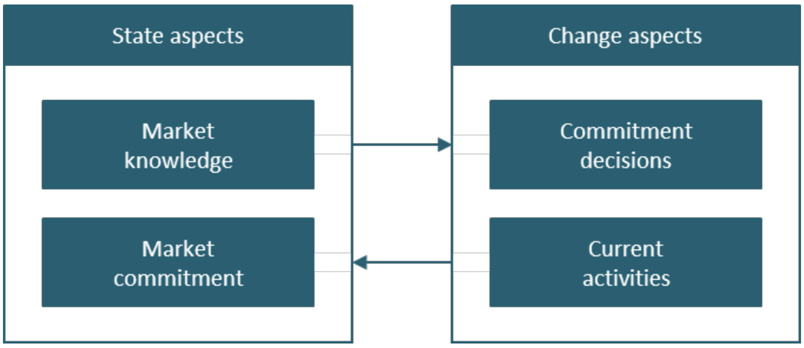

Figure 3-1 The Basic Mechanism of Internationalisation (after Johanson & Vahlne, 1977)

While Figure 3-1 explain the relationship between current and new knowledge and activities, it does not spell out *how* companies internationalise, *what* entry modes they use and when they do it. This *operationalisation* of the U-model was discussed in Johanson & Wiedersheim-Paul (1975) and presented as a four-stage establishment chain, shown on the left-hand side of Figure 3-2, showing how companies move from having no regular export activities to establishing overseas manufacturing operations after having explored intermediate and own sales channels.

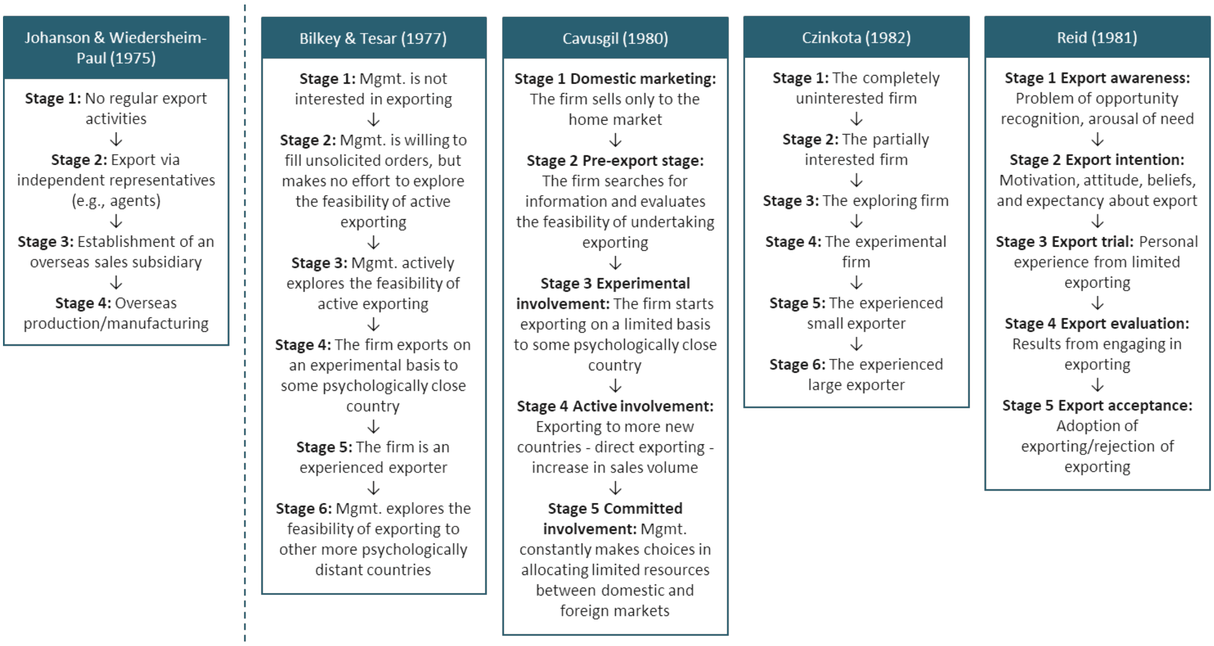

Figure 3-2 Overview of the I- and U-models (after Andersen, 1993; Johanson & Wiedersheim-Paul, 1975)

As a process, Johanson & Wiedersheim-Paul (1975) is not too dissimilar from those of the four I-models also described in Figure 3-2. All show a stage-wise process from low interest in and motivation for exporting and international operations to a high degree of involvement via phases of exploration and testing. For these models, entering a foreign market is like an innovation to the firm (Andersen, 1993), hence their collective name. The innovation, as in the act of first moving abroad, must be trialled, and evaluated before committing large resources to it.

Fundamentally, the incremental internationalisation models are risk centric. They portray companies as cautious and risk-averse in their pursuit of higher profits and better performance. Concepts such as stage processes and psychic distance are, under these models, "tools" that minimize the risk and enable internationalisation. In the next section we will look at a very different view on internationalisation.

3.1.2 International Entrepreneurship Theory

International Entrepreneurship came to life in the late 1980s and early 1990s as researchers started showing interest in a new type of focal firm that defied the established theories of IB. As access to the internet became more common and advancements in IT and communications drove changing consumer behaviour, the cross-border activities of small and medium-sized companies increased. Oviatt & McDougall commented in their 1997 paper "Challenges for Internationalization Process Theory: The Case of International New Ventures" that

> […] although most firms still appear to internationalize in an incremental way, the speed and complexity of firm internationalization is increasing around the world, and a small but increasing number of firms are international at founding […].

IB theories were inadequate in explaining the behaviour of these young and rapidly internationalising firms. As presented in the previous section, theories such as the U- and I-models assume that companies internationalise in a risk-averse and gradual way after having built market and business knowledge in the domestic market that they can leverage abroad. As such, these models imply that companies venture abroad only long after inception and must be well-established by extension (McDougall et al., 1994).

International Entrepreneurship sits, as the name indicate, at the intersection of International Business and Entrepreneurship, and possesses a level of innate impetus and growth not typically seen in traditional internationalisation theory. McDougall's (1989) seminal work sets out the following definition of IE:

> International entrepreneurship is defined in this study as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation.

Focal firms within IE are enabled by innovativeness, niche strategies and proactive entrepreneurial managers who view the entire world as their market. A range of names have been given such companies, from Born Globals (BGs) to International New Ventures (INVs) and Instant Internationals (e.g., Rennie, 1993; Oviatt & McDougall, 1994; McAuley, 1999).

IE has seen some criticism for potentially being fragmented and phenomenally based, but Jones, Coviello & Tang (2011) found that IE as a research area is wide and varied in topics with an increasing level of coherence. The field still offers opportunities for further exploration and, as Keen & Etemad (2012) argue, IE research can contribute to a greater understanding of the concept of *growth* which is normally impractical or difficult for academics to research due to its inherent time dependence. Given the rapid growth typical of IE companies, such companies lend themselves well to the study of this phenomenon and therefore Jones et al. (2011) view International Entrepreneurship research as valuable also for the general business research field.

In the first years of IE as a research field, a large part of the effort was spent on studies to discover and classify different types of early internationalising firms, often based on the scope, speed and timing of their internationalisation process (Jones et al., 2011). However, Jones et al. (2011) also found in their comprehensive literature study, that a majority of the articles published focussed on the internationalisation pattern and process itself, and what influences it.

One central early article conceptualising the internationalisation process of early and rapidly internationalising firms was Oviatt & McDougall (2005). In this work, the authors first redefine international entrepreneurship as "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services" and develops a model to explain the *speed* at which internationalisation occurs, see Figure 3-3. For Oviatt and McDougall, *speed of internationalisation* is a concept that encompass both the time between discovery, or enactment, of the entrepreneurial opportunity and the initial entry to a foreign market, the pace at which subsequent markets are entered and the level of commitment a company has to their internationalisation, measured in share of foreign revenue. They further view internationalisation speed as being affected by four different forces: 1) enabling, 2) motivating, 3) mediating, and 4) moderating forces as shown in Figure 3-3.

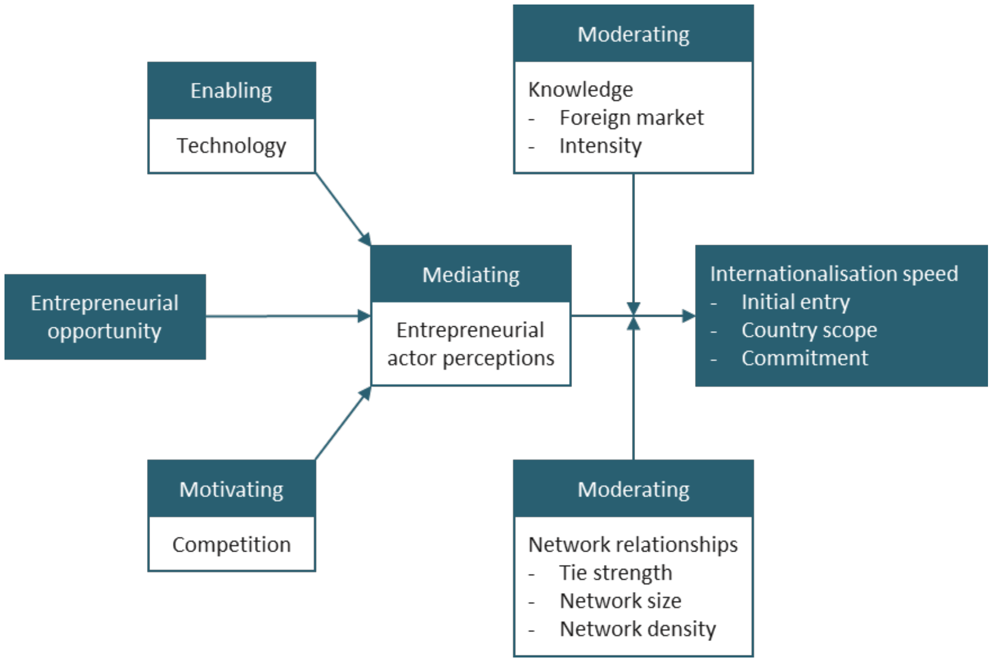

Figure 3-3 A Model of Forces Influencing Internationalization Speed (after Oviatt & McDougall, 2005)

Oviatt & McDougall's model highlights the central role of the entrepreneur(s), or rather the "entrepreneurial actor", in the internationalisation process of INVs, BGs and other types of early and rapidly expanding companies which is a key feature of what sets IE apart from IB. They state that international entrepreneurial behaviour can only be explained by "understanding how the opportunity, the enabling forces, and the motivating forces are interpreted, or mediated, by the entrepreneurial actor" and not by some "objective measure of technology and competition".

Around the same time as Oviatt and McDougall did their research, another pair of researchers were also conceptualising the international entrepreneurship process. Jones & Coviello (2005) developed three models to explain the process: a simple, a general and a precise, context-specific model.

In Figure 3-4, Jones and Coviello used the behaviour of an INV as the context and looked at the entrepreneur's capabilities and perceptions, the firm and its organisational structure, its internationalisation behaviour and finally performance. This creates a dynamic, cyclical model, where performance of an INV is both an outcome and an input. It is the output of the chain between the entrepreneur's characteristics, the firm's structure and the decisions thus made about where to internationalise, when and how. But it also acts as input and learning for the entrepreneur and the firm and can therefore affect the internationalisation behaviour.

We ended the introduction to IB stating that the theories and concepts presented assume an inherent risk aversion. For IE this is less of a focus. Instead, the premise is that *despite* the risk companies *can and do* expand to far flung markets at a very early stage, and that at the centre of these risky decisions are the entrepreneurs and their ambitions, capabilities, and perceptions.

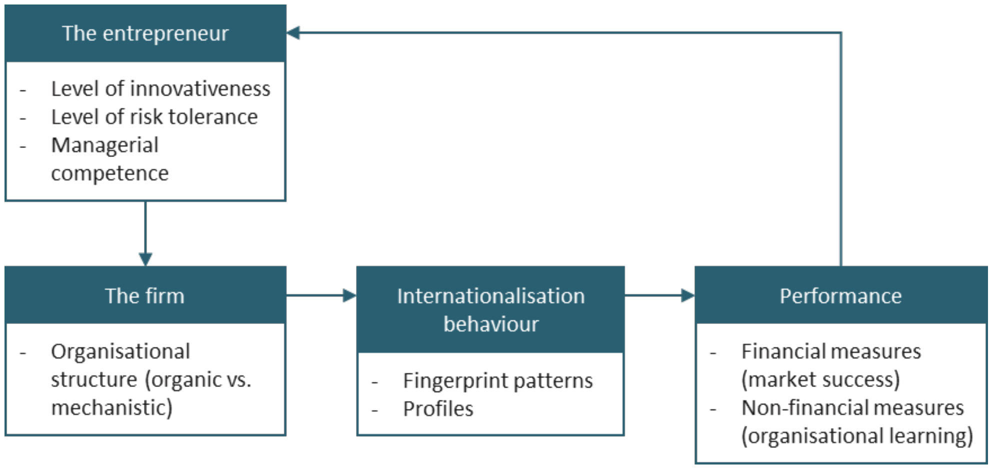

Figure 3-4 Example of a context-specific (for an INV) precise model (after Jones & Coviello, 2005)

3.1.3 International Retailing Theory

While IB has been preoccupied with research on large multinationals and manufacturers, and IE with the rapid expansions of tech-enabled companies, *International Retailing* (IR) theory focus on the internationalisation of retail operations as separate to the internationalisation of manufacturing companies' supply chains and distribution channels. Alexander (2015) defines IR as "…the operation of retail outlets in more than one country" and specifies that internationalisation can be either direct or indirect. Indirect when international retailing practices are adopted by domestic players, and direct as we traditionally understand internationalisation, that is when domestic players expand their operations abroad, specifically their retail operations in the IR domain.

Seminal work in this area includes Hollander (1970), Salmon & Tordjman (1989), and Treadgold (1988) who first set out to define the characteristics of IR companies and the type of activities that are involved in international retailing (Alexander & Doherty, 2010). Other important authors include N Alexander, SL Burt, AM Doherty, J Fernie, K Hutchinson and CM Moore. Alexander has written extensively on the retail internationalisation process, motives for RI and divestment of international retail operations (e.g., Alexander & Doherty, 2010; Alexander & Myers, 2000; Alexander & Quinn, 2002). Burt has also discussed internationalisation failures in several papers (e.g., Burt, Mellahi, Jackson & Sparks, 2002; Burt, Dawson & Sparks, 2003). Both Doherty and Hutchinson have contributed with studies on fashion and smaller specialty retailers (e.g., Doherty, 2000; Hutchinson, Quinn & Alexander, 2005) as compared to grocery and large-format retail chains, e.g., Wal-Mart, which were the main subjects of study early in the development of the field while Fernie and Moore has led the way in research on high-end and luxury fashion brands' internationalisation process (e.g., Fernie, Moore, Lawrie & Hallsworth, 1997; Moore, Fernie & Burt, 2000; Moore & Doyle, 2010).

Compared to the field of IE, researchers of international retailing seem to have been more prolific in developing both conceptual and statistical models for describing the internationalisation process of retailers. The field draws heavily on International Business research but under the restrictions and requirements of a retail business. This may lead to an emphasis on, for instance, different entry modes – retail lends itself well to franchising – or on different motives and barriers, but fundamentally the models are familiar.

Vida & Fairhurst (1998) presents one such conceptual model, see Figure 3-5. In structure it is similar to Jones & Coviello's (2005) model for an INV in Figure 3-4, in Section 3.1.2 above, with its feedback loop based on foreign market performance and with the decision-maker (the entrepreneur in Jones & Coviello) and the firm driving the international behaviour. However, Vida & Fairhurst also include the external environment as an influencing factor and the starting point of the internationalisation process, stating that "…a retailer will not enter international markets unless there is some demand for the product/service or a market opportunity.". They also comment that *internal inhibiting factors* seems to lead retailers to enter markets that are geographically and culturally close in the first cycles of internationalisation, while subsequent entries are more likely to be driven by "the external environmental [sic.] and cautious planning" (Vida & Fairhurst, 1998) indicating a learning process in which the decision-makers and the firm have become emboldened and internal inhibiting factors less of a concern. This contradicts Jones & Coviello (2005), as well as Oviatt & McDougall (2005), and is more liken to the risk-averse incremental models of Johanson & Vahlne, 1977, and, e.g., Bilkey & Tesar (1977).

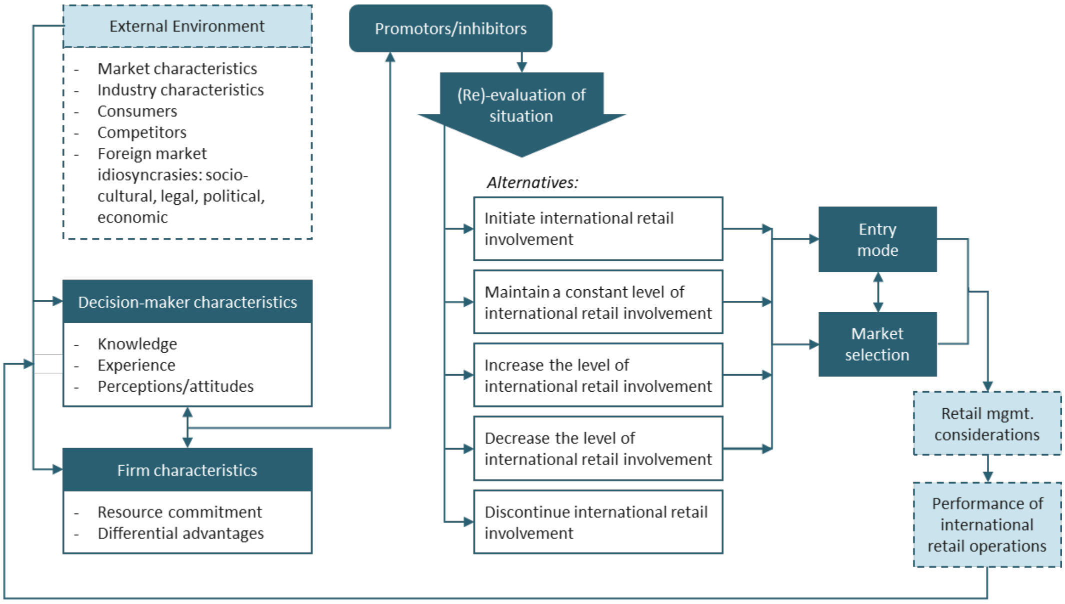

Figure 3-5 Model of factors influencing the retail internationalisation process (after Vida & Fairhurst, 1998)

3.1.4 Summary – Introduction to Internationalisation Theory

We have above presented the general themes and models in the three areas of Internationalisation Theory: International Business, International Entrepreneurship, and International Retailing. These three areas are interconnected and have many common themes and ideas. With our case companies being fashion brands with their own retail operations while simultaneously showing early international expansion, it makes sense to look to both IE and IR for theories explaining their behaviour, supported by findings in the broader International Business literature.

In the following sections we will draw again on these three areas of research and delve further into specific areas of internationalisation theory, namely motives and barriers to internationalisation, market selection, and entry modes.

3.2 Why Companies Internationalise

This section could have been titled “Why companies *choose* to internationalise”, but there is a discussion to be had on how much of a *choice* such a move really is. While some companies exhibit a strong will and desire to “go global”, other companies may be more reluctant and experience that adverse conditions in their domestic market are forcing their hands.

Furthermore, making a choice implies there were more than one option to begin with and that each of them were evaluated based on their requirements and expected outcomes. However, companies are often seen to respond to unsolicited requests and act based on informal relationships rather than with strategic intent after having deliberated on several options.

The above are examples of factors affecting the decision to internationalisation. Researchers in the field of Internationalisation Theory have spent a great deal of time trying to map and decipher these factors. In the following sections, the current status of research into motives of and barriers to internationalisation will be summarised.

3.2.1 Motives

Motives, influences, stimuli, drivers, enablers, facilitating factors – the words used to describe factors positively affecting, supporting, and reinforcing the decision to internationalise are many. While the first four generally cover arguments for *why* such a move *should* be made, the latter two deal more with factors affecting *whether* it *can* be made. However, the terminology is not consistently used among researchers. In the following we will use most of these interchangeably unless explicitly stated.

Findings from International Business Literature

Traditionally in internationalisation theory, reasons for expanding abroad have been discussed as reactive/proactive, internal/external, or push/pull factors. Cavusgil, Knight & Riesenberger (2008, p. 384) describe push factors as including “unfavourable trends in the domestic market that compel firms to explore opportunities beyond national borders”, while they explain pull factors as being “favourable conditions in foreign markets that make international expansion attractive”. Often a combination of both types of factors are at play.

Examples of push factors include increased competition in the domestic market, maturing products, deteriorating profit margins and reduction in demand (Cavusgil et al, 2008). Simultaneously, pull factors include such factors as government incentives, desire for faster growth or higher margins, less competitive markets, and potential to learn from competitors in foreign markets (Cavusgil et al, 2008).

When thinking about the three dichotomies listed above; reactive/proactive, internal/external, push/pull, and the examples of push/pull factors just shown, we see it is somewhat simplistic to classify all push factors as internal, or reactive, and all pull factors as external, or proactive. There is not a clear overlap between the three dichotomies, they all have their applicability. An article that explores this and organises motives accordingly is Leonidou (1998).

After reviewing the extant literature on export stimuli, covering some 30 studies from the 1970-90s, Leonidou organised the resulting 20 stimuli in four categories according to Albaum, Strandskov, Duerr & Dowd (1989, in Leonidou, 1998) quadruple topology of *internal-reactive*, *internal-proactive*, *external-reactive* and *external-proactive* factors. The mapping is shown in Table 3-1 below.

The quadruple topology recognises that not all external factors necessarily will be of a reactive nature and vice versa for internal and proactive factors. Instead, the framework allows for a finer classification of factors that help companies, managers and support organisations better address shortcomings and opportunities.

Table 3-1 Overview of commonly cited export stimuli (after Leonidou, 1998)[7,8]

	Internal	External
Proactive	• Achievement of economies of scale (6) • Special managerial interest/urge/aspirations (4) • Products with unique qualities (7) • Possession of a special competitive advantage (4) • Potential for extra sales/profits (2) • Need to achieve corporate growth (6)	• Encouragement of external agents/organisations (5) • Identification of attractive foreign opportunities (2) • Exclusive information on foreign markets (7) • Government export assistance/incentives (5) • Contacts after participating in trade fairs/missions (7)
Reactive	• Offsetting sales of a seasonal product (3) • **Utilisation of idle production capacity (6)** • Stagnation/decline in domestic sales/profits (1) • Reducing dependence on/risk of domestic business (1)	• Initiation of exports by domestic competitor (8) • Competitive pressures in the domestic market (8) • Favourable foreign exchange rates (2) • **Saturation/shrinkage of domestic market (1)** • **Receipt of unsolicited orders from abroad (3)**

Table 3-1 lists many of the same motives as given as examples by Cavusgil et al. (2008), including stagnation/decline in domestic sales/profit, potential for extra sales/profits, and government export assistance/incentives, while adding other motives such as utilisation of idle production capacity and receipt of unsolicited orders from abroad.

[7] Stimuli in **bold** were found to be most prevalent

[8] Numbers in parenthesis mark grouping according to Leonidou’s (1998) eight *stimulating factors*

Leonidou (1998) goes on to further group these stimuli based on their interrelationships using factor analysis on data collected through surveying 100 Cypriot manufacturing firms of varying size, age, and export intensity. The result is a list of eight *stimulating factors*:

1) Domestic market constraints
2) Export benefits/opportunities
3) Fortuitous reasons ('Unsolicited Forces')
4) Managerial/enterprise competence
5) External agent incentives
6) Internal company problems
7) Product/information exclusivity
8) Domestic competition

These factors vary in importance and degree of impact on the export decision and Leonidou (1998) found that factors 2) Export benefits/opportunities, 4) Managerial/enterprise competence and 6) Internal company problems (all highlighted in bold in the above list) had the highest impact, while 5) External agent incentives and 8) Domestic competition had the least impact (in italics).

While classifying and grouping export stimuli was one of the objectives, Leonidou (1998, pp. 49) also saw that "only a few studies attempted to link organizational demographics with export stimuli perceptions" and that the "association between company internationalization and export stimulation has also received scant research attention".

Leonidou (1998) looked at eight parameters when analysing the effect of organisational demographics on export stimuli: industry type (consumer vs. industrial), number of employees (smaller vs. larger), sales turnover (low vs. high), business profitability (profitable vs. non-profitable), size of corporate assets (low vs. high), organisational age (younger vs. older), presence of a "background organisation" (existent vs. non-existent), and size of domestic market share (small vs. large). He found that:

- Companies producing consumer goods are much more likely to cite unsolicited orders as a reason to initiate exports than producers of industrial goods (Factor 3)
- Both small and non-profitable firms tend to be more sensitive to domestic market constraints and competition than larger or better performing companies (Factor 1 and 8)
- Similarly, companies with low revenue, are also more likely to cite domestic market constraints as a contributing factor than their larger counterparts (Factor 1)
- On the other hand, high revenue companies pay relatively higher attention to the competence of the managers and the company (Factor 4), as does companies with a high domestic market share and existence of a "background organization", e.g., parent organisation, group structure
- For young/recently established firms, external agent incentives are more important than for well-established companies. However, the overall importance is still bottom two (Factor 5)
- For incumbents with a high domestic market share, the presence of internal company problems is statistically more significant than for companies with low domestic market share as these companies are likely to perceive additional opportunities in the domestic market as limited which requires them to expand abroad (Factor 6)
- Size of corporate assets are found to have no significant impact

In order to review the link between companies' internationalisation process and importance of export stimuli, Leonidou (1998) analysed the impact of another eight parameters: export experience (novice vs. experienced), export regularity (intermittent vs. continuous), export aggressiveness (passive vs. active), foreign market entry mode (indirect vs. direct), psychic distance (low vs. high), number of foreign markets (concentrators vs. spreaders), export sale intensity (non-intensifiers vs. intensifiers), and export profit contribution (low vs. high). The results indicate that neither foreign market entry mode nor psychic distance significantly impact the relative importance of any of the eight stimulating factors.

- Fortuitous reasons are cited as more important stimuli by novice exporters than experienced ones. This may indicate that unsolicited orders and other reactive factors play a larger part of the initial foreign move, while more proactive and exploitive motives fuel subsequent entries as the companies become more experienced and comfortable with manoeuvring foreign markets (Factor 8)
- Having a low export regularity, i.e., exports are intermittent and opportunistic, is closely related to three of the more externally driven and reactive stimulating factors, domestic market constraints, fortuitous reasons, and domestic competition. Companies with intermittent exporting are more likely to have been impacted by adverse market conditions and resort to exporting to mediate periodic poor conditions in their home markets (Factors 1, 3, and 8)
- Companies with an aggressive, or proactive, approach to its first export order were found to, unsurprisingly, report place lower importance on fortuitous reasons to export. However, they are more likely than passive companies to rank internal company problems highly (Factor 3 and 6)
- Domestic market constraints are seen to be more important stimuli for companies with a concentrated expansion strategy, while companies with a spreading strategy rate managerial/enterprise competence and internal company problems higher (Factor 1, 4 and 6)
- Export sales intensity, i.e., export share of total sales, and profit contribution both affect the rating of fortuitous reasons for exporting, with companies with low export share and low profits from exports quote unsolicited orders and offsetting sale of seasonal products as more important stimuli than their high export share and high profit counterparts (Factor 3)
- In addition, companies with low export share are more impacted by domestic competition than intense exporters (Factor 8)

To summarise, Leonidou (1998) finds that small, inexperienced exporters tends to be motivated by external factors, driven by adverse conditions in their domestic market, and approach exporting in a more unstructured and opportunistic way. Larger, well-established firm on the other hand, use their resourcefulness to take on a more deliberate and consistent export strategy.

Furthermore, there is also a marked difference in rationale for the initial decision to export and subsequent moves, with the initial decision more likely to be driven by adverse market conditions and fortuitous reasons compared to the subsequent ones. As such there seems to be a component of *learning* that impacts both the decision of different types of companies (based on their amassed experience) and the decision at different points in the internationalisation journey (initial vs. subsequent moves). This notion of learning and changes in facilitating factors depending on the stage of internationalisation and experience, is recognisable from the U- and I-models presented Section 3.1.1 and places Leonidou (1998) squarely within the realm of International Business theory.

Findings from International Entrepreneurship Literature

While Leonidou (1998) finds support for the learning aspect central to the stage and incremental processes of internationalisation from IB, the export stimuli presented in Table 3-1 and the list of eight stimulating factors are not exclusive to IB. Indeed, Leonidou finds that they are largely common for both small, young, and inexperienced exporters and large, old, and experienced firms. Export benefits/opportunities, managerial/enterprise competence and internal company problems are the main stimuli for both types of exporters, while the smaller firms also rate domestic market constraints and fortuitous reasons highly, and higher, than the larger ones.

When looking at IE research, we find similar motives as Leonidou (1998), including managerial competence (Jones & Coviello, 2005), competition, and government policy (Crick & Jones, 2000) but we also see differences, particularly in an added layer of interdependency and interconnectedness between the different factors and a broadening and differentiation of the terminology to encompass such types of influencing factors as enablers, motivators, moderators, mediators, and facilitators, each with their slightly different role. And as such, the interplay of factors is increasingly important. Calof & Beamish (1995, in Crick & Jones, 2000) and Crick & Jones (2000) models of the internationalisation process and factors affecting it are two examples of this, see Figure 3-6 and Figure 3-7 respectively.

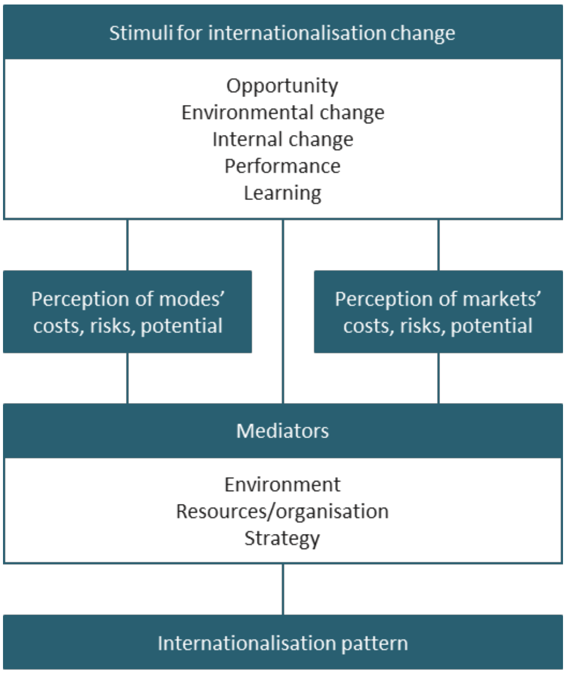

Figure 3-6 Internationalisation Development Process (after Calof & Beamish, 1995, in Crick & Jones, 2000)

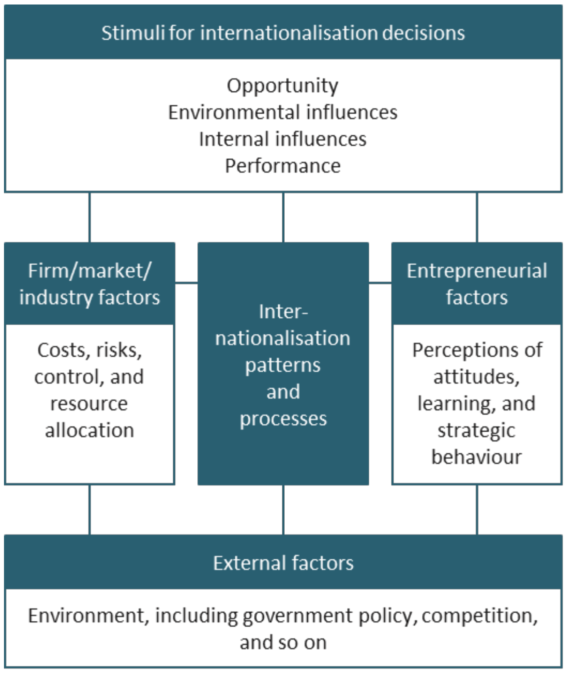

Figure 3-7 Key Factors in the Internationalisation Development Process (after Crick & Jones, 2000)

In their 2000 article titled "Small High-Technology Firms and International High-Technology Markets", Crick & Jones investigate the international expansion process of small and medium-sized UK technology firms and sought to address "the 'why' and 'how' questions in research involving work at the marketing-entrepreneurship-internationalisation interfaces". Crick & Jones (2000) stated that a key challenge for such firms "is the imperative to exploit their technologies in markets that are underdeveloped but have international opportunities" and that "for many modern technologies, the industry is international (e.g., computer systems, software), and therefore the international expansion of such firms may be technologically driven as well as market led".

Crick & Jones (2000) use the model developed by Calof & Beamish (1995, in Crick & Jones, 2000) as seen in Figure 3-6, as the basis for their research as it outlines the factors affecting the internationalisation process. Calof & Beamish (1995, in Crick & Jones, 2000) point to four different elements affecting the internationalisation pattern; stimulating factors, mediating factors, perceptions about entry modes, and perceptions about the market. As stimulating factors, the authors list five specific ones; opportunity, environmental change, internal change, performance, and learning, while mediating factors comprise the company's environment, resources and/or organisation, and its strategy. The stimuli are mediated directly but also feeds into the companies' perception of entry modes and of markets which is subsequently mediated by the abovementioned factors to develop specific patterns of internationalisation.

Despite Calof & Beamish' model being originally developed to explain changes in entry mode Crick & Jones (2000) find support for many of the stimuli outlined by Calof & Beamish (1995, in Crick & Jones, 2000) in their own case studies. However, they see the linearity of Calof & Beamish' model to be insufficient to explain the interrelated and dynamic nature of the factors affecting the internationalisation process. As a result, they reworked the model and developed their own. Crick & Jones' model can be seen in Figure 3-7.

Of specific factors, Crick & Jones (2000) point to previous international experience of key decision makers; limited domestic market; growth aspirations, particularly those of managers; as well as opportunities and unsolicited orders to kick-start the internationalisation process. This list of influencing factors is similar to what Leonidou (1998) presented, especially when taking firm size, age and exporting experience into account.

A key difference between Crick & Jones' model and that of Calof & Beamish is the position of "Internationalisation patterns and processes" at the centre. Crick & Jones' model reflects interconnectedness of the influencing factors. While the four factors all affect the internationalisation process and pattern directly, they also mediate and moderate the impact of each other.

Another difference to Calof & Beamish' model is the addition of "Entrepreneurial factors" as another element affecting the outcome. This is a crucial point and supported by other authors as well (e.g., Jones & Coviello, 2005; Oviatt & McDougall, 2005). For smaller firms and firms that internationalise at or soon after inception, the relative influence of the owner-founders on the companies' decisions is significant. As such, their characteristics, perceptions, and aspirations become key factors affecting the internationalisation pattern, process, and path of a company.

Crick & Jones (2000) found the international experience of managers, founders and other key decision makers to act as barrier breaking and enabling in three specific areas: 1) understanding the business complexities of internationalisation (e.g., paperwork), 2) understanding of the resource implications and risks, and 3) through international network, particularly of customers, which made international expansion much easier for some of the case companies.

Another model that places a high significance on the role of the entrepreneur is Oviatt & McDougall's (2005) model for factors affecting internationalisation speed as presented in Section 3.1.2 and repeated in Figure 3-8.

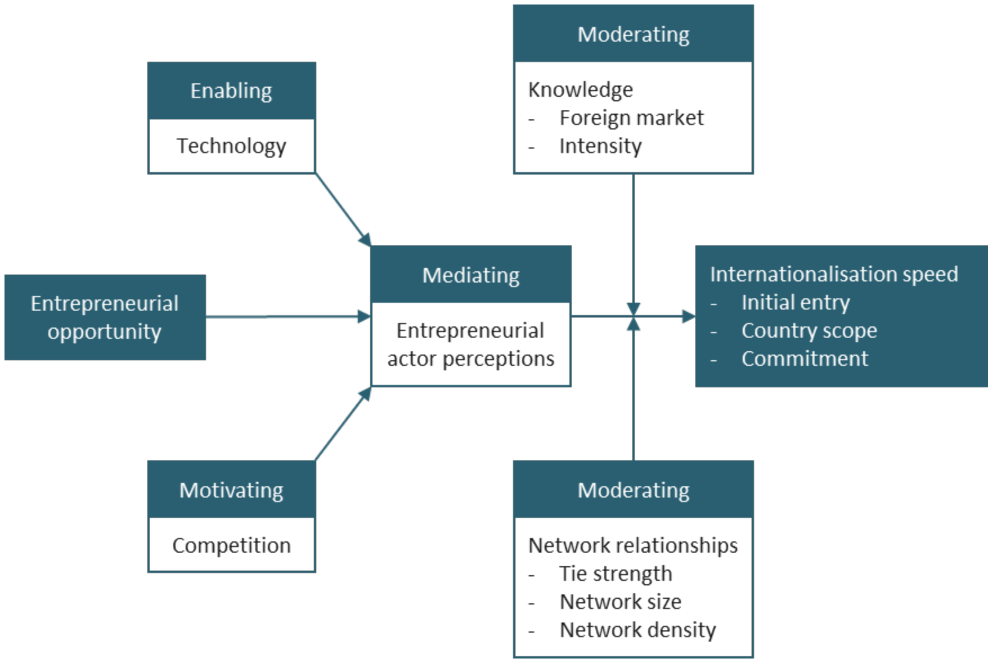

Figure 3-8 A Model of Forces Influencing Internationalization Speed (after Oviatt & McDougall, 2005)

The authors highlight eight factors; technology, competition, entrepreneurial actor perceptions, foreign market knowledge, knowledge intensity, tie strength of network relationships, network size and network density, most of which we recognise from Leonidou (1998) and Crick & Jones (2000). As seen in both Calof & Beamish' and Crick & Jones' models, Oviatt & McDougall also add another layer to their list of influencing factors by grouping them into four *forces*: enabling, motivating, mediating, and moderating forces.

However, Oviatt & McDougall's model is more in line with Calof & Beamish' structure than Crick & Jones. As Calof & Beamish, they see the process of influence from opportunity to internationalisation as being linear rather than dynamic. Still, and as Crick & Jones, they see the importance of the entrepreneur to the outcome of the process.

They posit that while competition, whether in the form of increased competition in the domestic market, lack of competition in a foreign market or movements of key competitors that the focal firm seeks to replicate or mitigate, is classed as a motivating factor and technology acts as an enabler, neither will predict internationalisation when seen in isolation. Instead, an entrepreneurial opportunity will be evaluated through the lens of the entrepreneurial actor's perceptions while taking the motivating and enabling factors into account. Oviatt & McDougall (2005) call this the mediating force of the entrepreneurial actor. In other words, internationalisation is made possible by technology, necessitated by competition, and decided by the entrepreneur, while the two moderating forces of knowledge and network relationships sets the pace of internationalisation.

In summary, in IE research we see many of the same motives and stimuli as in IB, however, given the nature of the focal firms of IE we expect, and find, the emphasis to be on other factors. Technology plays a significant role as the enabling force and the influence of the entrepreneur cannot be understated. In addition, IE research has emphasised the interplay of types of factors, making answering the question of *why* companies internationalise to be less about any single specific reason and more about understanding its internal and external context, perceptions, and ambitions.

Findings from International Retailing Literature

International Retailing encompasses companies that fit the delimitations of IB theory as well as companies that follow the pattern of Born Globals and other IE type of focal firms. As such, we expect to see motives and conceptual models drawing upon both IB and IE traditions, depending on the type of firm discussed, as well as developments specific to the nature of retailing organisations.

An early and central piece of work that applied IB theory to the space of retailing and, in particular, fashion retail, was Laulajainen (1991). His paper investigated to what extent the internationalisation of Swedish retailer H&M followed the Uppsala model by entering geographically and culturally close markets followed by more distant ones and if market saturation was the main driver of internationalisation.

He found that while the Swedish market was deemed to be near saturation when Norway and Denmark were entered, "entrepreneurial joy" and the personal ambition of the founder were more important for subsequent entries. His study also showed the importance of opportunism, with the then-CEO Stefan Persson stating:

> "There is far less advance planning than one would suppose… We do business with each other, get to know each other. Then, someday, there is an opportunity to open a store. We stop for a while and give the idea a thought… At that moment, all this kind of stuff, cultural closeness, store concentration, competition, leases, and so on and so forth, comes into play..." (Laulajainen, 1991)

Lopez & Fan (2009), while looking at the internationalisation process of Spanish fast fashion retailer Zara, also found that market saturation, or at least a perception of the home market being saturated, was one of the driving forces behind the initial foreign expansion. However, subsequent expansions were found to be first and foremost driven by pull factors such as potential for scale economies and reduction of trade barriers and accessibility of the Central and Western European market following Spain's entry into the European Union (Lopez & Fan, 2009). Lopez & Fan's list of factors that have influenced Zara's growth story is replicated in the first column of Table 3-2.

Table 3-2 summarises the findings from two articles on the motives, drivers, enablers, and characteristics of internationalising fashion retailers with results from two underlying articles also presented. We see that the factors we discussed in IB and IE are present also in IR, particularly when compared against Leonidou's (1998) extensive list of stimuli. However, the table also highlight the particularities of retailing. For example, Alexander (1995, in Moore, 1997) point to *format saturation* in the domestic market as a push factor while markets with an *underdeveloped retail structure* or an *innovative retail culture* may provide attractive opportunities for firms that have a profile that makes them able to take advantage of these conditions. Dawson (1994, in Moore, 1997) also emphasise the flexibility of the retail model, brand, products and market in facilitating market entry, as well as exit, and the suitability of the retail concept for franchising – an element we will cover in more detail in Section 3.3.2 Foreign Market Entry Modes.

One of CM Moore's early papers are also presented in Table 3-2, see the fourth column. Moore (1997) explored the motives and entry modes of eight French fashion retailers operating in the UK market and found that the motivations of fashion retailers varied with the companies' age and the countries selected for entry. He concluded that early internationalising and younger firms tended to be more proactive in their approach to internationalisation and *pulled* to the opportunities abroad. The companies that ventured abroad at a much later stage tended to be experiencing adverse conditions in their home market and therefore were *pushed* into entering new markets.

Table 3-2 Overview of factors enabling, facilitating and driving fashion retailer internationalisation

Lopez & Fan (2009)	Alexander (1995, in Moore, 1997)	Dawson (1994, in Moore, 1997)	Moore (1997)
Push: • Saturation • Low growth opportunities • Changes in consumer behaviour **Pull:** • Spain joined the EU • Economies of scale • Globalisation • Abolition of economic barriers • Growth chances • Cultural affinities • Information technologies **Facilitators:** • International status • Learning process • Spreading cost and risk	**Push:** • Domestic market maturity • Format saturation • Restrictive regulatory environment • Hostile competitive environment • Poor economic conditions • Negative social conditions **Pull:** • Underdeveloped retail structure • Favourable exchange rates • Niche opportunities • Innovative retail culture • Large market • Good socio-economic conditions	**Characteristics/enablers:** • Small format size (requires limited capital investment & minimum management costs) • Relative ease of market entry and exit • Precise consumer targeting • Transferability of a single brand product and store identity • Suitability for franchising the concept/brand • Associated cachet of connection with foreign retailer • Economies of replication	**Early internationalised (<7 years)** • Transferability of brand • Identified niche markets • Demographic opportunities • Availability of a trading partner • Underdeveloped competitive structure • Technological capability **Late internationalised (>30 years)** • Restricted domestic market growth • Maturity in demand • Increased domestic competition • Domestic economic conditions

Moore (1997), Lopez & Fan (2009) and Laulajainen (1991) all assert that the motives for internationalisation change depending on the timing of entry and whether it is the initial or subsequent entries. This is supported also by Vida & Fairhurst (1998) as seen in their model of the retail internationalisation process presented in Figure 3-5 in Section 3.1.3.

Vida & Fairhurst (1998) find that the firm and decision-maker characteristics are the key drivers of the retail internationalisation process while the external environmental factors "…channeled through the firm's and decision maker's influences, may provide an impetus or a barrier for the firm's internationalization" (Vida & Fairhurst, 1998, p. 145). This resonates with Oviatt & McDougall (2005) view of the entrepreneur as the lens through which the opportunity, enablers and motivators are evaluated before a decision is made.

While intra-firm factors are stated to be the primary driver, the external environment plays a significant role. In the initial decision to internationalise, the retailer has little experience and prior history to base their decisions on and the impact of the external conditions will be greater. However, as the company engages in international activities, they build knowledge and develop preferences that will impact subsequent market entries. Vida & Fairhurst (1998) has included this loop in their model with entry mode, market selection, retail management considerations and the resulting performance of international retail operations feeding information and learning back to the decision-maker and the firm and creating another stream of potential factors affecting the internationalisation decision and process.

This circularity we also recognise from the Uppsala Internationalisation Model of Johanson & Vahlne (1977) and Johanson & Wiedersheim-Paul (1975), and from Jones & Coviello's (2005) context-specific precise model of an INV's international behaviour, and points to the changing and evolving nature of the internationalisation process as a company initiate, sustain, increase, decrease and discontinue their foreign market involvement.

Another piece of work worth highlighting when discussing factors affecting the decision to internationalise in a retailing setting is Hutchinson, Alexander, Quinn & Doherty (2007), see Figure 3-9. Their model is based on case studies of nine small, specialist UK-based retailers in beauty and cosmetics, clothing and accessories, jewellery and gifts, and sports and leisure. The case companies had revenue of £5-25m, from three to 24 stores in the UK, and all had international presence to a varying degree.

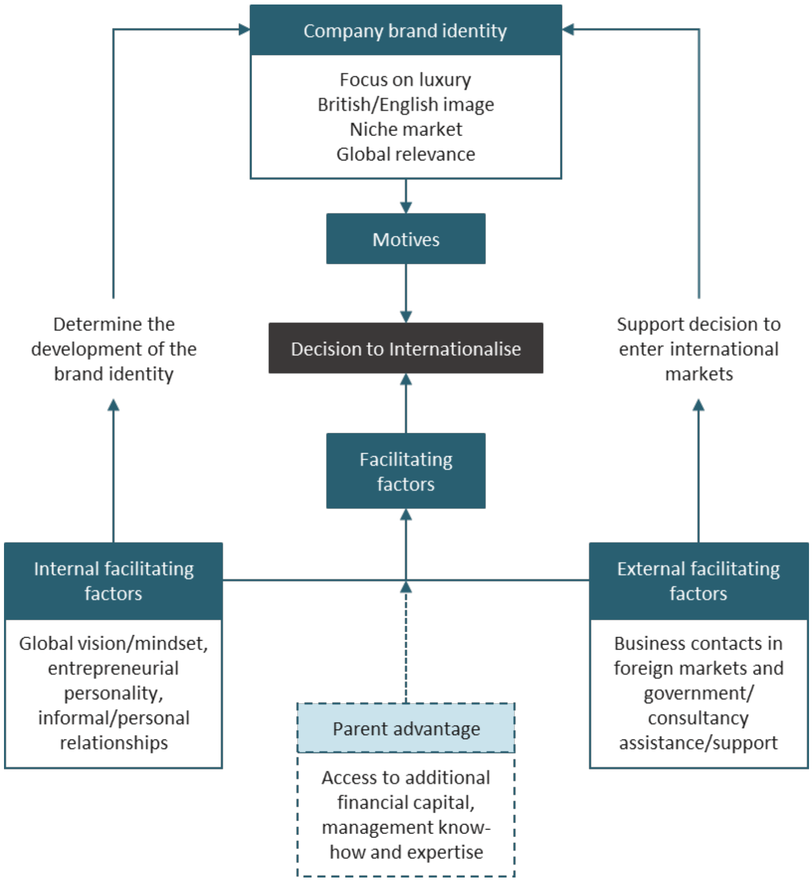

Figure 3-9 Factors influencing the SME retailer internationalisation decision (after Hutchinson et al., 2007)

Factors we recognise from Vida & Fairhurst's (1998) model as decision-maker characteristics are in Figure 3-9 labelled *Internal facilitating factors*. Hutchinson et al. (2007) propose that the global vision and mindset of the decision-makers, their entrepreneurial personality, and informal non-professional relationships *determine the development of the brand identity* and that this is the platform which enables retailer internationalisation. While brand identity is difficult to class as a motive from a semantics perspective, Hutchinson et al. (2007, p. 111) argue that it can provide a strong antecedent by making the company and its products globally relevant and desirable:

> "[R]etailers that operate in niche markets, bound by a local culture and appeal to an international global segment, are internationally relevant from inception, thus enabling these firms to internationalize early in their development."

The *external facilitating factor* on the other hand, such as business network in foreign markets and government or consultancy support, are found to *support the decision to internationalise*. Hutchinson et al. (2007) state that the market selection process is influenced by whether the decision-maker(s) has worked abroad and developed professional networks in specific markets, while support schemes and consultancy assistance lowers the information barrier to entry.

Hutchinson et al. (2007) found support for another type of influencing factor we have not discussed previously – parent advantage. Parent advantage presented itself by creating impetus through change in ownership, e.g., acquisition by a private equity firm with requirement for higher returns and faster growth; providing access to additional resources, particularly financial, knowledge and networks, and allowed companies to be more ambitious in their international expansion. However, it is worth noting that the authors states that while parent ownership advantage is prevalent in luxury retailing (e.g., Moore & Birtwistle, 2005) it compromises the definition of SMEs (Hutchinson et al., 2007).

Summary – Motives for Internationalisation

In the above we presented some of the research on motives for internationalisation within the areas of IB, IE, and IR. We have seen that there are many commonalities in the drivers of international expansion, including market saturation, personal ambition, unsolicited orders and global relevance or transferability of brand and products. And while there are commonalities in the drivers, the emphasis on specific factors and the ranking of them differ depending on the type, size, and age of focal firm, and from which research area one look.

3.2.2 Barriers

There is a close relationship between the motives for internationalisation and the barriers experienced by companies both actively pursuing international operations and those content with focussing on their domestic market. When factors are having a positive impact on the decision to internationalise, we view them as motives or stimuli. However, a lack of such positive factors may hinder internationalisation and become a barrier. For some motives, their direct opposites constitute barriers, such as for having a global mindset versus having a local mindset. In the following section we will present theory specifically related to *barriers*, *obstacles,* and *inhibitors* to internationalisation.

Findings from International Business Literature

In international business literature, a company's size and age are often seen as central to its ability to internationalise. The focus has been on larger firms and explaining the behaviour of multinationals, particularly when looking at internationalisation of supply chains and manufacturing operations. IB sees company size and age to be correlated with resource availability and knowledge, which implies that smaller and recently founded firms should have insufficient resources and lack the motivation, the contact network, experience, and capabilities to successfully internationalise. As such, company size and age are often said to be barriers to internationalisation.

A key tenet of the traditional internationalisation processes, particularly the Uppsala model, is the idea of market saturation as the main motive for foreign expansion. This implies that while a company is experiencing relative success in their home market, it will not pursue internationalisation (Arbaugh, Camp & Cox, 2008). In Section 3.2.1, we saw that one of single most important stimuli Leonidou (1998) found was *saturation or shrinkage of domestic market*. An absence of such a strong driver is bound to reduce the likelihood of internationalisation unless there are other reasons in play, such as a global mindset or personal ambitions of the key decision makers. In a fashion, *domestic success* constitutes a barrier to internationalisation from the Uppsala model perspective (Arbaugh et al., 2008).

While home market maturation has been a central enabler of internationalisation in IB theory, and the lack of it a barrier by extension, both the U- and the I-models attribute the gradual way companies internationalise to a lack of knowledge, in particular experiential market knowledge, and uncertainty regarding the decision to commit to international markets (Andersson, 1993). Johanson & Vahlne (1977) state that "lack of such knowledge [about foreign markets and operations] is an important obstacle to the development of international operations and that the necessary knowledge can be acquired mainly through operations abroad".

In Johanson & Vahlne's (1977) model, shown in Figure 3-1 in Section 3.1.1, there is a circular relationship between the knowledge of a specific market and activities in this market. The degree of involvement in a market is dictated by the level of knowledge the actors have of this market. However, the level of knowledge is predicated on having experience in the market. As such, lack of market knowledge becomes a barrier to entry – one which Johanson & Vahlne state can be overcome by building, transferring, or acquiring knowledge.

Building knowledge can be done by entering the market through low-risk intermediary means, such as via agents who themselves have a higher level of knowledge and experience in the designated market. Transferring knowledge happens when the company enters similar markets, either geographically or culturally, and applies the learning had in these markets to enter the market where they have little to no experience. The third way, acquiring knowledge, requires the company to hire key management with considerable experience in the desired market or to acquire businesses that already operates in the market and use this as platforms to expand in the market.

Lack of knowledge as a barrier is not limited to market specific knowledge. Being unfamiliar with export regulation, tariffs, standardisation, and reporting requirements also hinder companies to sell to foreign markets. Leonidou (2004) includes these factors as procedural and political-legal barriers in his comprehensive review of barriers hindering small business export development.

Leonidou (2004) reviews 32 empirical studies published between 1967-2000 from which a list of 39 barriers is identified. These 39 barriers are classified as either internal and external factors, see Table 3-3 and Table 3-4, respectively, and subsequently labelled either informational, functional, or marketing related for the internal ones, and procedural, governmental, task, or environmental for the external ones. Internal marketing barriers are further categorised as either product, price, distribution, logistics, or promotion related, while external environmental factors can be either economic, political-legal, or social-cultural.

Table 3-3 Classification of Internal Export Barriers (after Leonidou, 2004)

Category	*Subcategory*	*Barrier*	*Rank*	*Group*
Informational		• *Limited information to locate/analyse markets* • *Problematic international market data* • *Identifying foreign business opportunities* • *Inability to contact overseas customers*	*#1* *#17* *#3* *#2*	*Very high* *Moderate* *Very high* *Very high*
Functional		• *Lack of managerial time to deal with exports* • *Inadequate/untrained personnel for exporting* • *Lack of excess production capacity for exports* • *Shortage of working capital to finance exports*	*#18* *#19* *#32* *#20*	*Moderate* *Moderate* *Low* *Moderate*
Marketing	*Product*	• *Developing new products for foreign markets* • *Adapting export product design/style* • *Meeting export product quality standards/specs* • *Meeting export packaging/labelling requirements* • *Offering technical/aftersales service*	*#34* *#35* *#31* *#36* *#21*	*Very low* *Very low* *Low* *Very low* *Moderate*
	Price	• *Offering satisfactory prices to customers* • *Difficulty in matching competitors' prices* • *Granting credit facilities to foreign customers*	*#9* *#4* *#12*	*High* *Very high* *High*
	Distribution	• *Complexity of foreign distribution channels* • *Accessing export distribution channels* • *Obtaining reliable foreign representation* • *Maintaining control over foreign middlemen* • *Difficulty in supplying inventory abroad*	*#22* *#10* *#11* *#37* *#38*	*Moderate* *High* *High* *Very low* *Very low*
	Logistics	• *Unavailability of warehousing facilities abroad* • *Excessive transportation/insurance costs*	*#39* *#5*	*Very low* *Very high*
	Promotion	• *Adjusting export promotional activities*	*#23*	*Moderate*

Table 3-4 Classification of External Export Barriers (after Leonidou, 2004)

Category	*Subcategory*	*Barrier*	*Rank*	*Group*
Procedural		• *Unfamiliar exporting procedures/paperwork* • *Problematic communications with overseas customers* • *Slow collection of payments from abroad*	*#13* *#24* *#25*	*High* *Moderate* *Moderate*
Governmental		• *Lack of home government assistance/incentives* • *Unfavourable home rules and regulations*	*#26* *#14*	*Moderate* *High*
Task		• *Different foreign customer habits/attitudes* • *Keen competition in overseas markets*	*#6* *#27*	*Very high* *Moderate*
Environmental	*Economic*	• *Poor/deteriorating economic conditions abroad* • *Foreign currency exchange risks*	*#7* *#15*	*Very high* *High*
	Political-Legal	• *Political instability in foreign markets* • *Strict foreign rules and regulations* • *High tariff and non-tariff barriers*	*#8* *#16* *#28*	*Very high* *High* *Moderate*
	Socio-Cultural	• *Unfamiliar foreign business practices* • *Different socio-cultural traits* • *Verbal/non-verbal language differences*	*#29* *#30* *#33*	*Moderate* *Moderate* *Low*

In his review, Leonidou also ranked each barrier according to their aggregate impact (Leonidou, 2004, p. 285). Leonidou further group the barriers into five levels of impact from very low to very high. The rank and grouping can be seen in the two rightmost columns of the two tables.

Leonidou (2004) finds that the most important barrier to initiating export is *limited information to locate/ analyse markets*. This reflects the view from the incremental models that a lack of experiential market knowledge is one of the key deterrents to internationalisation. Furthermore, the top three ranked barriers according to Leonidou (2004) are all classified as internal – informational barriers, again substantiating the lack of knowledge thesis from Johanson & Vahlne (1977).

Difficulty in offering competitive and attractive prices compared to incumbents were also ranked highly. This is underpinned by a perception of transportation and/or insurance costs being excessive for exports and therefore adding too much cost to the product without opportunities to recuperate this in the foreign market through sustained higher prices.

Of the external barriers, Leonidou (2004) highlights factors in the economic and political-legal environment. This relates in particular to poor trading and economic conditions in target markets along with political instability. The added risk of exchange rate fluctuations and complexity of foreign rules, regulations, tariffs, and export procedures also deter companies from venturing abroad.

On the other hand, socio-cultural barriers such as differing business practices, languages, traditions, and norms are rated as having comparatively moderate impact. This contrasts with the Uppsala model which proposes making small moves into adjacent or similar countries, from a cultural and language perspective, to lower overall risk of the internationalisation process.

In summary, both Leonidou's literature review and traditional IB theory point to a lack of knowledge as the main barrier to internationalisation, both market specific and process/procedure related, with the traditional internationalisation theories adding that good trading conditions in the home market impedes on the desire, necessity and capacity to seek growth in foreign markets.

Findings from International Entrepreneurship Literature

While larger and well-established firms are more likely to have a larger pool of resources, experience, and knowledge to draw upon, purely as an implication of their age and size, than smaller and recently founded firms, we saw in the sections on motives and introduction to International Entrepreneurship how size and age are not adequate predictors of whether a company will expand internationally.

In a study of a large data set of entrepreneurial firms, Arbaugh et al. (2008) find that knowledge differences, cultural differences and perceived risk were strong indicators of *non*-internationalisation. Arbaugh et al.'s study covers 872 firms nominated for Ernst & Young's *Entrepreneur of the Year®* award. The participants were headquartered in Europe (12 countries, 445 firms), North America (2 countries, 346 firms), Africa (1 country, 13 firms), Asia (1 country, 35 firms), and Oceania (1 country, 33 firms). Given the rigour of the selection process for *Entrepreneur of the Year®* and geographical coverage of the sample, Arbaugh et al. (2008) argue that this makes for a particularly compelling sample for International Entrepreneurship research.

As Arbaugh et al. (2008) looked at the degree to which the entrepreneurial firms in this sample were international, through means of share of foreign to domestic sales, share of capital placed in foreign markets and share of employees in foreign markets, and which factors most likely hinders such development, it does not directly provide a review of barriers for Born Globals or INVs. However, we can interpret from their results that entrepreneurial firms that *do* internationalise find knowledge gaps and cultural differences to be much less pervasive and inhibiting than those entrepreneurial firms that tend to *not* internationalise to the same degree. In addition, their perception of risk differs from that of the less internationalised companies which is in line with what we saw in the previous sections on motives and International Entrepreneurship where perception of risk is included a key factor influencing the internationalisation process.

Arbaugh et al. (2008) also find that company age and the number of employees were not statistically significant predictors of firm internationalisation – regardless of in which direction. However, they did find that North American companies are much less likely to internationalise than the non-American ones. Given the size of the North American market, this may indicate that for these companies, there is still significant growth to be had domestically and therefore less need to expand abroad. This specific case shows support for the IB thesis of home market success as a barrier to internationalisation. Still, the researchers found no strong correlation for this relationship in the other regions.

In another vein, Uner, Kocak, Cavusgil & Cavusgil (2013) endeavoured to compare the difference in perception of barrier between companies at each stage of the I-model, specifically based on co-author ST Cavusgil's work, and Born Globals/International New Ventures. The authors point out the need to examine barriers from an BG/INV perspective as "these firms represent a new breed of aggressive exporters" (Uner et al., 2013, p. 801). In addition, the managers' perception of barriers is of particular interest given the central role of the managers/founders in the decision to internationalise for such firms, as we saw in the section on motives in International Entrepreneurship.

Uner et al. (2013) surveyed 2,159 Turkish SMEs managers/owners and their perception of barriers. Of these 1,444 were classified as non-exporters (stage one), 173 as pre-exporters (stage two), 83 as experimental exporters (stage three), 22 as active exporters (stage four), eight as committed exporters (stage five) and 429 as Born Globals. Using the list and categorisation of barriers developed by Leonidou (2004), Uner et al. (2013) found that unfamiliar export procedures/paperwork, problematic communication with foreign customers and adjusting export promotion activities were the top three barriers for the entire sample. The results for each exporter type are summarised in Table 3-5.

Interestingly, only three of Leonidou's top 10 barriers are listed and only once each at that; #3 *identify foreign business opportunities*, #8 *political instability in foreign markets*, and #10 *accessing foreign distribution channels*. Instead, several barriers ranked as having low to moderate impact in Leonidou's work are ranked highly among these Turkish firms.

Table 3-5 Top three perceived barriers to export by firm type (after Uner et al., 2013)

All firms	**Stage 1** Non-exporters	**Stage 2** Pre-exporters	**Stage 3** Experimental exporters	**Stage 4** Active exporters	**Stage 5** Committed exporters	**Born Globals**
Unfamiliar export procedures/ paperwork	Accessing foreign distribution channels	Unfamiliar export procedures/ paperwork	Lack of excess capacity for export	Political instability in foreign markets	Developing new products for foreign markets	Unfamiliar export procedures/ paperwork
Problematic communication with foreign Customers	Adjusting export promotion Activities	Problematic communication with foreign customers	Unfamiliar export procedures/ paperwork	Identify foreign business opportunities	Problematic communication with foreign customers	Problematic communication with foreign customers
Adjusting export promotion activities	Problematic communication with foreign customers	High tariff and non-tariff barriers	Adjusting export promotion activities	Lack of home government assistance/ incentives	Inadequate/ untrained personnel for exporting	Lack of excess capacity for export

Looking for differences and commonalities between the various stages of export involvement and Born Globals we see that Born Globals have most in common with stage two and three exporters, that is pre-exporters and experimental exporters, respectively. They all perceive *unfamiliar export procedures/paperwork* to be a challenge. In addition, both BGs and pre-exporters rate *problematic communication with foreign customers* highly while both GBs and experimental exporters quote *lack of excess capacity for export* as a hindrance.

In summary we see that barriers from an IE perspective are largely the same as from an IB perspective although without the emphasis on size and age, and with a slightly different focus as seen for the sample of Turkish SMEs.

Findings from International Retailing Literature

The section on motives from an IR perspective showed a lot of similarities with both IE and IR and we expect the same when it comes to barriers. Vida & Fairhurst (1998) state that the interplay of external and internal factors can act as either promoters or barriers, as shown in their model in Figure 3-5, and in the below quote:

> "If motivating factors outweigh the perceived barriers in the initial cycle, the firm will decide to enter international market(s) and proceed with strategic decisions regarding how and where to initiate its efforts". (Vida & Fairhurst, 1998, p. 146)

This implies Vida & Fairhurst indicate that factors such as foreign market idiosyncrasies, decision-maker knowledge and perceptions, and firm resources can stop a decision to internationalise, provided there are not any potential benefits or motives outweighing the negative impact of these factors. We see a similar idea in Hutchinson et al. (2007, p. 99, referencing Williams, 1992):

> "…if management perceives obstacles as surmountable, smaller retailers can pursue growth-orientated and proactive motives in foreign markets".

Hutchinson, Quinn & Alexander (2006), in setting up a theoretical framework for international retail SME development, point to four categories of barriers: 1) Strategic, 2) Operational, 3) Informational, and 4) Process related. In strategic they include *risk*, *management attitudes* and *lack of skills*. Operational pertains to *financial constraints* and informational to *limited market knowledge*. The process related is specifically a *lack of interaction with key parties*. A subsequent case study found *financial commitment*, *complexity of international markets*, lack of *market information*, risk of loss of *brand control*, and limited *management resources* as the main barriers experienced by nine British SME retailers. Lopez & Fan (2009), on the other hand, investigated the inhibitors experienced by fast fashion retailer Zara in their global expansion and found the list to include *administrative barriers*, *geographic distance*, *low economic development*, *different seasonality*, *cultural distance*, *lack of experience* and *risk perception*.

Hutchinson, Quinn, Alexander & Doherty (2009) also explored barriers to retail internationalisation and added two more dimensions to their previous work (Hutchinson et al., 2006; 2007), specifically how it varies depending on the stage of expansion and how the barriers can be overcome. On the first, Hutchinson et al. (2009) find that financial constraints impede both initial entry and subsequent growth. For recently acquired firms, parent advantage with access to additional capital was found to provide a short-lived burst of energy but then seemed to impede further international expansion. At the market growth stage also management's attitude to growth and cultural and legislative differences was stated to be barriers to expansion, while lack of training and knowledge were stated to be preventing internationalisation to begin with by three government agencies and a consultancy. Management's attitude to growth here includes perception of risk and a need to vet all options that slows the pace of expansion.

In terms of overcoming barriers, Hutchinson et al. (2009) found that the case companies' niche or specialist profile as well as brand identity helped mitigate the difficulties related to cultural differences and complexities. Barriers related to financial resources, knowledge gaps and legislation were overcome by use of the decision-makers' networks and through partnering.

Overall, the IR literature emphasise factors such as lack of market and procedural knowledge, risk perception and financial constraints, all familiar from both IE and IB theory, however, research also highlights some of the peculiarities of retailing with loss of control of brand constituting a barrier for some retailers, while others point to different seasonality of foreign markets compared to the domestic market.

Summary – Barriers to Internationalisation

Through our review of the literature on barriers to internationalisation from the perspective of IB, IE, and IR, we have seen that there is a large degree of overlap between the fields with lack of knowledge as commonly cited and across all of them, as well as lack of resources, both financial and human. In IB we saw that the Uppsala internationalisation model focus on stagnation of the domestic market as an initiator of foreign expansion leading domestic success and growth to effectively become a barrier to such moves. From IE we learned that although size and age of a company is typically an indicator of the resource availability and experience of a company, these factors in of their own are not good predictors of non-internationalisation. And this leads to IR where we saw how researchers pointed to brand strategy and networks as factors that can help companies overcome barriers such as a lack of market knowledge and of financial resources.

3.3 How Companies Internationalise

In this section we will review literature that endeavour to investigate and theorise *how* companies internationalise rather than why or why not, as we looked at in the previous section. The *how* encompass not only the different market entry modes internationalising firms use but also which market they choose and why, and how rapidly they move, both for the first entry and subsequent ones.

3.3.1 Market Selection & Pace

We first look at market selection and pace of international expansion. Traditionally, marketing and management literature (e.g., Kotler, Keller, Brady, Goodman & Hansen, 2019) focus on selecting markets based on the following criteria:

1) Whether the market is attractive
2) Whether the market risk is low
3) Whether the company possesses competitive advantages in the market

In the below we will review research from the fields of International Business, International Entrepreneurship and International Retailing and see to what extent these follow that of the general marketing literature.

Findings from International Business Literature

We saw in Section 3.2 and 3.2 that from and IB perspective, internationalisation is a risky undertaking and that companies expand slowly and in an incremental fashion because they lack knowledge and resources. As experience in international markets grow, companies will increase their commitment to a market or expand to yet new markets. From such a perspective, the relative difference between the home market and a potential export market is a central concept that determines expansion pattern.

This difference is coined *psychic distance* in the parlance of economic geography and international business literature. Beckerman (1956, in Håkanson & Ambos, 2010) is credited with having originated the term in a study of the impact of relative 'economic distance' on intra-European trade patterns, where he "speculates on the role of 'psychic distance' for the observed tendency of countries to concentrate their trade on 'nearby' countries more strongly than economic distance alone could explain" (Håkanson & Ambos, 2010). However, the term was re-introduced in the context of IB in work such as Johanson & Vahlne (1977) and Johanson & Wiedersheim-Paul (1975).

Johanson & Vahlne (1977, p.24) defines psychic distance as "the sum of factors preventing the flow of information from and to the market", while Johanson & Wiedersheim-Paul (1975) add that while it is correlated to geographical distance, there are exceptions such as the UK and Australia being considered to have low psychic distance but clearly are not close in geographical terms. Examples of the factors preventing the information flow include cultural and language differences, different business practices and level of industrial development (Johanson & Vahlne, 1977). The element of psychological distance is reflected also in the American I-models, specifically in stage four and six of Bilkey & Tesar's (1977) model and in stage three of Cavusgil's (1980) model as can be seen in Figure 3-2 in Section 3.1.1.

In addition to psychic distance, Johanson & Vahlne (1977) and Johanson & Wiedersheim-Paul (1975) add market size and market risk as key criteria for market selection. Johanson & Vahlne (1977) theorises that the internationalisation process will be subject to these criteria and continue in small steps from markets that have a low psychic distance and are low risk, to more distant and higher risk markets, unless the companies have sufficient resources to overcome the barriers, the market under review is "stable and homogenous", or the company has significant experience from similar markets that they can apply. Through all this, the firm balances the perceived market risk with its own appetite for risk never taking on more than it can comfortably manage.

Johanson & Wiedersheim-Paul (1975) summarise a case study of four Swedish manufacturing firms that tried to empirically assess the validity of the U-model with its gradual and incremental internationalisation from low to high commitment markets and entry modes. Johanson & Wiedersheim-Paul reviewed the expansion process of Sandvik, Atlas Copco, Volvo and Facit, and found that Sandvik in particular followed the psychic distance thesis for their initial entry in a country while Volvo and Facit seemed to be more driven by market size. Interestingly, Volvo and Facit did not target the largest countries first, instead Johanson & Wiedersheim-Paul (1975) found a reverse relationship between market size and internationalisation pattern. They hypothesised this was due to the difference between Volvo and Facit's product ranges and those of Sandvik and Atlas Copco. The latter two produce highly specialised and unique products they have been able to find untapped markets for in large, highly industrialised, and psychically close countries. Volvo and Facit on the other hand, manufacture products which experience tough competition in the large European countries and therefore have had to search elsewhere for opportunities. Furthermore, Johanson & Wiedersheim-Paul also saw that the situation with Atlas Copco was less clear cut than with Sandvik and conjectured that, again, their product range made some markets more or less attractive – rock drill equipment is a specialised product that is used in markets with high mining activity or demanding geography requiring over- and underwater drilling for infrastructure projects. In conclusion, these findings may imply that the context of the company and its product strategy have a considerable impact on its market selection process.

As for pace of internationalisation, the I- and U-models are based on the notion that the process is gradual and incremental as the focal firms develop market knowledge and experience in operating abroad. This is also determined by the companies' limited appetite for risk which effectively puts a cap on how many new markets can be entered in a short period of time given the risk profile of each market and their psychic distances.

In Johanson & Wiedersheim-Paul (1975) we see that two of the four case companies started exporting through agents already within three years of founding while the other two needed seven and 31 years to initiate the process. The early start for Sandvik and Volvo was tied to both the founders having long experience from selling abroad. As such, these firms show signs more familiar from IE and INVs/BGs.

While early expansion was seen for these companies, the subsequent entries seemed to happen in waves. For example, Volvo entered nine markets between 1928-36, then another 11 between 1950-60. Facit set up export representation in 18 countries between 1932-38, almost completing their expansion in a span of six years, before graduating 14 of these to sales subsidiaries between 1948-71. Sandvik also showed this pattern of expansion and increase resource commitment in phases.

From this we see that the traditional internationalisation theories not necessarily imply slow expansion to foreign markets but that the process is incremental and move through stages under a constant assessment of risk level against risk tolerance.

Findings from International Entrepreneurship Literature

The key challenges raised against the incremental internationalisation models in light of the increased presence of Born Globals and International New Ventures have been that they do not adequately explain the formation of these types of companies nor provide "an appropriate explanation for why INVs compete internationally rather than just in home markets" (McDougall et al., 1994, p. 476).

Two central tenets for both the U- and I-models are the gradual increase of international involvement, expressed as a change in entry modes, and a gradual increase in psychic distance between the home market and subsequent market entries (Moen & Servais, 2002). This contrast starkly with INVs and Born Globals whose managers and founders often see the companies' markets as international from inception (McDougall et al., 1994). In addition, given their relative limited resources, they have to build a substantial presence in their niches to be competitive and "establish a revenue stream (cash flow), quickly", regardless of the psychic distance to these markets (Freeman, Hutchings & Chetty, 2012, p. 429).

Bell (1995, in Moen & Servais, 2002) also finds the traditional internationalisation models lacking when it comes to explaining the expansion of small software firms. Instead "domestic and foreign client patronage, the targeting of niche markets, and industry-specific consideration rather than the psychic distance to export markets" influence the market selection process (Bell, 1995, in Moen & Servais, 2002, p. 53).

To empirically assess the validity and applicability of the gradual internationalisation process, Moen & Servais (2002) reviewed the expansion patterns of 667 Norwegian, Danish and French SMEs, both newly established and older firms. They hypothesised that if the incremental models described the way most such companies internationalised, they would find that there would be a gradual development of 1) the type of distribution models used, 2) the distance to markets served, 3) the number of markets served, 4) the global orientation of the firms, and 5) their export intensity. As such, for the incremental models to be fully supported they would have to find that older firms and firms that have exported for a longer time served more markets that were on average further away and served with higher commitment modes than younger firms or those less experienced with exporting. Furthermore, the older and more experienced exporters should also have a stronger global orientation and higher export intensity, measured as exports to total sales, than their younger, less experienced counterparts.

On only one metric did they find support for the stage process as companies that had exported for a longer period were more likely to be present in more markets than companies that only recently started exporting. However, when considering the age of the company when starting to export, as in the time from inception to first export sale, Moen & Servais (2002) found support for the Born Global thesis. In the Norwegian sample, companies that started to export soon after being established (0-2 years) were likely to have more export markets than companies that waited longer to start exporting, regardless of how long they have exported. They also saw that the export intensity, global orientation, and distance to export markets increased for firm fitting the Born Global label, particularly among the Norwegian companies, while they found no further support for the incremental models.

Given the impact of the time between export initiation and firm establishment on the above variables, Moen & Servais (2002, pp. 69-70) conclude that "the future export involvement of the firm is influenced to a large extent by its behavior shortly after establishment" and that "for firms that are not established with a strong international focus, it may be difficult to develop later into high-involvement exporters".

While Moen & Servais (2002) found that companies that fit the BG label tended to export to more distant and culturally diverse markets than non-BGs, Freeman et al. (2012) investigated whether Born Globals and late internationals have different motives for entering culturally proximate markets.

Freeman et al. (2012) conducted a case study of 20 Australian companies who entered the UK market very early in their foreign expansion, typically as the first or second market. The UK is considered to be a culturally close market for Australian businesses, while being geographically distant. Both BGs and late internationals in the case study reported seeing the UK as a platform from which they can more easily enter the rest of Europe than directly from Australia. While entering say Eastern Europe directly from Australia has a high degree of unfamiliarity due to both great cultural and great geographical distance, utilising the cultural and language nearness of the UK as a first point of entry lowers the geographical distance to subsequent entries in Europe. Hence overall the companies reduce the psychological distance to be traversed.

However, while both types of companies were found to see the UK as providing "credibility [for entering] into other non-cultural proximate markets", including Eastern Europe and the Middle East, the older firms were more likely to attribute the move to a need for acquiring partners in the proximate market that has significant experience in more distant markets or to satisfy domestic customers that prefer buying from suppliers with international experience. Born Globals, on the other hand, see the proximate market as a steppingstone and a base from which they can more easily manage both exporting into the rest of Europe and manufacturing in and for these markets.

Furthermore, the Born Globals seem to see the proximate market not only as a steppingstone to other culturally close markets (such as the US, Canada, New Zealand and Ireland) but also to culturally *non-proximate* markets that often can be strategically more important than the UK market. The late internationals seem to limit their use of the culturally proximate market as a steppingstone only to other culturally similar markets.

Generally, Freeman et al. (2012) find the older and later internationalising firms to mention a smaller range of reasons why they enter culturally proximate markets. In addition to the above, reasons such as opportunism and "fishing" for more customers have been mentioned, as have a need to offset downturns and underperformance in the domestic market and actually "developing business back into the domestic market". These are arguments not really mentioned by the Born Globals in the study. The BGs instead cite reasons such as chance and following existing clients. BGs also attribute the move to the UK specifically to language and cultural familiarity and as a "preferred location for expatriates and their families" – often because of the cultural and language commonality. Both BGs and the older firms placed more emphasis on proactive reasons than reactive ones, but the Born Globals generally mentioned more reasons, both reactive and proactive than the older firms.

In conclusion, companies that internationalise soon after establishment, such as BGs and INVs, are found to be more likely to export to markets with greater geographical and psychic distance from the home market. They are also expected to be present in more markets, have higher export intensity and a more global orientation, than companies that start to export at a later stage. When they do export to culturally close markets, they do so out of familiarity, reducing risk and complexity along the way and accommodating the transition for their staff, while following existing customers and providing a more comfortable base from which to enter more culturally distant markets.

Above we saw how companies that expand abroad within two years of being established are by Moen & Servais (2002) considered to be Born Global firms. They argue that companies that fit a Born Global description have a higher export intensity and tend to have a greater reach in terms of the number and distance to markets. Oviatt & McDougall (2005) further state that there is evidence of performance advantages from early and rapid international expansion and therefore it is important to understand what is determining the pace of internationalisation. In response, Oviatt & McDougall's (2005) developed a model of the forces influencing the speed of internationalisation which we mentioned in Section 3.1.2 and is repeated in Figure 3-10.

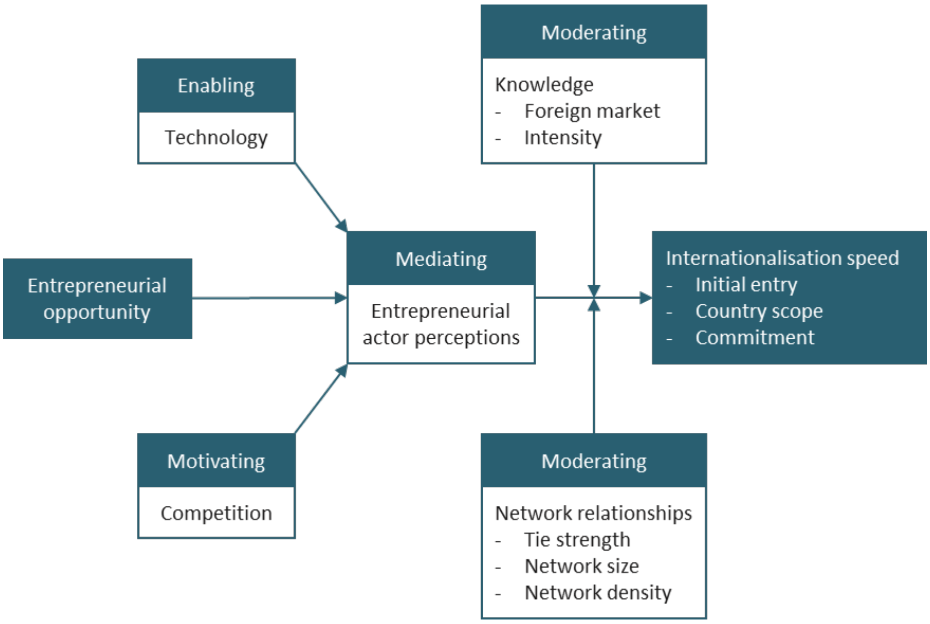

Figure 3-10 A Model of Forces Influencing Internationalization Speed (after Oviatt & McDougall, 2005)

According to Oviatt & McDougall (2005), the establishment of foreign presence is driven by the availability of "entrepreneurial opportunities" and the ability of the entrepreneur to "discover or enact" such opportunities (Oviatt & McDougall, 2005, p. 542). These opportunities can be found either locally or abroad but are not limited to either. The entrepreneur can use his or her network and prior experience, such as having studied or worked abroad, to exploit an entrepreneurial opportunity in a foreign market. Oviatt & McDougall (2005) call these the *moderating* forces impacting the speed of internationalisation, while technology, competition and the entrepreneurial actor's perceptions are the *enabling*, *motivating*, and *mediating* forces, respectively.

Oviatt & McDougall (2005) discuss technology, specifically communications, information technology, and transportation, and the developments in these areas as *enabling* rapid internationalisation. On one hand the developments in IT and communications have made it possible for entrepreneurs to more easily gain access to information about foreign markets, competitors and research that can inform product development and market entry while also making it easier to follow up on and dealing with customers, suppliers and intermediaries despite being in different time zones or speaking different languages thereby reducing the barriers to internationalisation. On the other hand, globalisation has increased the demand and competition for transportation services leading to reduced cost and risk associated with doing business abroad which makes it more feasible for smaller companies to internationalise. Moen & Servais (2002, p. 54) support this and argue that these enablers are key factors contributing to the increased development of Born Globals.

While technological developments make fast and early internationalisation possible, Oviatt & McDougall (2005, p. 542) posit that "the presence of competitors or potential competitors motivates or strongly encourages it" and "even force it upon entrepreneurs". This threat of competitors *motivates* the entrepreneurs of BG and INV type ventures seek out international markets at an earlier stage than later stage internationals to try to establish a foothold ahead of the competition. Given every entrepreneur has different experiences and knowledge informing their thinking, the opportunities, enablers, and motivators will be coloured by the entrepreneurial actor's perceptions and as such *mediate* the opportunity and internationalisation process (Oviatt & McDougall, 2005).

The enabling, motivating, and mediating forces set the stage for rapid internationalisation, but Oviatt & McDougall (2005) see cross-border networks and knowledge as the factors *moderating* the speed of internationalisation. The authors argue that entrepreneurs of BGs and INVs use their network, particularly their numerous *weak ties*, that is their "friendly or business-like" relationships to customers, suppliers, and other contacts, to rapidly establish international presence. Entrepreneurs with a more home-market mindset and less prior international experience will have fewer cross-border facing relationships therefore having less relevant weak ties to drive internationalisation from. As Oviatt & McDougall (2005, p. 545) state "if the ties are yet to be established, internationalization is likely to be slowed".

Oviatt & McDougall (2005) break speed of internationalisation into three components: 1) time between opportunity discovery, or enactment, and first foreign market entry, 2) time between subsequent entries, or pace of increase in country scope, and 3) pace of increase in foreign commitment as measured by increased share of revenue. In reviewing their model, we see that the enabling, motivating, and mediating forces are central in determining whether and when the first international move is made. This is also supported by the depth and breadth of market knowledge and prior experience the entrepreneur has. As such, these factors largely determine the first component of speed of internationalisation. Having a large and varied existing network of weak ties, on the other hand, allows the entrepreneur to expand more rapidly into new and more diverse markets. In effect, this increases the second component of speed which subsequently support the third component; the pace at which international commitment increase.

Findings from International Retailing Literature

For retail firms, the market selection discussion is not only limited to choosing which *country* to enter but also in which *cities* to they should establish themselves and where, specifically, in these cities to open stores, such as specific *sites* (e.g., in- or out-of-town shopping centres, high streets, strip malls, big box format shopping areas or retail parks) and even specific *streets* (e.g., Bond St vs Regent St in London, Madison Ave or 5th Ave in New York) (Laulajainen, 1991; Fernie, Moore & Lawrie, 1998).

Retailers with physical outlets are to a much larger extent dependent on the size, demographics and shopping preferences of the local (e.g., city or site level) market than manufacturing, high-tech or knowledge firms that typically can cover a much larger geographical area from a single location (Laulajainen, 1988; 1991). However, we also see differences depending on the type of retailer.

High end luxury clothing and accessories brands tend to follow similar expansion routes where developing a retail presence in "…fashionable and economically significant capitals…" has been seen as crucial to "…underline their exclusive reputation, and increased the allure of the fashion retailer's name" (Hollander, 1970, in Fernie et al., 1998). Hollander (1970) dubs this the "New York, Paris, London syndrome" after the cities often involved. Today, adding cities such as Dubai, Hong Kong, Shanghai, or Tokyo to the list is not unwarranted as these fashion houses have been expanding further in search of growth.

International travel also influences the location of these high-end brands. As discerning shoppers travel the world, they increasingly expect their preferred luxury goods to be available wherever they go. As a result, these retailers will often have shops in large, well-connected airports and among likeminded brands in high-end shopping streets or centres in cities where there is either a sufficiently large group of affluent people in the incumbent population or a steady flow of wealthy tourists, irrespective of the cities' actual sizes. For instance, Italian fashion brand Prada has a shop in St. Moritz, an Alpine resort town in Switzerland with c. 5,000 inhabitants but hundreds of thousands of tourists visiting every year.

Moore et al. (2000) developed a model of the foreign market development process for fashion designer brands, see Figure 3-11. In this model, the authors break down the market selection and development process in four stages. The first stage describes both the process for the initial foreign market entry, but also the starting point for any subsequent country entered. According to Moore et al. (2000), the fashion brands will first start to sell their couture[9] and/or ready-to-wear (RTW)[10] collections in high-end department stores in the

[9] While *couture* means sewing or dressmaking in French, it is often used to describe high quality, handmade made-to-measure garments

[10] Ready-to-wear is, as the name implies, not custom fitted like couture but made in standardised sizes to be worn as it is "off the rack". Still, RTW collections from fashion designer brands are often high quality, expensive, produced in limited quantities, and presented at the major fashion weeks every season

capital of the market they have entered, such as Harrods in London and Saks Fifth Avenue in NYC. From the capital, the brand will expand to other major cities "once demand has been established within the capital cities and the designer's brand name has become better known within the market" (Moore et al., 2000, p. 928). After a period of selling to the market via a low risk and low commitment mode such as wholesaling, brands will establish a physical presence, typically through a company-owned or leased *flagship* store, again in the capital - this is stage two. Flagship stores will be further discussed in the next section on foreign market entry modes as it is an incredibly important operating mode for these high-end brands.

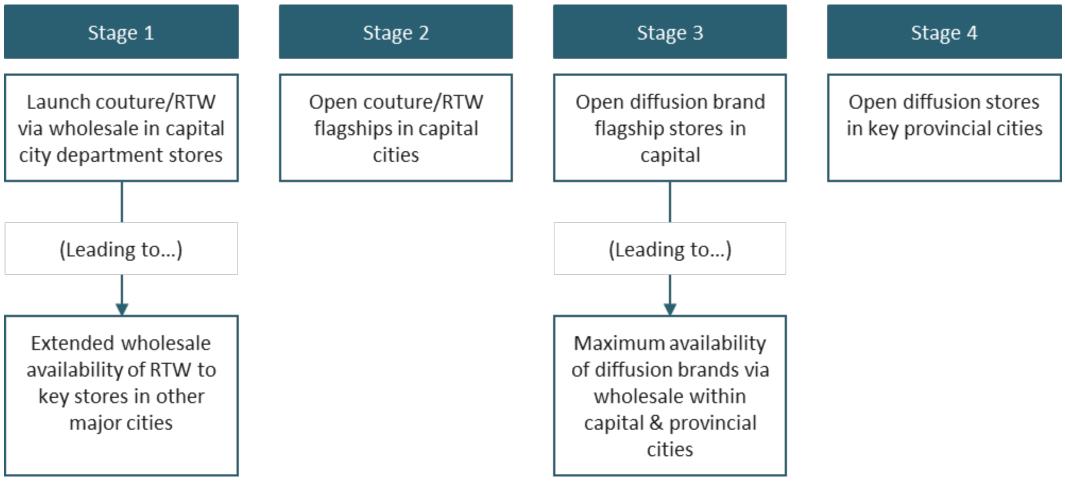

Figure 3-11 The four stages of fashion designer foreign market development (After Moore et al., 2000)

Depending on whether the brands have so called diffusion labels[11] they will move into stage three and four. For diffusion labels, the expansion process follows a similar route to RTW/Couture. The capital is targeted first followed by wholesaling into provincial cities. However, a main difference is that the diffusion label "flagship" is typically developed first, followed by wholesaling in the capital and other cities before a programme of rolling out diffusion stores ensues.

The pattern described by Moore et al. (2000) whereby a country's capital is targeted first with a high-end product offering followed by expansion to "other major cities" and then introduction of mid-range offerings in "provincial cities" is an example of what Laulajainen (1988; 1991) describe as a *hierarchical city level expansion strategy* in which retail operations are launched in cities in descending order according to their population, market size, or relative importance to the retailer. Laulajainen (1988, p. 296) state that "*quality image* necessitates a certain type of clientele, to be found in sufficient numbers only in the largest cities. This is a strong argument for the hierarchical expansion, although it does not completely exclude contagion either, which may simply advance at the appropriate hierarchical level". This description of "...quality image..." and "...certain type of clientele..." certainly holds true for the high fashion brands featured in Moore et al. (2000).

The alternative to hierarchical expansion is a *contagion* or *mushroom-like* city level expansion strategy (Laulajainen, 1988; 1991). While in hierarchical expansion, retail operations are established in city after city according to their size and regardless of geographical location in a country, contagion expansion is more of regional saturation strategy in which the company spreads its retail operations out from a central location much like mushrooms disperse spores. Supermarkets, discount chains, bookstores, and fast fashion retailers that do not have the same quality image as high-end designer brands typically follow a contagion expansion pattern – almost saturating a city and surrounding suburban area before venturing to the next city over. This type of expansion is what leads certain city regions to have a higher density of one grocery chain while a lower of another, whereas another city region may have the inverse relationship. Much like Bunnpris and Rema 1000 traditionally having had a stronger presence in the North West and Middle of Norway while Meny and Joker have had a stronger presence in the South East of the country.

[11] Diffusion labels are high margin sub-labels of the parent brand that provide a means to access the large middle market but can be far removed from the RTW and Couture collections in terms of design and quality

For contagion style expansion, the initial entry point is important as it becomes the base from which further expansion is launched. However, sometimes retailers are seen to combine both types, with the expansion starting as a contagion before shifting to "the hierarchical mode once the core area is abandoned" (Laulajainen, 1988, p. 294). The choice of either contagion or hierarchical, or a combination of the two, may also be dependent on the size of the market as showcased by H&M and their expansion outside of Sweden. Laulajainen (1991) reviewed the expansion of the Scandinavian retailer and found that country expansion from native Sweden largely adhered to a hypothesis of cultural and geographical proximity covering the rest of the Scandinavian countries before entering UK, Switzerland, Germany and then Netherlands while the national expansion varied depending on the market. Laulajainen (1991) concluded that in countries like Norway and Denmark following a hierarchical pattern of expansion was natural given the relatively small size of the countries' cities. However, in countries like the UK and Germany where the biggest cities are much larger, H&M expanded in a contagion style around a core of these, such as London and Hamburg. H&M's founder is said to have described the expansion pattern in Germany as "concentric circles with Hamburg as the centre" (Laulajainen, 1991, p. 10).

Lopez & Fan (2009) and Waarts & van Everdingen (2006) also looked at the expansion pattern and market selection of H&M in addition to that of other fashion merchandisers. Lopez & Fan (2009), in comparing H&M and Gap to Spanish fast fashion chain Zara, found that all three retailers seemed to show support for the stage or U-model of expansion in that they expanded to geographically and/or culturally close markets before moving into more distant ones. In addition, Lopez & Fan (2009) highlights the considerable time spent building the retailers up in their local home markets before taking the first step abroad. This again is a trait favourable to the incremental internationalisation models, rather than a Born Global type of expansion pattern. However, as we saw from the discussion about H&M in Laulajainen (1991), there is little support for market saturation as a trigger for subsequent market entries. Instead, Lopez & Fan (2009, p. 290) state that the company was "…selecting international markets based first on physical and cultural distance to the domestic market and then on economic indicators such as purchasing power, employment rate and purchasing behaviour. … Local information about competitors, demand and accessibility is also considered".

Waarts & van Everdingen (2006) went one step further and developed a "cultural map of Western Europe", wherein the European countries west of Poland, in addition to the US and Canada, are grouped according to their score on "Hofstede and Hall dimensions" of national culture, i.e., power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, high vs. low context cultures, and monochronic vs polychronic cultures (Waarts & van Everdingen, 2006, p. 648). The resulting three clusters are the Nordic (Norway, Denmark, Sweden, Finland, Netherlands), the Latin (Portugal, Belgium, France, Italy, Spain), and the Anglo-Germanic cluster (Austria, Switzerland, Germany, UK, USA, Canada).

In reviewing the expansion pattern of nine fashion retailers, of which four originating in the Anglo-Germanic cluster, three in the Latin cluster, and two in the Nordic cluster, Waarts & van Everdingen (2006) found that the initial entry tended to be within the "home cluster", e.g., Swedish H&M entering Norway and Italian Benetton entering France. As such, they concluded that for these fast fashion retailers, geographical proximity <u>and</u> cultural similarity is important for the first foreign market entry.

The retailers typically explored several markets in the home cluster before moving into a non-culturally close cluster. Waarts & van Everdingen (2006) point out that *saturation* of the home cluster is not required for expansion outside this zone, just as Laulajainen (1991) found market saturation on a country level to not be a driving factor for H&M's pathway. While the stepwise cluster-by-cluster pattern implies an underlying learning process, in which the companies build knowledge and experience in familiar markets before moving on to new challenges, and therefore gives support to the Uppsala theory of Johanson & Vahlne (1977), the authors make an interesting point in that there is a balance to be struck between leveraging existing knowledge to reduce risk and taking on new challenges. They argue that as these retailers do not fully exhaust a cluster or a market before moving on, they are alternating between *leveraging* and *developing* experience and knowledge – they learn enough about a market, or cluster, to reduce risk to an acceptable level and while they are still nimble and not weighed down by existing knowledge, they move on to new markets to learn more.

In summary we see that fast fashion and generalised retailers are more likely to follow an incremental internationalisation pattern and support the I- and U-models of internationalisation – geographical and cultural proximity are important deciding factors for market selection and the process is slow to start with significant time spent in the local market before venturing abroad before picking up pace as experience and knowledge is accumulated. Luxury designer and niche/specialist retailers, on the other hand, are more like Born Globals and target well-defined customer groups within larger country markets with strong product offerings and high-end brands almost irrespective of cultural and/or geographical proximity to their home markets and their age.

3.3.2 Foreign Market Entry Modes

After having decided to in fact internationalise and which market to enter first, the focal firm needs to determine what type of *entry mode* it will use. For each firm there will be a different range of options available, depending on their resource availability, type of business, and risk appetite but also on the characteristics of the chosen market and the stage of the internationalisation process the company is in, i.e., whether it is the first entry or the company has extensive experience with international business.

Figure 3-12 outlines the range of entry modes available to firms that are internationalising and the key decision aspects that come into play. Traditionally, the modes of operation are classified according to how much control over the foreign operations they afford the focal firm. Low control modes include exporting, countertrade, and global sourcing strategies, while high control modes generally are foreign direct investments (FDI) by either establishing wholly owned subsidiaries in the foreign market, acquiring or merging with a business already in the market, or entering into an equity joint venture. In between the high and low control modes we find contractual strategies such as licensing, franchising, strategic alliances, and other non-equity based collaborative ventures.

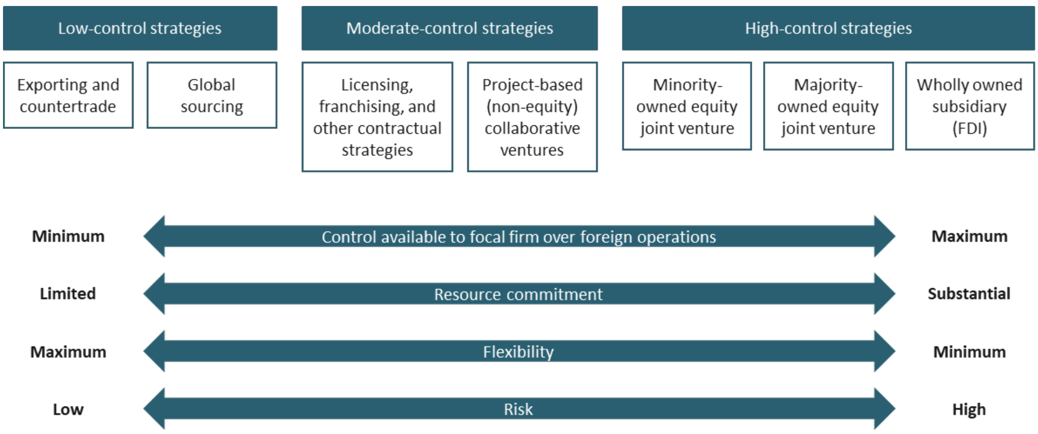

Figure 3-12 Classification of FMEMs based on degree of control (after Cavusgil et al., 2008)

In addition to offering a varying degree of control over the foreign operations, each of the modes mentioned above also provide different level of flexibility, risks, and resource requirements. As such, there are pros and cons for each mode and situations when one mode is more suitable than others, and vice versa. For example, while establishing a wholly owned subsidiary give the focal firm the most control over its brand and operations in the foreign markets, it also requires the most resources, both financially and in terms of personnel, which limits the flexibility and increases the associated risk. Exporting on the other hand gives little in the way of control over where the firm's products are sold or how they are marketed but in return requires minimal financial or human resources to make work, offers a high degree of flexibility and low risk meaning the company can pull out of a market very quickly if need be.

While the above is relevant from all our three theoretical vantage points, the characteristics of the gradual internationalising firm, the Born Global firm, and the retailer, both the high-end luxury and fast fashion brands, make some of the modes more relevant than others and also impact the rationale for why one mode is chosen instead of another. As such, we will in the following review what some of the main literature within each field have to say about entry modes.

Findings from International Business Literature

As we have seen in the previous sections on the findings from the International Business literature, risk management, experience building, and an incremental step-by-step process are central tenets of the Swedish Uppsala model and the American I-models. This is also reflected in the choice of entry mode.

Johanson & Vahlne (1977, p. 24) state that firms typically "…start exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country". This is very much in keeping with the notion of increasing commitment to a market building on a learning experience wherein the focal firm start out utilising a low commitment, low risk mode such as exporting to gain familiarity with the market before venturing on to higher commitment but also higher control modes, such as FDI by setting up their own sales subsidiaries or manufacturing operations.

In Figure 3-13, as in Section 3.1.1 repeated for ease, we see that for all of the innovation related models as well as the U-model as outlined by Johanson & Wiedersheim-Paul (1975) all mention exporting as the first entry mode. In addition, Johanson & Wiedersheim-Paul (1975) show how the focal firm will progress to higher commitment operating modes as also mentioned above by Johanson & Vahlne (1977).

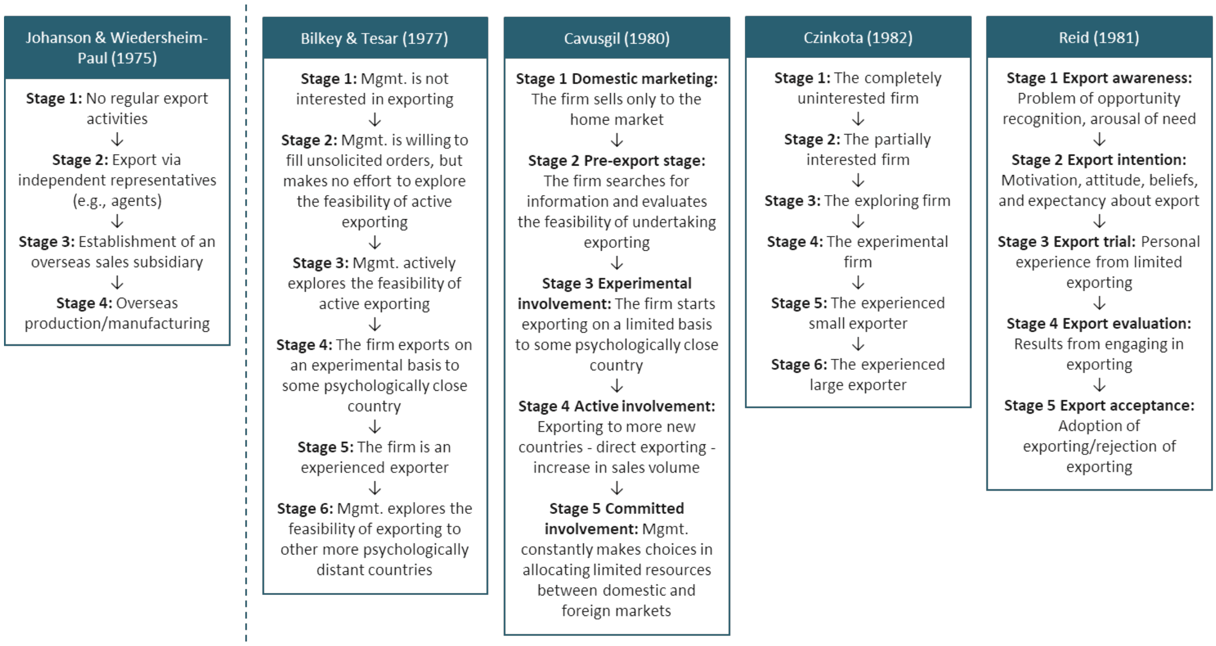

Figure 3-13 Overview of the I- and U-models (after Andersen, 1993; Johanson & Wiedersheim-Paul, 1975)

However, it is worth noting that both Bilkey & Tesar (1977) and Czinkota (1982) specifically review the *export behaviour* of firms as compared to Johanson & Wiedersheim-Paul (1975) who review the *establishment chain* of firms and how their four case companies progressed from low to high commitment modes in phases as discussed in Section 3.3.1.

Findings from International Entrepreneurship Literature

In the previous sections covering International Entrepreneurship we saw that Born Globals and Instant Internationals expand rapidly and with little regard for the geographical or psychological distance to the target markets. As such, we might expect a similar disregard for the established rules of internationalisation theory, as represented by the incremental U- and I-models, when it comes to the entry modes these companies use.

However, Aspelund & Moen (2005) found no conclusive difference in the type of entry mode used when investigating the internationalisation process of Born Globals, Early Internationals, and Late Internationals, the latter of which are thought to be following an internationalisation process more in line the incremental U- and I-models. From surveying 335 Norwegian exporting manufacturing SMEs, they found that regardless of the maturity or stage of internationalisation of the survey participants, at least 80% of the companies used direct sales, i.e., exporting, or agents as the entry mode, with the remaining firms preferring sales offices to joint ventures and other modes, e.g., FDI. Furthermore, though the Late Internationals were found to use these modes more often than the Early Internationals, they used them less often than the Born Globals.

As Aspelund & Moen's (2005) study is limited to SMEs, and despite covering companies of varying age (from one to 147 years as of data collection), it does not show what happens to the operating modes, for both Born Globals and the Early/Late Internationals, as the companies grow and becomes larger and more resourceful. Still, the authors conclude that their research support the idea that entry modes are chosen from a "strategic viewpoint and is less dependent on the manner with which the firm internationalizes" (Aspelund & Moen, 2005, p. 48).

Findings from International Retailing Literature

While most of the previously mentioned entry modes are available to retailers as well, they are traditionally found to use joint venture, franchise-type agreements, mergers/acquisitions, internal expansion (internally funded own-store expansion) and acquiring non-controlling stakes in foreign retailers to access local market information (Dawson, 1994, in Moore, 1997). These modes are particularly relevant for grocery and general merchandise retailers as it is the *retail format* itself that is available for internationalisation rather than the products as these may be more generic and already on offer by local retailers, and therefore low commitment modes such as wholesale and exporting are not suitable.

Because the retail internationalisation literature to a large extent has been focussed on the food-based retail sector, the role of wholesaling as an internationalisation mode for other types of retailers has been underappreciated as Moore & Fernie (2004) recognise. They state that "wholesaling is commonly used by fashion companies, not only at the early stages of their international involvement, but also in conjunction with their development of a network of retail outlets" (Moore & Fernie, 2004).

Moore et al. (2000, p. 928) further argue that wholesaling provides a "low-risk means of generating cash flow, customer loyalty and market intelligence" and therefore is an appropriate entry mode to use when first entering a market and before establishing physical presence through company owned flagship or diffusion stores. This is especially true for high end niche brands that will sell their products to luxury department stores and smaller specialist multi-brand retailers. Often, they will operate *concessions* or *shop-in-shops* in these host retailers, where the store lets out floor space to accommodate a branded retail experience within their premises using their own staff and systems to sell the brand's products. The focal firm in this instance will most often wholesale their products to the host retailer and pay for services rendered, rent of space, and give a cut of the profits to the host. However, they can also arrange to have *consignment type agreement* whereby the focal firm retains ownership of the products and in some cases provide their own staff to operate the shop-in-shop.

As such, both true wholesale and the shop-in-shop model provide low commitment and low risk entry modes for fashion, niche and luxury goods retailers, and opportunities to explore markets and learn about the local consumers preference before committing more resources to it. As we saw in Section 3.3.1, when these high end or niche retailers do commit more resources to a market, it is often in the form of establishing a *flagship store* (Moore et al., 2000; Moore, Doherty & Doyle, 2010).

While Kozinets et al. (2002, in Moore et al., 2010), characterised a flagship store as a company-owned store carrying a single brand of product intended to build brand awareness rather than for financial contributions, Moore et al. (2010) found through their multiple-case study that flagship stores also tend to be significantly larger than non-flagship stores, typically 4-8 times the floor space, designed by venerated architects and interior designers, limited in number, and "[l]ocated within the premium shopping districts of a cluster of key cities…", e.g., Bond St in London and Madison Ave in New York following Hollander's (1970) "New York, Paris, London syndrome". This is said to increase the luxury, prestige, and heritage connotation of the brand but comes at an exorbitant cost and therefore flagships are often loss-making. Instead, their purpose is to "act as publicity vehicles for the ranges and are not required to show a typical return on investment" (Fernie et al., 1998, p. 373).

For fast fashion retailers, the shop-in-shop route is less preferred although you will find high street retailers such as Topshop in Selfridges. Instead, contractual arrangements such as franchising and opening their own stores are modes more readily available to this type of retailer. Moore et al. (2010) state that they found in their literature research that general fashion, e.g., Gap, and general merchandise, e.g., Marks & Spencer, retailers use licensing, franchising, and wholesaling as the operating modes.

Further to being influenced by the type of retailer and its brand, Picot-Coupey (2006) found that the company's marketing policy, its retail profile, the characteristics of the foreign market, the company's motives for internationalisation and its networks all impact the decision of which mode to use when entering and expanding in foreign markets. Picot-Coupey (2006) developed a conceptual model of how these factors impact the choice of operating mode, see Figure 3-14, after reviewing extant literature in the field and conducting a case study of six French specialist retailers in the clothing and accessories sector.

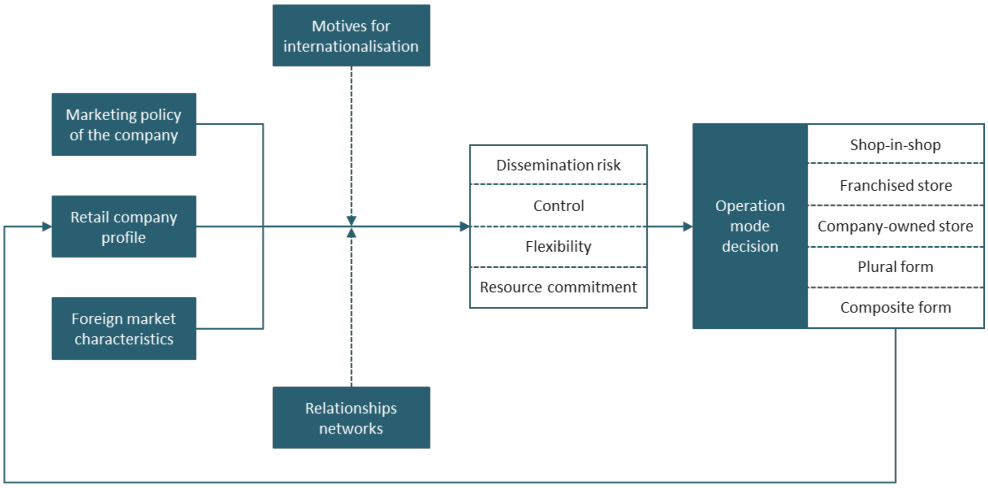

Figure 3-14 Model of retailers' foreign market operating mode decision (after Picot-Coupey, 2006)

Picot-Coupey concluded that there are three components to the decision. First is the operating mode itself and this Picot-Coupey (2006) found can be using either a single, plural, or composite form of the three basic operating modes shop-in-shop, franchised store, and company-owned store. The operating mode can both vary from market to market and evolve as a company expands within a specific market, as highlighted by Moore et al. (2000) as well. Furthermore, Picot-Coupey's case study shows that the companies almost always use a mix of modes instead of sticking with one mode for all markets and as their experience in a market evolve. She termed this as using *plural* or *composite* forms of operating modes, where the plural form implies applying different entry modes in different markets and the composite form denotes an evolving operating mode within markets. The composite form is particularly useful for ensuring optimal exposure to potential customers with the company-owned store, often a flagship store, being a "medium to establish the brand and to develop a distinctive image towards various stakeholders in the foreign market, i.e., consumers, journalists, department store managers or competitors" while "in-store boutiques and franchised shops are used to achieve geographic presence and help multiply the number of points of sale" (Picot-Coupey, 2006, p. 225).

The second component of the selection process is the underlying characteristics of the operating modes that differentiates them and informs the decision-making process. These are limited to four parameters and coincides with those presented in the introduction to this section, see Figure 3-12, namely flexibility, resource commitment, dissemination risk, and control.

Picot-Coupey (2006) define flexibility as the ability to rapidly increase or reduce presence in a market, for example by using shop-in-shop as a mode and specifically selling to department store chains that have multiple outlets and therefore a readily available network of stores to grow in rather than smaller or niche multi-brand retailers with only one or a few locations.

The next parameter, resource commitment, is closely related to flexibility. The choice of entry and operating modes will be limited by the amount of financial and human resources a company has available, or conversely by the requirements for financial and human resources of each mode, and by how it chooses to deploy those resources, e.g., on product development rather than store management.

The focal firms also need to take account of the risk associated with the operating mode they choose. Depending on its brand characteristics and products each firm may have different considerations as to what constitute a risk to them or not. Here Picot-Coupey (2006, p. 227) mention the fear that a partner, as in a host retailer or franchise partner, will “appropriate their know-how and develop imitations” as a key risk for some of the case companies which led them to prefer company-owned stores and organic growth rather than contractual arrangements.

Lastly, the degree of control offered to the focal firm is the final parameter that is evaluated. This also involves the extent to which decisions are made at the headquarter or distributed to the market and the local partner. Picot-Coupey (2006) does state though that control in of itself is not a determining parameter, rather it is evaluated in conjunction with the other three.

In addition to the operating modes themselves and the evaluation parameter for these, the final component of Picot-Coupey’s model is the determining variables of the operating mode choice process. Picot-Coupey (2006) differentiate between explanatory and moderating variables where a company’s marketing policy and its retailer profile together with the market characteristics constitute the explanatory variables and its internationalisation motives and networks are moderating variables.

The marketing policy pertain to the firm’s brand and its “marketing strategic and operational decisions” (Picot-Coupey, 2006, p. 228). These are elements that the operating mode choice should support with rather than detract from. Retail profile of the company, on the other hand, are non-marketing related characteristics of the firm, for instance the degree to which the retailer engages in manufacturing, its internationalisation experience, and financial structure. While the former may impact the level of expertise the company has in retailing, the latter dictate the company’s ability to fund expansion. Both affect which operating modes are more or less favourable, if even available, to the individual retailer.

As in Oviatt & McDougall’s (2005) model of forces influencing the internationalisation speed of companies, see Figure 3-10 in Section 3.3.1, Picot-Coupey’s (2006) model also has two moderating forces. Both models name *networks of relationships* as a moderator on the internationalisation process. In Oviatt & McDougall’s model, a company’s relationships affect the speed of internationalisation in that they can expedite the process by increasing management’s knowledge of and familiarity with a new market, provide access to capital or other resources not otherwise as easily available in that market, or provide weak ties that the company can partner with to enter a market. For choice of entry mode, Picot-Coupey (2006, p. 229) state that networks are central in “…facilitating, guiding and modifying some planned approaches” and that “[a]n accelerated version of internationalisation is thus facilitated and driven by a set of formal and informal network relationships…”.

The other moderating factor is motivations for internationalisation and here we see analogies to the Born Global literature where retailers might choose high risk entry modes due to the motivations and vision of owner/managers despite a lack of resources and/or experience. As such the “operation mode choice is affected by the reason for the internationalisation strategy, as well as the vision and experience of internationalisation by retail managers” (Picot-Coupey, 2006, p. 229).

In conclusion, Picot-Coupey’s model helps explain why there is a marked difference in the operating modes of grocery chains, general merchandisers, fast fashion retailers, and high-end luxury brands. While the fundamental elements of entry and operating mode selection also applies to International Retailing, the uniqueness of retailing as a business model implies that the marketing strategy, retailer profile, and internationalisation motives play a much more significant role in the choice of entry and operating modes.

4 METHODOLOGY

This chapter outlines the methodology used to gather data to answer the research questions, how the survey respondents and case companies were selected, and the applicability and validity of the chosen methodology.

4.1 DESCRIPTION OF METHODOLOGY

The research questions set out in Section 2.2 comprise both of explanatory, i.e., why and how, and exploratory, i.e., what, when, and which, questions (Yin, 2009). As such, a mixed method study combining a case study with a survey was deemed most appropriate.

The survey was intended to give an initial view of the modes, markets, and timing of entry, as well as a narrowed down list of motives and barriers, that firms in the fashion sector use and experience. In addition, the survey functioned as a preparatory exercise and to inform the case studies.

The case studies were aimed at allowing a deeper dive into some of the findings from the survey. Furthermore, having interviews as part of the case studies would provide an opportunity to explore the rationale behind the entrepreneurs' decisions.

The following two sections provide more detail of setup of the survey and the case study interviews.

4.1.1 Survey

The empirical data for was collected by administering a questionnaire to a selection of Norwegian fashion firms and companies in the wider clothing and accessories industry. The sample selection was based on membership in the industry organisation Norwegian Fashion Institute (NFI) or having been featured at Oslo Fashion Week. In addition, the firms had to be incorporated as limited liability companies ("Aksjeselskap") with financial statements being available at the business intelligence website Proff.no. A total of 51 firms were found to comply with these criteria from a selection of 112 companies.

These 51 firms were mailed a questionnaire, an information letter presenting the study and the project, and an envelope for returning the completed survey, postage paid. The letters were addressed to the Managing Director of the company or someone in a managing position related to sales, international business development and/or export for the larger companies. The respondents were asked to return the completed questionnaire within a month.

As only a few responses had been returned after three weeks, an electronic version was developed and distributed to the non-responding companies by email. This resulted in two additional responses submitted electronically and more surveys being returned by mail. Another two follow-up emails left the total response at 16 companies, or 31.17%, of which 12 reported exporting in 2012, while the last four were non-exporters. The non-exporter responses were anticipated since the survey was not limited to exporting companies. These firms were asked to answer only a selection of relevant questions that were independent of the export status of the company, such as sales method in Norway, the background of the founder and management team, and statements about barriers for foreign market entry.

The low number of responses does not qualify the results of this survey as being statistically significant and as such Section 5.1 treat the results on a descriptive level only.

4.1.2 Interviews

The results presented in Sections 5.2-5.3.6 are based on semi-structured interviews with the managing directors of three Norwegian micro-firms in the fashion industry.

The interviewees were selected from the same pool of companies that were mail the questionnaire with the additional requirement that they had to have known international presence, e.g., stockists abroad, news articles stating they were exporting, and be a micro-firm with less than 10 employees. A request was sent via email to 15 companies for their participation in the case study, and in the end three companies volunteered.

For each case study, one interview with the company's managing director was conducted. In one case, the creative director was also present. For the other two companies, these two roles were combined in one. Each interview lasted between 35 and 50 minutes and was semi-structured in nature. The interviewees were informed of the context of the interview and premise of the thesis in an introductory letter sent upon requesting their participation. This information was repeated at the start of each interview along with a general description of the talking points for the interview, but the subjects were not presented with a complete question list. The interviews were loosely structured around four topics, all of which were discussed to varying degree. The topics were as follows:

- Geographical expansion pattern
- Foreign market entry modes
- Motives and barriers for internationalisation
- Owner-founder characteristics

All interviews were conducted using Skype; two of which had only audio, and the third with both audio and video. The interviews were recorded and transcribed afterwards. After the interviews, a handful of follow-up questions were asked via email.

The main findings from the interviews, supplemented by data sources such as financial statements, articles and info on company webpages, are presented in Sections 5.2-5.3.6. These sections are organised by case company and then by topic, that is, the five sub-questions listed in Figure 2-1, rather than by topic first and then case company. This is to highlight the impact of the context of the company and the founder, and the interconnectedness between the rationale for pursuing internationalisation and how the companies go about doing it.

4.2 Applicability, Validity And Soundness Of Chosen Methodology

The methodology used for this study can be described by three aspects. First, this study uses a *mixed method* combining a case study with an industry survey. Next, the case study is a *multiple-case design*, comprising of semi-structured in-depth interviews with key executives in the case companies. These interviews are supplemented by news articles, press releases, financial statements, and information on the companies' webpages.

The construct validity of the study is sought to be addressed using two data sources and two methodologies. As few other sources of data are available, triangulation by data source alone is not achievable. Instead, the mixed method, multiple case design approach allows a combination of data and methodological triangulation.

Lastly, the methodology just outlined requires that case and survey companies be selected for a pool based on some criteria. These criteria are delimited by the research question in Section 2.2 and set in such a way as to enable comparison with previous research, ensure sufficient data is collected to answer the research questions, and allow the appropriate generalisations to be made. Adherence to these criteria increase the repeatability of the study while leaving researcher bias to a minimum.

5 Findings

The data gathered from applying the above methodology is presented in this chapter. First, findings from the industry survey are presented. Next follows three sections, one for each case company, in which the companies and its founder(s) are first presented before summary of their responses to the five questions from Section 2.2 and Figure 2-1 are given.

5.1 Findings From Industry Survey

5.1.1 Presentation of Survey Participants

In early 2013, 51 companies were sent a questionnaire to assess their export behaviour. 16 companies replied for which the basic statistics are outlined in Table 5-1. Note that while the survey was completed in early 2013, the company data have been supplemented with the most recently available information on number of employees and revenue. It is worth noting that during this period, five of the 16 survey respondents have stopped operating, while one has been folded into the operations of a large supermarket chain. Of the companies that are still active, several have seen high growth, albeit from low bases.

Of the original respondents, three had more than 10 employees but less than 250, as of 2011, and therefore classify as *small and medium-sized enterprises*, while the remaining had less than 10 employees and founds the basis of our sample of *micro-firms*. Furthermore, of the total sample, four can be classified as *large exporters* with an export share, for 2012, of more than 30%, while four were *non-exporters*. The remaining eight companies have been classified as *small exporters* with export shares between 1 and 5%.

Table 5-1 Questionnaire Respondent Basic Statistics (2013) & Updated Respondent Statistics (2019)[12]

	Category	Year Est.	Size	Employees		Revenue (mNOK)		Rev. CAGR	Export %	Exp. Type
			2011	2011	2018	2011	2018	2011-18	2012	2012
1	Sportswear	1877	SME	137	192	807.0	1,631	10.6%	80%	Large
2	Menswear	2008	Micro	6	Wound down	14.7	Wound down	n.a.	40%	Large
3*	Underwear	2003	Micro	0	0	0.6	0.5	-2.6%	35%	Large
4*	Outerwear	2008	Micro	1	3	1.5	16.0	40.2%	30%	Large
5*	Womenswear	2008	Micro	2	3	2.6	14.5	27.8%	5%	Small
6	Jewellery	1996	SME	13	12	6.1	8.9	5.5%	5%	Small
7	Menswear	2005	SME	99	Bankrupt in 2017	283.8	Bankrupt in 2017	n.a.	5%	Small
8	Womenswear	1997	Micro	7	Acquired by large retailer	13.0	Acquired by large retailer	n.a.	5%	Small
9	Childrenswear	2006	Micro	5	Closed in 2016	5.9	Closed in 2016	n.a.	3%	Small
10	Childrenswear	2004	Micro	3	12	6.2	26.3	22.9%	2%	Small
11	Childrenswear	2011	Micro	4	55	1.7	37.6	55.6%	1%	Small
12	Womenswear	1997	Micro	7	7	7.4	5.7	-3.7%	1%	Small
13	Womenswear	2010	Micro	0	No activity	0.2	No activity	n.a.	-	Non
14	Womenswear	2006	Micro	2	No activity	1.0	No activity	n.a.	-	Non
15	Accessories	2010	Micro	0	4	0.6	12.5	54.3%	-	Non
16	Womenswear	2004	Micro	0	2	0.7	0.7	0.0%	-	Non

In terms of the type of products, there is good variation with six womenswear brands, three for children's clothing, two for menswear and the remaining five spread across different categories. As for company age, most of the companies were less than 10 years old at the time of the survey, but one company has roots back to the 19th century. This was also the company with the highest export share.

[12] Case companies are starred

5.1.2 Why Did the Respondents Internationalise?

In the survey, the respondents were given a list of motives and barriers and asked to state to what extent these any of these apply to their company. The results can be seen in Figure 5-1 and Figure 5-2.

In answering what fuelled internationalisation for the exporting companies, "Seeking international recognition", "Growth ambitions" and "Foreign sales opportunities" came out as the strongest drivers, regardless of whether the respondent were micro-firms or SMEs. In addition, the SMEs attributed a higher importance to "Personal ambition".

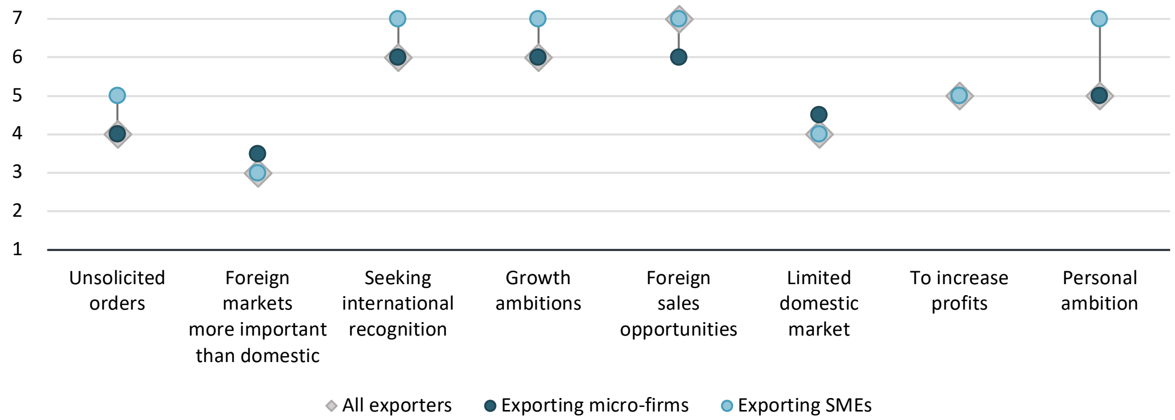

Figure 5-1 Motives for internationalisation (median of responses)

5.1.3 What Barriers Did the Respondents Encounter?

When it comes to the barriers to exporting and internationalisation, Figure 5-2 shows that "Limited financial resources" is the clear leading inhibitor for our respondents, regardless of whether they were currently exporting or not. However, non-exporters emphasise this somewhat more than exporters. Other factors considered detrimental to the internationalisation process are "Need to prioritise existing markets", "Company is too small", "Lack of network (in other markets)", and "Lack of brand awareness". Responses for these are mostly in line regardless of exporter status.

Surprisingly, "Lack of demand" and "Lack of knowledge (business)" is not considered to be barriers for non-exporters, while more of a challenge for exporting companies. This may indicate these barriers become more apparent as the companies start exporting, and thereby experience challenges with low demand and knowledge gaps, while originally perceived as less critical before exporting was initiated.

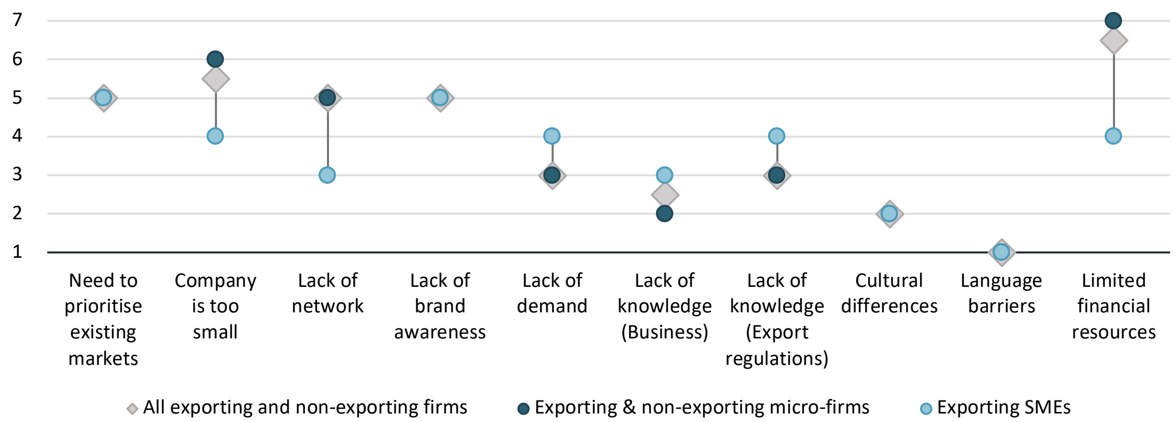

Figure 5-2 Barriers to internationalisation (median of responses)

5.1.4 Which Markets Have the Respondents Entered?

In terms of the foreign markets that the survey companies have entered, Nordic and Anglo-Germanic European countries are most frequently cited, as can be seen by Table 5-2 and Figure 5-3.

In Table 5-2 we present the distribution of the foreign markets first entered by the respondents, and which market they deemed most important outside of Norway in 2013. Figure 5-3 takes this one step further and shows all the regions/markets that the respondents are active in.

Table 5-2 Initial and most important market

	Initial	Most important [13]
Nordics [14]	6	3
Anglo-Germanic Europe [15]	3	4
Latin Europe [16]	-	1
Eastern Europe	-	-
North America	2	4
Central/South America	-	-
Asia	2	2
Australia	-	-

In general, we see that the majority of the exporters, regardless of size, were present in one or more country in the Nordic and Anglo-Germanic region. However, outside of these geographically close markets, the micro-firms behave somewhat different than the larger firms in the sample. The larger firms show a greater preference for the two other European regions, while these are almost completely ignored by the micro-firms. Instead, these very small firms seem to focus on the North American and Asian regions when moving outside of their culturally and geographically close Northern European markets. The micro-firms expand to a median of three markets, with a low of one and high of 15, while the larger firms are present in from one to 40 markets.

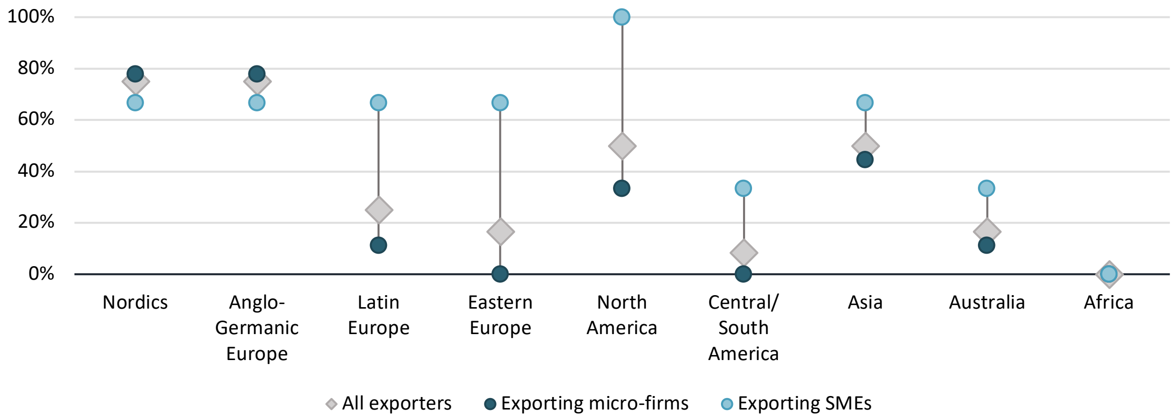

Figure 5-3 Geographical reach of respondents

5.1.5 How Fast Did the Respondents Expand Internationally?

Almost all the companies responded that their first international sales order took place within five years of inception, with eight of nine micro-firms initiating export early, as can be seen in Figure 5-4.

The timing of subsequent market entries was not covered in the questionnaire but rather discussed during the case study interviews.

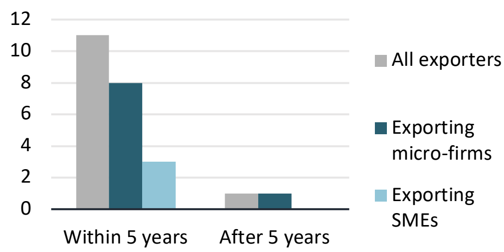

Figure 5-4 Years before first export sale

[13] Two companies have marked more than one market
[14] Sweden, Denmark, Finland, Iceland, Netherlands
[15] UK, Ireland, Germany, Switzerland, Austria
[16] France, Belgium, Spain, Portugal, Italy

5.1.6 What Foreign Market Entry Modes Does the Respondents Use?

In terms of the entry modes used when venturing abroad, the most highly rated method was "Direct sales to retailers", followed by "Company owned webstore", while "Pop-up stores" and "Franchising" was rated the least used. This was the case for both micro-firms and the SMEs in the sample.

Most of the respondents prefer one (in six cases) or two (in two cases) modes, while the three companies with the most international markets give a wider range of modes in use. These companies are also more likely to rate the most resource intensive mode "Company-owned stores" highly.

Whether or not the use of mode changed from initial to subsequent entries was not covered in the survey.

5.2 Findings From Case Study 1: Norwegian Rain

5.2.1 Presentation of Company

Norwegian Rain creates outerwear for men and women inspired by Japanese aesthetics and traditional tailoring techniques. The company was founded by Creative Direct Alexander Torgnes Helle in 2008 with Michael Tetteh Nartey (T-Michael) as the chief designer.

Helle is an economist by training ("Siviløkonom" from NHH) but had the idea for the brand while being an exchange student in Milan during his master's degree. Upon returning to Bergen in 2007, he started to develop the concept for Norwegian Rain and the company was founded the year after.

Having no prior experience in clothing design, he brought in London-born and Bergen-based tailor T-Michael for his design sensibility and technical skills. Together they have developed the brand into an exclusive and niche range of outerwear, initially only men's or unisex styles and later with the addition of a women's range. The brand has been showcased at some of Europe's top fashion fairs and trade shows for up-and-coming designers. They have also received several awards, among them the Norwegian Design Council's award "Nåløyetprisen" for Fashion Designer of the Year in 2012 and in 2013 third prize for best creative start-up at Creative Business Cup in Copenhagen.

Starting up during the 2008 Global Financial Crisis and with limited financing opportunities available, Norwegian Rain was intentionally set up to minimise fixed costs and be cash self-sufficient. As such the company has used consulting services rather than adding employees which can be seen by the slow growth in salaried employees in Table 5-3, and manufacturing and purchasing contracts were negotiated with favourable payment and delivery terms in mind.

Table 5-3 Norwegian Rain Salaried Employees (in the Norwegian entity)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employees[17]	0	0	1	1	1	2	3	4	4	4	3

However, starting a niche fashion brand has not been a highly profitable business so far, as Figure 5-5 shows. While revenue has grown with a CAGR of 21% since 2013 (73% since 2008), EBITDA margin has trailed downwards and 2018 saw the company face a loss for the first time since inception. During this period, the company has set up three flagship stores outside of Norway, in London, Paris, and Tokyo. The London store has since been closed and the UK subsidiary wound down which may have been a significant factor in the reversal of EBITDA growth from 2017 to 2018.

Other than selling directly to customers through its own stores in Bergen, Oslo, Paris, and Tokyo, and online, Norwegian Rain is also sold through retailers and online shops. In 2015, 53% of sales was exported while between 80-90% of channel revenue is from shops outside of Norway – indicating direct to customer is the preferred sales method in Norway, and indirect methods are more dominant in foreign markets.

[17] Includes Helle as the Creative and Managing Director although he did not draw a salary for 2010-2012

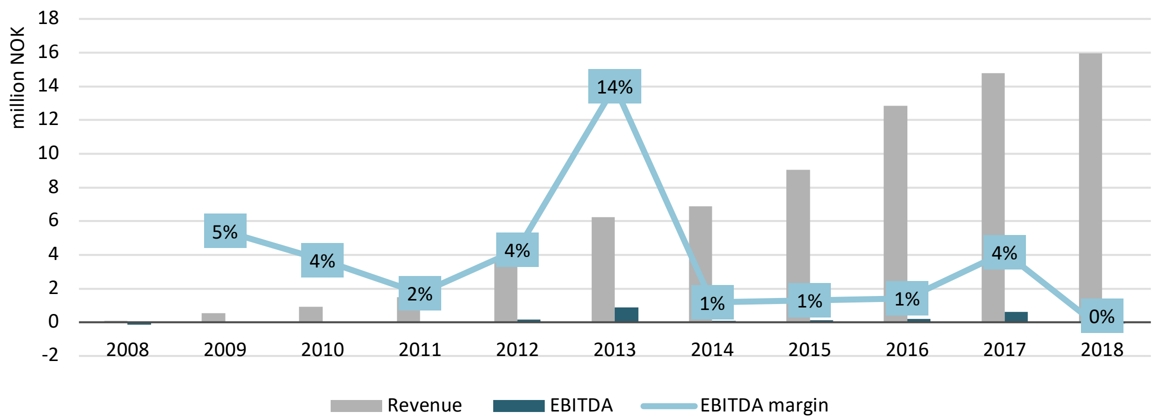

Figure 5-5 Norwegian Rain Financial Performance (2008-2018, mNOK, %)

5.2.2 Why Did Norwegian Rain Internationalise?

Helle points to four main reasons for why Norwegian Rain decided to internationalise; 1) response to competition from international brands, 2) to protect their brand, concept and products from being copied, 3) they considered the Norwegian market to not be large enough for their niche brand, and 4) personal ambition.

On the first reason, Helle stated that regardless of where you launch a (fashion) brand, you compete with the same international companies. Therefore, he did not see the point in spending many years building up a solid base in Norway before venturing abroad as the brand needed to establish an international reputation to face these competitors.

Secondly, Helle saw it necessary to establish an international presence to protect the brand's concept from being copied. He emphasised getting press coverage in international magazines and media outlets, building a reputation and relationships with buyers for important shops, and being sold in highly renowned stores as ways to build this presence.

As for the third main reason, he saw the Norwegian market as being too small, partly due to the aesthetics and deliberate niche profile of the brand, and partly caused by the product range being mostly outerwear. In a country with climate such as Norway, where outerwear is required a large part of the year and where you see it a lot, they saw a risk of oversaturating the market and that the customers might become bored of the products. Helle also stated that they for a long time held back from growing in Norway, as they already had two stores and an online presence, and that their focus from the beginning had been on being global.

Following on this perspective, Helle spoke of a *personal ambition* of himself and designer T-Michael to have their clothes hang alongside those of world-famous designers and be sold in the most inspiring boutiques. This was said to be both for *selfish* and *ideological* reasons, and in the belief that their brand offer something *new*. Helle also expressed that he saw the notion of national markets was an antiquated one and that given the global nature of the fashion industry, competition has no border or nationality:

> "I don't see *why not* today when everything else is free flowing. When it comes to media, we have access to everything that happens around the world. These borders are just lines on a piece of paper. Of course, effectuated by a few rules on export and such but, in principle, just lines. It has nothing to do with the real world."

5.2.3 What Barriers Did Norwegian Rain Encounter?

Although Helle has had global ambitions for Norwegian Rain from the start they have encountered challenges along the way. He mentioned difficulties figuring out how to deal with tariffs and export declarations, and that the Tax and Custom offices in Norway did not provide helpful advice. This was difficult due to lack of knowledge of export regulations and experience from exporting goods but Helle stated that in the end, it turned out to be not so difficult after all.

Other challenges highlighted by Helle was finding the *right* stores, the *right* agents, and the *right* fashion trade shows. When talking about *right* in these instances, Helle emphasised shops, agents and trade shows that had a profile that fits their brand, that feature other brands they associate themselves with or want to be associated with, have a good network in the industry and ability to reach the target customers and buyers.

However, the main challenge they have faced, particularly internationally, has been the lack of awareness of the brand among customers but also buyers and shops. While buyers might like the products and the brand, they are on the fence as to selling the brand in their stores. Helle explained that if the customers do not know the brand, it leaves the responsibility of educating the customers with the shops. This is a much harder sell than if most of the customers coming into a shop know what they want and just need to try different sizes or colours before they make a purchase. Furthermore, it is challenging for the Norwegian Rain team to follow up the international stores and train the shop personnel there, especially when considering they are present in only a few stores in very geographically disperse and culturally different countries like Japan and Italy.

To address these challenges, Helle has contracted two sales managers for the International and Nordic markets that work on commission to expand the brand's presence in these markets, attend trade shows and follow up the stores. In addition, getting press coverage and supporting the shops with material for social media have been important. When Norwegian Rain launch in a new city or country, Helle and T-Michael will help the local stores with press releases, pictures, and promotional material, as well as making themselves available for interviews with local press.

5.2.4 Which Markets Have Norwegian Rain Entered?

The first market that Norwegian Rain entered was Japan in 2010. Thereafter followed expansion in Europe, particularly Italy, France, and the Benelux countries. In the interview, Helle stated they were currently in 16 markets spread across Europe, North America, Asia, and Oceania, with Japan and Italy being their most important foreign markets.

As of 2020, the company lists 120 shops and stockists on their webpage, spread across 17 markets: Norway, France, Italy, Belgium, Netherlands, Germany, Austria, Switzerland, UK, Ukraine, Russia, New Zealand, Japan, Korea, China, USA, and Canada. Over 40% of the listed stockists are in Japan compared to only six in Norway.

When asked about the importance of the Japanese market, Helle stated that this was down to a combination of the aesthetic and profile of the Norwegian Rain brand and the willingness of Japanese retailers, and consumers, to be more adventurous than their Western counterparts. Furthermore, being sold in the Japanese market, and especially in specific renowned stores, has been a door opener for the brand in Europe where buyers can be somewhat more risk averse in taking on young and unestablished brands. Being present in these Japanese stores builds credibility in the Western markets.

During this part of the conversation, Helle did express that it had not been their approach to go country by country. Instead, they have focussed on getting into stores that they want to be featured in. Given the niche profile of the brand, the list of potential retailers is limited which has necessitated a global perspective from the beginning.

5.2.5 How Fast Did Norwegian Rain Expand Internationally?

Norwegian Rain has grown their international presence quickly since first venturing abroad by entering Japan in 2010, two years after inception. By 2012, the brand was sold in 16 different markets across four continents, with four more markets being added with the Autumn/Winter 2013 collection. In 2012, their export share was c. 30% with Japan being the largest with c. 15% of total sales followed by Italy with c. 8%.

Although the brand was sold into many and very geographically dispersed markets, the presence in each market during this period was limited to a few stores, in some cases only one. In total, Norwegian Rain was retailed in 50 stores in 2012, of which 14 stores were in Norway. 10 of these domestic stores were added that same year, as the international market expansion had taken precedence up until then. By 2020, this list has expanded to 120 stockists in 17 markets.

While the list of markets Norwegian Rain is present in has not changed much since 2013, the scale of presence in the key countries have. They are stocked with some 50 stores in Japan while having 10 or more stockists in each of Italy, France, Belgium/Netherlands, and Germany when counting all listed retailer branches. Helle alluded to this *local* expansion strategy in the interview in 2013 when he stated:

> "Now we have got a foot in the door in all these markets and we see that it sells. We see that the press is interested. Everything is kind of ready to go global now. The next step will be to roll out our concept in all these markets and build a solid company."

5.2.6 What Foreign Market Entry Modes Does Norwegian Rain Use?

As mentioned in the company presentation, Section 5.2.1, the company currently has their own flagship stores in both France and Japan, one in each market, as well as two in Norway, in Bergen and Oslo, while they had a shop in the UK that was closed down. These stores are shared with T-Michael's own brand and Norwegian furniture companies Fjordfiesta and Eikund and were set up after 2012.

In addition, the company sells its products through their own webstore, retailers and independent boutiques, showrooms, and other webstores. In the beginning, Norwegian Rain sold directly to retailers, whether chains or not, in both the Norwegian and foreign markets. They establish contact with these stores by attending fashion trade fairs such as Pitti Uomo in Florence, Italy, and Tranoï, in Paris, France. During the interview, Helle stated that they made most of their sales at Tranoï.

However, the company did early on engage an agent with responsibility for the international markets, Wesley Swolfs. He is still with the company and currently holds the position as Commercial Director. In 2013 the company had also recently engaged an agent to function as the sales manager for the Nordic region. As these agents have had a closer relationship with Norwegian Rain that normal of agents and distributors, the set-up falls somewhere between direct and indirect sale to retailers.

Helle did consider more traditional agency and distribution models however the costs of this were prohibitive in the initial phase and they were uncertain about the degree of store follow-up the intermediates would engage in. As a new brand, Helle also concluded that engaging in lower control sales models could potentially be counterproductive, with their products at risk of being sold in stores that did not fit their profile if the distributors/agents were under pressure to reduce inventory or reach targets. However, he did not fully reject the possibility of going this route in the future when the brand is more establish but it was dependent on finding the *right* partner.

5.3 Findings From Case Study 2: Vera & William

5.3.1 Presentation of Company

Vera & William is an underwear and intimates brand established by designer Anne Cecilie Rinde in 2003 with the first collection in stores for Christmas 2005. The brand's products are sustainable and certified green innerwear and undergarments made from natural fibres such as wool, silk, cotton, and linen, and dyed using only extracts from vegetables and fruit. The product range include tops, pants, slips/bodies, hosiery and other base layers for men, women, and children. Vera & William is an exclusive and relatively expensive brand, a result of a costly production, and is retailed in independent mid-to-upper market stores and small retail chains.

Anne Cecilie Rinde's formal background is in fashion design and construction with a degree from ESMOD in Oslo. After graduation she worked as a design assistant for the Norwegian designer Sophie Faroh. While establishing her own brand, Rinde completed courses in business planning and entrepreneurship.

The company has been lightly staffed from the start as can be seen in Table 5-4. Instead, Rinde has relied on the company's Board of Directors and Innovation Norway extensively in the establishment and running of the company. The board has comprised of people which has expertise in areas where Rinde is less experienced and thus functioned as an advisory board for Rinde.

Table 5-4 Vera & William Salaried Employees

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employees[18]	1	1	1.5	1	0	0	0	1	0	0	0	0	0

While the sales grew rapidly in the first few years, see Figure 5-6, Rinde soon realised the initial business model was not sustainable and she decided to scale back and slow down store front expansion in 2010 – coinciding with the birth of her second child. Between 2013 and 2015, the company grew again, but this time at a more manageable pace. The company reported being in c. 20 stores in Norway in 2013 with a plan to increase direct to customer sales through own online channels and reach six million NOK in revenues by 2015.

They did not reach this target. Quite the opposite. Through 2016-2018, the company has had low activity with sales of less than one million NOK. The company has also had negative equity for these years and the share capital is deemed lost with a share issue required to keep the company afloat.

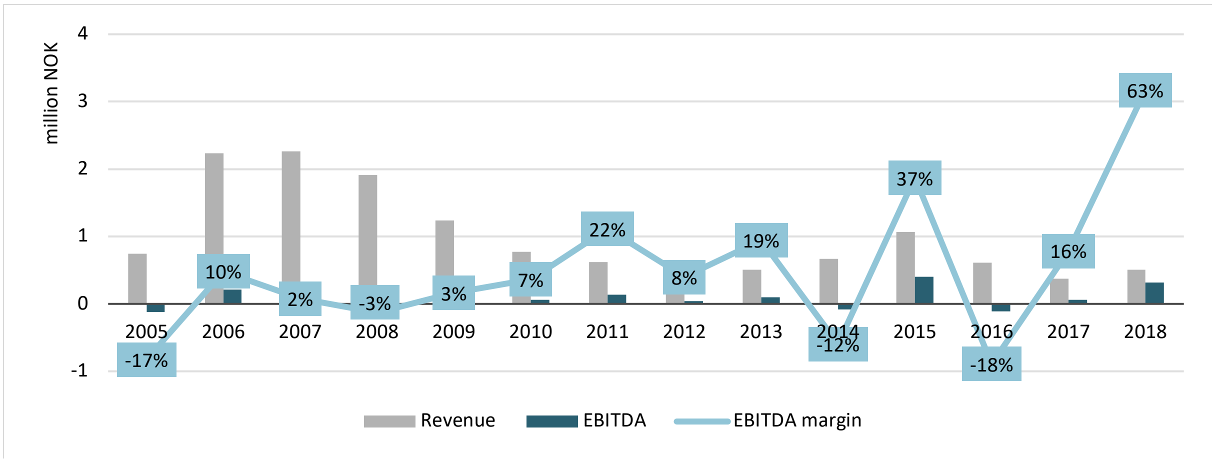

Figure 5-6 Vera & William Financial Performance (2005-2018, mNOK, %)

5.3.2 Why Did Vera & William Internationalise?

In the questionnaire, Rinde gave the highest score to "Unsolicited orders" as the primary driver for international expansion for Vera & William. Among the survey respondents, only one other company put the highest emphasis on the same factor.

While Rinde also emphasised factors such as "To increase profits", "Foreign sales opportunities", "Growth ambitions" and "Seeking international recognition", the interview made it clear that the international expansion of Vera & William has been much more reactionary and opportunistic than deliberate and strategic. Rinde gave multiple examples of times when international customers had bought her products while on holiday and then contacted her to suggest stores in their local areas that would be suitable resellers, inquire to become an agent or reseller themselves, or ask if it would be possible to buy more items and have it sent to them. The latter before Rinde had set up a proper web shop. All of this facilitated the brand's international expansion.

Although export has comprised a considerate share of the revenues at 35%[19], Rinde sees the Norwegian market as affluent and easy to sell in compared to foreign markets. When asked if the Norwegian market is large enough, Rinde gave a "yes, but" answer. Even though the market might be large enough, the international recognition of the brand is a selling point in the Norwegian market as well. Especially as it typically sells in stores which mainly carry international brands and cater to shoppers that is influenced by that. As Rinde states:

> "When the brand is doing well abroad, it also does well in Norway."

[18] Excludes Rinde herself as the Creative and Managing Director who is not drawing a salary

[19] Note that given the situation the company has been in over the last 10 years, with multiple years in hibernation mode, Rinde's replies have been based partially on history and future plans, as of 2013

Furthermore, Rinde explained how many customers in the first years did not know that the brand was indeed Norwegian, as the company does not emphasise its Norwegian heritage. For her, the country origin of the brand has always been irrelevant. And while the design of the clothes is distinctly “Scandinavian”, especially compared to Italian competitors which use a lot more embellishment, she has not used this actively in the marketing of the brand. Instead, other elements such as the green credentials, use of vegetable dying and Italian manufacturing and quality, have been much more important.

5.3.3 What Barriers Did Vera & William Encounter?

In the questionnaire, Rinde placed the most emphasis on three barriers: “Limited financial resources”, “Company is too small”, and “Lack of network”. The former was listed as the most challenging. Other areas such as “Language barriers” and “Cultural differences” were downplayed in comparison.

During the interview Rinde also pointed to specific challenges. While growing in the early phase, Vera & William had taken on an agent in the domestic market. This agent ended up pushing the products to stores that did not “fit” the brand, leaving them with major losses and Rinde having to revert to her personally selling directly to stores. This experience left Rinde reluctant to take on agents in foreign markets, where control and oversight is even more difficult to maintain. As such, the remaining viable options for them have predominantly been direct selling and distributor agreements.

While they have had some success with the distributor model, particularly in Denmark where they signed with a distributor that provided them with access to some very exclusive shops, Rinde stated that for some of the shops were she has had a direct relationship, there has been challenges in following up the stores and collecting cash. In addition, several of her resellers have been small, independently owned stores which themselves have struggled and had to close several times, making the international presence difficult to maintain year over year.

Finally, Rinde also stated that after the financial crisis of 2007-08, buyers are being more reluctant to take on new brands, especially internationally. In the Norwegian market, Vera & William is more established, and the impact of the crisis was less severe, while internationally, the brand is considered very niche and mostly unknown making it harder to get sold into new stores.

5.3.4 Which Markets Have Vera & William Entered?

Vera & William started exporting to Sweden in 2006/2007, within a couple of years after the first collection was released in Norway. The company later progressed to markets such as the US, Japan, Belgium, Canada, Denmark, the Netherlands, and Iceland. They are also present in a German e-store. The international markets accounted for about 35% of the company’s turnover with Denmark being the most important one at 25%[20].

Rinde stated in the interview that they had withdrawn completely from the US market, while the Japanese market had been put on hold. She said of the Japanese market that it was too far away and too demanding to maintain. Though Canada is also a distant market, the relationship with the local retailer have been easier to manage.

When asked how they go about choosing a market to enter, Rinde stated that it is more important to find the “shopping grounds” of their target customers and the appropriate stores in these markets, rather than being present in a certain market. To this she stated:

> “[Talking about] geographical markets. Again, it is just being deadlocked on old rules because the notion of seasons and markets, for my products at least, it just becomes too simplistic. Mostly it depends on the kind of customer you are targeting, and, like, they can be everywhere.”

[20] Note that Rinde found it difficult to give specific numbers due to the situation the company has been in since 2010 and as such estimated the numbers based on earlier years and future plans, as of 2013.

The abovementioned markets have exclusively been entered after unsolicited orders from retailers/buyers and requests for agency or distribution rights from intermediaries. Rinde informs that the retailers have contacted the company after having become aware of the brand through media, or another information outlet, or after having bought their products upon visiting a Vera & William retailer in Norway.

Rinde explained that she screens potential retailers and distributors based on criteria such as their brand range, product assortment and track record, before a new relationship can be established. This is done in order to maintain the brand's image and exclusivity. In addition, Rinde implicitly emphasised the level of effort needed to maintain market presence as a decision factor. If the market is too high maintenance and requires too much attention or resource commitment, the company is less inclined to sell in this market.

Lastly, the founder expressed that there are some cultural differences and style preferences that affect the market selection, especially regarding the markets attitude towards eco-fashion, natural fibres, and preferred aesthetics. She gave an example of a wool-based H&M collection that was sold in Norway but not in Sweden. Another example Rinde gave was from her experience in Italy, which traditionally is considered the primary market for wool-silk blend garments. However, they generally prefer more lace and embellishment in the designs and find the Scandinavian aesthetic of Vera & William to be too minimalistic.

5.3.5 How Fast Did Vera & William Expand Internationally?

The company entered the first international market early in their development, with Sweden as the first export market in 2006/2007. The company continued to add markets rapidly, entering adding USA, Japan, and Belgium for the 2007/2008 season.

However, the company grew too fast for Rinde to be able to manage and the business model proved to be unsustainable for the long run. When Rinde slowed down for the birth of her second child, they also exited or put on hold a number of those early markets, such as USA and Japan.

In addition, the pace of growth has been affected by some customers shutting down their shops for a period before opening again. For example, Vera & William have had a sole customer in the Netherlands that have been "on pause" a couple of times leading to the exit and subsequent entry of the brand in this market.

Given the opportunistic and reactive nature of Vera & William's international expansion, the pace of internationalisation has been in flux since the establishment of the brand as markets have been entered and exited a number of times, entry has been largely based on unsolicited contact from agents/distributors and independent shops, and Rinde's personal circumstances.

5.3.6 What Foreign Market Entry Modes Does Vera & William Use?

Rinde have predominantly been using direct selling and distributors internationally, such as in Denmark and Japan. Vera & William is also sold online, both in Norway through their own and customer's webstores and internationally through a German webstore. In the early years, before having an online store, Rinde would get emails from customers that had bought Vera & William while visiting Norway and asked to buy another garment and have it mailed.

Rinde has also experimented with agents to varying degree of success. Bad experiences both in Norway and in Sweden, have made her opposed to entering another agency agreement, preferring distribution agreements instead, to which she says:

> "It is a completely different way to work, it's less risky. Of course, [the distributor] receives a larger share of the profits but it's worth it."

5.4 Findings From Case Study 3: Fleischer Couture

5.4.1 Presentation of Company

Fleischer Couture AS was founded in 2008 in Oslo by childhood friends Maja Mejlænder Fleischer and Thea Eline Sundhell. The company designs and sells luxurious outerwear and winter wear. The brand was in 2013 available in a total of 90 different store fronts ranging from small, clothing specialists, to larger department stores and online shops.

Fleischer Couture's main product line is functional but feminine, high quality goose down jackets and parkas. The brand has a secondary product line of tops, tights, underwear and accessories in cashmere, wool, and silk blends. The brand is exclusive, with each garment produced in a limited number of editions with all garments numbered. The main customer is affluent, stylish, and active women, while key competitors include international brands such as Moncler, Canada Goose and Parajumpers.

The company initially started out as a more traditional sportswear brand sold in sporting goods stores. They have since changed their strategy to target the more upscale fashion and finer sportswear stores in traditional luxury ski resort locations.

Maja Mejlænder Fleischer and Thea Eline Sundhell are the company's founders and currently only salaried employees together with one other person, see Table 5-5. They started to pay out salary as the sales grew and took on another employee as EBITDA margin stabilised above 15%.

Table 5-5 Fleischer Couture Salaried Employees

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employees[21]	0	0	0	2	2	2	2	3	3	3	3

Mejlænder Fleischer is the designer and product manager. She originated the idea for the brand while undertaking her studies in Industrial and Product Design at the Northumbria University, England, and Napier University, Scotland. Sundhell, on the other hand, adds business competence to the team, with a degree in branding from the Norwegian School of Management. She acts as the company's Managing Director and is responsible for marketing. Both are active in the sales process.

Growing up together, the founders dreamt about starting a company together and in 2003 the concept started to take shape. Mejlænder Fleischer was working on her master thesis which was to design a functional and stylish ski jacket for women. After she finished her degree in 2004, and while Sundhell was still in business school, the team started building their company, developing the concept, and finding the right suppliers and manufacturers. In 2008 they incorporated the company and started selling their first collection.

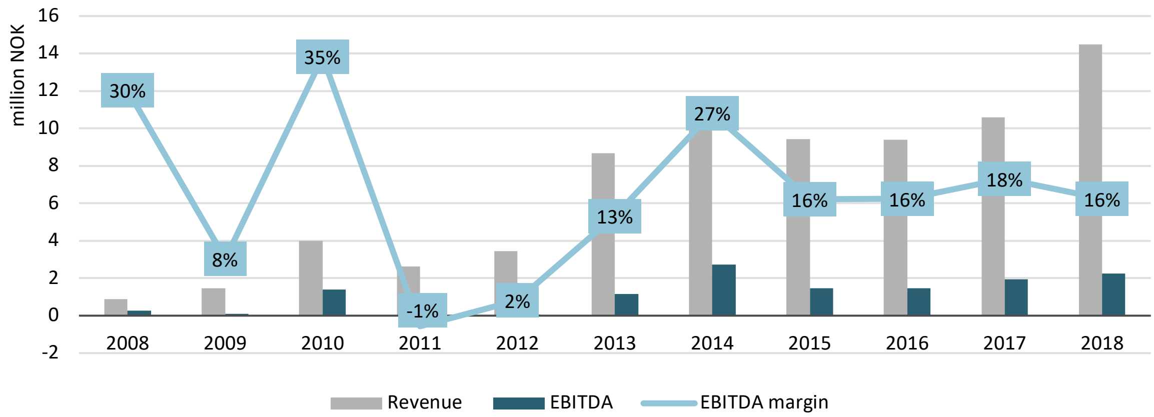

Figure 5-7 Fleischer Couture Financial Performance (2008-2018, mNOK, %)

Sales have grown in stages since 2008, see Figure 5-7, with 2010, 2013 and 2018 marking step changes in revenue, while EBITDA margin have remained above 10% since 2013. This type of sales development is not uncommon for fashion brands, especially as being featured in the right marketing channels can suddenly cause big jumps in demand. Fleischer Couture saw this in 2012 as they managed to have actress Sarah Jessica Parker

[21] Includes Mejlænder Fleischer and Sundhell from when they were drawing a salary

wear one of their coats. After this, publicity increased and so did sales. This may in part explain the large jump in sales between 2012 and 2013.

5.4.2 Why Did Fleischer Couture Internationalise?

The founders of Fleischer Couture rated several motives for expanding abroad highly in the survey, including "To increase profits", "Foreign sales opportunities", "Growth ambitions", "Seeking international recognition" and "Limited domestic market". In addition, they also ranked "Personal ambition" high.

In the interview, they expanded on this. They attributed some of it to necessity, stating that the domestic market could be large enough but that they did not want to saturate it completely. In search of growth, they therefore turned to foreign markets.

Furthermore, the founders have a personal goal of growing the Fleischer Couture brand, to "become big", while remaining a small company. The founders have also dreamed of starting their own company for a long time, adding an entrepreneurial mindset to the mix.

While they did not list "Unsolicited orders" highly in the survey, they did talk about being approached by people wanting to sell their brand a lot. Sundhell stated that they had not had to call a single shop in the 2013 sales season, instead retaining all their previous store fronts and adding an estimated 25 more by unsolicited orders. Whether this pertains to foreign or only Norwegian stores was not clear from the comment. However, unsolicited orders are also important in the global market, as was seen when the company managed to get actor Sarah Jessica Parker to wear one of their jackets. After this, media interest in the company soared and people from all over the world contacted them. Their German partner and web shop also noticed increased interest and sales, especially from the US.

5.4.3 What Barriers Did Fleischer Couture Encounter?

Fleischer Couture gave several factors that have made it difficult for them to internationalise, including:

- Small, unknown brand
- Lack of «control»
- Lack of market knowledge
- Lack of network (e.g., do not know local influencers and store owners)
- Do not know the customers and their preferences
- Difficult to get in contact with local influencers/bloggers
- Takes time to build brand recognition and before people notice a brand
- Difficult to get accepted by the stores

In the survey they emphasised the size of the company, lack of financial resources and lack of network, while during the interview they talked at length about the need to have a close relationship with the store owners and buyers. Not knowing the people beforehand makes it especially hard to get a foot in the door.

On a more practical level, the founders pointed to the resource intensity of finding new customers abroad as a limiting factor. Particularly the time required to travel around and visit potential new stores in markets where they have limited knowledge and experience. Being just the two founders in the beginning placed very real restrictions on the number of potential customers they could see, sell to, and manage. To mitigate this, they anticipated they would engage agents in the future.

5.4.4 Which Markets Have Fleischer Couture Entered?

Fleischer Couture's first international market was Germany which was entered in 2012, four years after incorporation. At the time of the interview, they only had one international customer, the German sportswear brand *Sport Conrad*. The 110-year-old company has four stores in the Bavarian Alps and a webstore. Fleischer Couture was then sold in two of those stores, in Garmisch-Partenkirchen and Penzberg, as well as online[22].

[22] It should be noted that Conrad Sport's webstore is shipping to the whole world, not just Germany, making Fleischer Couture collections more widely available. However, these sales are not included when discussing the

For the fall/winter 2013 collection, Fleischer Couture was sold into one additional German store, as well as a store in Sweden. After the sales season ended another Swedish chain had shown interest but no agreements had been made at the time of the interview.

In terms of the future, the founders stated that they wanted to expand in the Alps, i.e., Germany, France, Switzerland, and Austria, as well as Scandinavia. However, ski resort towns are not the only markets for the brand. Their skiwear/fashion fusion also makes their products suitable to wear in the cities. As such, the company is also aspiring to enter large cities such as Munich, Paris, and London, while unsolicited requests from among other New York, California and Canada make North America another potential market.

As of 2020, the company lists resellers in Norway, Denmark, and Sweden only with their own international webstore in addition to customers' webstores. They have a total of 81 retailers, 78 of which in Norway.

5.4.5 How Fast Did Fleischer Couture Expand Internationally?

The brand's international experience at the time of the interview was limited, having recently entered the German market selling to only a couple of stores and then adding Sweden in the 2013 sales season. At the time, the company did have ambitions of growing internationally but at a moderate pace, learning as they go along.

The founders expressed that they think it is a good thing that the company initially only sells to a few stores abroad. Starting out small would allow them to test the waters and easier deal with potential challenges. The founders have a strategy of "taking their time" and expressed fear of growing too fast and making rash or unfounded decisions.

Given the current markets they are present in, as listed in Section 5.4.4, it is clear that Fleischer Couture have seen a reversal of their growth trajectory and that some of the plans discussed in 2013 have not come to fruition.

5.4.6 What Foreign Market Entry Modes Does Fleischer Couture Use?

As in the Norwegian market, Fleischer Couture is sold directly to retailers, both chains and independent stores. In addition, the brand is sold online, in their German partner Sport Conrad's webstore as well as through some Norwegian online stores that ship internationally.

Although the two founders so far have done all the sales themselves by directly contacting and visiting potential buyers, they acknowledge that they will need to either hire a salesperson or use agents to represent the brand in specific markets in the future. They expressed preference for agents as these naturally will have more intimate knowledge of each market, its stores, and buyers. One of the benefits of using agents is their relationship with, and reputation among the retailers, as Sundhell states:

> "The problem is that many of the retailers in Switzerland and Austria, for instance, are 100-year-old family-run stores and if you do not know them, have tried selling to them before or have a relationship of any kind with them, it is very hard to get a foot in the door."

In 2013, Fleischer Couture attended ISPO Munich which is the world's largest trade fair for sports business. At this trade show they met several agents for the French, Swiss and Scandinavian markets that were interested in selling the brand.

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geographical expansion of Fleischer Couture as the company has no control or influence over these sales and data on the sales are not attainable.

6 Discussion

We have in the previous chapters reviewed relevant theory and presented findings from the multiple case study and survey in order to answer the two main research questions set out in Chapter 2 Introduction, namely

1) Why do micro-firms internationalise?
2) How do micro-firms internationalise?

In the following discussion we will present our answers to these questions drawing upon the results from the survey and case studies and contrasting that with existing literature in the fields of International Business, International Entrepreneurship, and International Retailing. We are in particular focussing on the degree to which IB, IE, and IR theories are applicable also to micro-firms as represented by our case companies and will highlight cases where the micro-firms are found to exhibit behaviour divergent from presented literature and therefore indicate an area for potential further research.

6.1 Why Do Micro-Firms Internationalise?

6.1.1 Micro-Firms' Motives for Internationalisation

Our research finds that micro-firms tend to internationalise due to three main reasons: 1) to sell more, 2) to build brand awareness and recognition, and 3) due to an underlying ambition, either personal or for the company.

Motive 1: To Sell More

Both in the survey and among the case companies, the notion of foreign market sales opportunities and domestic market constraints were mentioned as reasons for moving abroad. Nine of 12 exporters among the survey respondents ranked "Foreign sales opportunities" as a motive highly, i.e., six or seven on the scale, while five rated "To increase profits" and four rated "Limited domestic market" highly. In addition, six respondents implied that the Norwegian market is not sufficient for the companies to reach their financial performance targets, i.e., ranked 1-2 on the scale.

For the case companies specifically, they all rank "Foreign sales opportunities" highly while Norwegian Rain and Fleischer Couture also gave "Limited domestic market" a six and 7, respectively. Fleischer Couture and Vera & William further ranked "To increase profits" highly.

Norwegian Rain in particular emphasised a limited domestic market as a reason for expanding abroad with founder and managing director Helle stating that they did not want to oversaturate the domestic market in fear of the customers becoming bored of the product given that they predominantly make outerwear which is easily recognisable in the streets of a country with a long and wet autumn/winter period. Helle also further recognised that they are a niche brand and that there is a limited number of customers available to them in each geographical market. Fleischer Couture, with a large part of their product range being outerwear and skiing clothes, also stated that fear of oversaturation of the domestic market was a key reason for expanding to foreign markets.

Anne Rinde of Vera & William stated, on the other hand, that she thought the Norwegian market was big enough for the brand. However, both Vera & William and Fleischer Couture received a lot of unsolicited orders for their products, both domestically and abroad, which initiated and sustain their foreign operations. As such, Vera & William was much more reactive in their expansion strategy than Norwegian Rain and even Fleischer Couture.

Motive 2: To Build Brand Awareness and Recognition

In addition to selling more, the companies surveyed also reported "Seeking international recognition" as a motive for internationalisation. Eight out of 12 exporters ranked this motive highly, including all the case companies and six out of nine exporting micro-firms in the sample. The case companies furthermore agreed to a large extent with the statement "Having an international profile is important for building a strong brand in our industry".

During the interviews, the role of having an international presence in building a brand was elaborated on. Norwegian Rain's Helle pointed out that they operate in a global market with borders just being "lines on a piece of paper" and foreign brands being their main competitors regardless of where they are based. As such, establishing an international presence early in the development of the company helps solidify the brand in the minds of the consumers and increase the ability to compete head on with international brands.

Furthermore, having an internationally recognised brand is also useful for driving demand back in the domestic market and to open doors to new stores. Rinde elaborated on this in her interview. As Vera & William is often sold in stores that mostly carry foreign brands, it was important that her brand also have an international profile to be picked up by these stores. In addition, she did not use the brand's country of origin in its marketing focussing instead on its green credentials, and Italian manufacturing and quality. She stated that customers seldom knew they were buying "a Norwegian brand" and that when the brand did well abroad, it did so in the domestic market too.

Another element to internationalisation to build brand awareness and recognition was *protection*. This was highlighted by Norwegian Rain. By gaining fast and early recognition in international markets Helle hoped to pre-empt any attempts to copy their products or concept and protect their first mover advantage.

Motive 3: Underlying Ambition
"Growth ambition" as a motive for internationalisation was ranked highly in the survey by all types of companies; eight out of the total 12 exporting respondents gave it six or higher, while among the nine exporting micro-firms in the sample six did the same. In addition, micro-firms rated "Personal ambition" somewhat important, i.e., five on the scale, while the three larger firms in the sample were more likely to rate it very important. The case companies gave both types of ambition a six or seven except Rinde who rated "personal ambition" as only somewhat important, that is a 5.

For Fleischer Couture, the importance of ambition in driving internationalisation was exemplified by the founders' childhood dreams of starting their own business and their joint desire to "make it big" with Fleisher Couture. Combined with a belief that the Norwegian market is too small to make that a reality, they sought further growth abroad.

Both the founders of Fleischer Couture and Norwegian Rain talked about selling to stores that had a profile that fit their brands and that sold clothes from brands with similar profiles to theirs or that they aspired to. Helle, in particular, pointed out that for him and his creative director T-Michael it was a goal to be sold in high end exclusive boutiques around the world and that they are hanging next to renowned fashion brands motivated them. He recognised that the rationale for this was not only business-related but also driven by personal ambition, a belief that the brand was of a quality and aesthetic that deserved to be sold in these stores, ideology, and something close to selfishness. They had a desire to create something that fit in or even belonged in these environments as well as added something new.

Comparison to Extant Literature
From IB we found that a shrinking domestic market, low capacity utilisation, and unsolicited orders were the three most important individual stimuli for export initiation while presence of export benefits/opportunities, managerial/enterprise competence, and internal company problems were the most important groups of stimulating factors (Leonidou, 1998). Of the top three stimulating factors, both "Export benefits/opportunities" and "Managerial/enterprise competence" are shared with our conclusion as these include the stimuli "Potential for extra sales/profits" and "Identification of attractive foreign opportunities", and "Special managerial interest/urge/aspirations" and "Possession of a special competitive advantage", respectively. The three motives identified from the survey and case study are all related to these groups of stimuli with "Motive 1: To sell more" clearly covered in the former factor and "Motive 3: Underlying ambition" in the latter.

However, when looking at the top three individual factors, only unsolicited orders as a motive is shared with our conclusion. This is not completely unexpected given the type of firm we focussed on in our research.

Leonidou himself highlight that consumer product companies are more likely to initiate export after receiving unsolicited orders than companies producing industrial products. Furthermore, it is also a more important stimuli for novice exporters than experienced ones, and for companies with low export regularity (Leonidou, 1998). These are traits we recognise from our sample with many of the respondents being very small, recently formed (at the time of the interviews/survey), have low export share and/or having had varying degree of commitment to exports since inception, exemplified by Vera & William in particular.

As such, our case companies are less likely to have experienced a *shrinking* domestic market as a reason for starting exporting. Instead, they see it as being small to begin with given their niche strategy - certainly the case for Norwegian Rain. A desire or need to increase capacity utilisation does not factor in either for our respondents. Given the nature of retailing where the vast majority of players will have outsourced or contracted manufacturing to low-cost countries, production capacity utilisation is not within their remit.

So, while parts of our findings are aligned with Leonidou (1998), the IB literature as represented by his article cannot fully explain the behaviour of our case or survey companies, particularly in terms of the proactiveness driven by personal and professional ambition at such a small size and early stage, and the brand identity element to the expansion decision. For that we will need to look to IE and IR research.

In the discourse on motives for internationalisation from an IE perspective, we drew upon Crick & Jones (2000) and Oviatt & McDougall (2005) and saw that "internationalisation is made possible by technology, necessitated by competition, and decided by the entrepreneur, while […] knowledge and network relationships sets the pace of internationalisation". Furthermore, Crick & Jones (2000) list a limited domestic market, the international experience and growth aspirations of the owner/managers, and entrepreneurial opportunities and unsolicited orders as key influencing factors in the decision to expand abroad. This list is in accordance with both Leonidou's (1998) findings and those motives found among our case and survey respondents.

We further see that the added emphasis in IE on the entrepreneur and his or her experience, characteristics, perceptions, and ambitions make sense also from a micro-firm perspective. The relative impact of the founder/manager at these small firms is significant and it can be difficult to differentiate between the entrepreneur as the business owner and as an independent individual separate from the business. This was seen for Norwegian Rain when Helle started talking about there being an element of *selfishness* associated with the desire and decision to enter certain foreign markets and stores, while for Vera & William it made its impact when Rinde had to temporarily wind down the business during one of her pregnancies. At this stage of a business' development, the personal lives of the founders have a substantial impact on the companies they run.

As such, both the general context of the micro-firm and the specific circumstances of the entrepreneurs is increasingly important with these very small ventures. This is a key addition to theory from IE research; that instead of focussing on individual drivers for internationalisation, a company's foreign market entry should be seen in light of its wider context as it is dynamic in nature and its motives highly interrelated.

Much in a similar vein as other IE research, Crick & Jones (2000) was focussed on high tech companies for which they stated that "for many modern technologies, the industry is international (e.g., computer systems, software), and therefore the international expansion of such firms may be technologically driven as well as market led". In a retail and fashion context, as for our case companies, it is not an innovative technology that is necessarily driving internationalisation but brands, retail formats and products that make the companies globally relevant.

Moore (1997) termed this "transferability of brand" and saw it as a key driver of early internationalisation for the French fashion firms in his study. Furthermore, he added "identified niche markets" and "demographic opportunities" to his list of motives for the early internationalising fashion brands. In comparison, the firms that internationalised at a much later stage in their development, tended to do so because of a deteriorating domestic market position, either from slower growth, maturity in demand or tougher competition. The group of early internationalising firms can be said to have been much more proactive and deliberate in their international expansion, while those slow to internationalise were more reactive. Of our case companies, Norwegian Rain most fits this description of being proactive and deliberate in their internationalisation approach, while Fleischer Couture and particularly Vera & William show more reactive traits, especially for Rinde given the degree to which she relied on unsolicited orders and the export commitment varied year over year.

While both the motive to sell more and having an underlying ambition to be in foreign markets are mentioned in both the IB, IE and IR literature studied for this thesis, the element of building brand awareness and recognition is unique to the IR perspective. Further to Moore's (1997) brand transferability, Hutchinson et al. (2007) also emphasise the importance of the brand. While the specifics of the company brand identity in their model, see Figure 6-1 repeated from Section 3.2.1, are not fully applicable to our case companies, the general outline of it is.

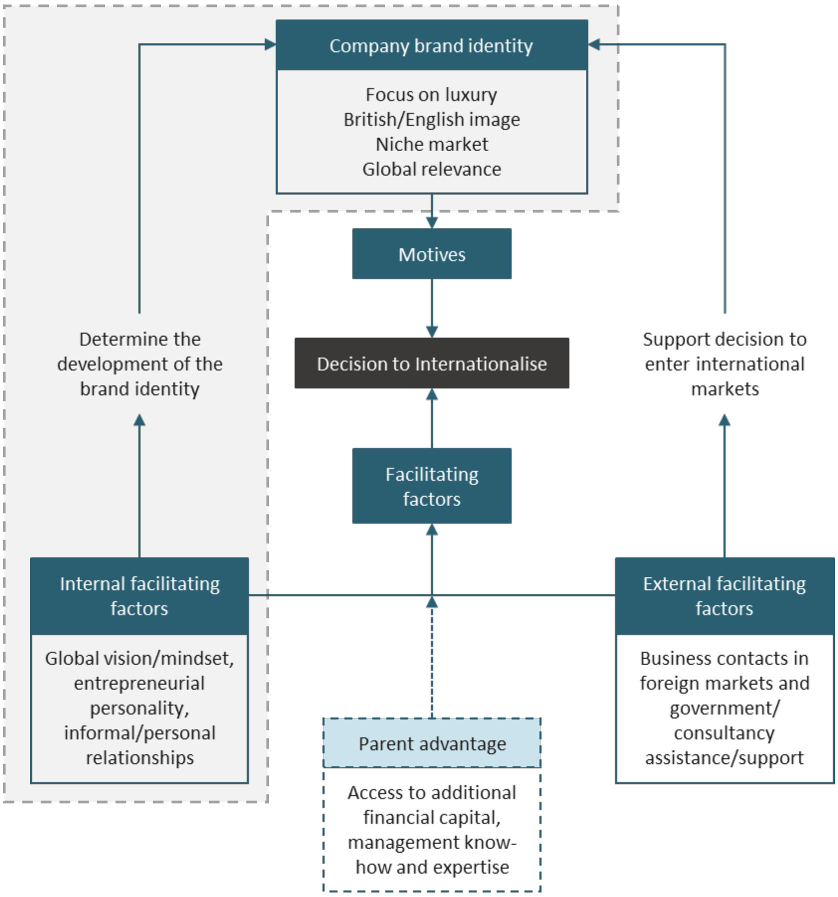

Figure 6-1 Factors influencing the SME retailer internationalisation decision (after Hutchinson et al., 2007)

Both Norwegian Rain, Fleischer Couture, and Vera & William have applied a niche market strategy and target specific subsectors in their respective areas of business. Norwegian Rain make outerwear but specifically, and at least originally, highly technical rain jackets with a distinct Japanese inspired aesthetic. As they describe themselves on their webpage: "Norwegian Rain is a 100 % waterproof, slow fashion concept built on the artisanal techniques found in traditional men's tailoring, Scandinavian functionality and Japanese sensibilities". Fleischer Couture, on the other hand, started out making feminine but sporty down jackets that would fit in just as well on the ski slopes as in the city and have since added jackets of children, knitwear, and non-winter clothes for women. Vera & William is making undergarments for women and men using natural fibres and sustainable dyeing methods. All brands position their products towards the high end of the market pricewise, targeting more affluent customers and avoiding the mass-market completely. As such they tick off the "focus on luxury" and "niche market" components of the brand identity from Hutchinson et al.'s (2007) model and are influenced to varying degree by their Norwegian heritage.

This brand identity then helps explain how these companies are able to internationalise at such an early stage and to the degree they have done. For as Hutchinson et al. (2007, p. 111) state: "retailers that operate in niche markets, bound by a local culture and appeal to an international global segment, are internationally relevant from inception, thus enabling these firms to internationalize early in their development".

Furthermore, Hutchinson et al.'s model also explains the relationship between the entrepreneurs' global mindset and the companies' brand identity, as marked grey in Figure 6-1. We see that the personal ambitions and perceptions of the entrepreneur inform the company's brand identity. For the entrepreneur to achieve his or her aspiration of making their business an international one, the brand and products need to be configured in a way that facilitates global relevance and transferability.

Therefore, the second motive we found in our research - to build brand awareness and recognition - is in a sense both an extension of the third motive of underlying ambition, a pre-requisite for internationalisation, and a motive in its own right. For Norwegian Rain in particular, being international is part of the brand identity with its strong ties to Italian tailoring, Japanese aesthetic, and Norwegian functionality. Furthermore, Helle had a clear personal and professional ambition to make the company an internationally recognised brand amongst its target clientele. He also emphasised that within the niche they operate, selling to certain markets and stores such as in Japan, and successfully so, is a stamp of approval for stores and buyers in other, less adventurous markets, e.g., Western Europe.

However, Hutchinson et al.'s conceptual model does not explain why or how a lack of demand in the domestic market or sales opportunities in the foreign market acts as motives for internationalisation. They attribute this to a proactive nature of internationalisation for the smaller specialist retailers that made up their case study sample and state that "in line with Alexander's (1995) definition, proactive internationalization focuses attention on the importance of international opportunities and the retailer's willingness and ability to exploit such opportunities before domestic saturation forces the retailer to consider operating in international markets". Still, it seems to us that at least for firms originating in small markets, such as Norway, and targeting very narrow product niches, the limited domestic demand for the products does factor into the decision to internationalise.

In conclusion we see that while the motives that stood out in our study are all covered in one or more of the presented research articles, the combination of the three is not previously highlighted.

6.1.2 Micro-Firms' Barriers to Internationalisation

In terms of barriers to internationalisation, our research highlights four key challenges: 1) lack of brand awareness, 2) difficulty in finding the right partners and managing these, 3) limited financial resources, and 4) a perception that the company is too small.

Barrier 1: Lack of Brand Awareness

All the three case companies talked about the challenges they faced arising from a lack of brand awareness in the international markets they were entering. This manifested itself not only in end customers not buying the products but even before that, in the process of entering a market and getting into specific shops.

Norwegian Rain's Helle pointed out that when an end customer does not know the brand, they typically require significantly more *education* before a purchase is made than for customers who are familiar with it. In foreign markets, the onus of this task falls on the shop personnel – people whom the brand itself has very little control or influence over. In the eyes of the shop owner, taking on an unfamiliar clothing line with little brand awareness in the local market is inherently riskier than selling better-known brands. Not only do they have to invest more time in training their own people in the history of the brand and the features of their products, but they potentially also need to invest in product marketing. For smaller and standalone multi-brand retailers, the addition of a new brand that is too unestablished in the market may require a disproportionate amount of attention and investment, and as such distract from the other product lines that the retailers sell and hurt the overall performance of the store.

The founders of Fleischer Couture pointed out the same challenge with lack of brand awareness and how they are dependent on having the shop personnel show the customers their products, tell them about the brand's story, and get them to try the clothes on whereas in the domestic market customers would ask for Fleischer Couture specifically. They stated that this requirement was a key reason for selling to smaller independents shops instead of larger chains. As they saw it, Fleischer Couture would “disappear” in the larger chains and staff would be less likely to be highly knowledgeable about their brand.

For Vera & William, which started up a few years earlier than the two other case companies and importantly before the Great Recession of 2007-2009, the lack of brand awareness was felt particularly keenly after the financial crisis. Rinde stated she thought that since the crisis buyers in foreign markets had become much more reluctant to take on new and unfamiliar brands, while in Norway they experienced that not only did the crisis have less of an impact, but they also had a more established presence and regular customers and buyers which made the process much easier.

Fleischer Couture has also seen the impact of having brand awareness. In 2012, while actor Sarah Jessica Parker was in Norway for the Nobel Peace Prize award show, she was seen wearing one of the brand’s coats that they had left for her at her hotel. She was subsequently seen wearing the same coat in New York City. After this exposure, the brand received numerous requests for their products from overseas customers and shops that wanted to buy their products. One of their German retail partners at the time also experienced significantly higher demand, especially from American customers, and the brand was an enormous success for them.

Barrier 2: Difficulty Finding the Right Partners and Managing These

In addition to the negative impact of being a new and unfamiliar brand on attracting end customers, the case companies all also pointed out how challenging it was to find the *right* partners in the foreign markets, whether that be a shop, an agent, or bloggers or influencers for marketing. While this difficulty is in part caused by a lack of brand awareness, it was also attributed to a *lack of network* which is one of the barriers tested for in the survey and that was scored highly there by all the case companies.

Moreover, finding the right partners was *necessitated* by the lack of brand awareness and of a network in that the case companies needed their partners to open doors and facilitate the market entry for them. Signing on an agent with pre-existing relationships with the type of stores that fit the profile of the brand was seen as key to successfully enter a new market, especially in that it could be significantly more cost and time efficient than trying to develop these relationships directly. Fleischer Couture highlighted this as a challenge and gave an example of how they travelled around the Swiss Alps with boxes of samples to show to shop owners and buyers in the ski resort locations. They stated that with these old family-owned stores, getting a foot in the door could be exceedingly difficult and that they would not be able to continue extending their store footprint in this very labour-intensive manner if they were hoping to grow the business. They saw taking on an agent that already knew the market and the players as the only sustainable way of expanding further.

While getting into some stores or even markets without using an agent was said to be challenging, finding the *right* agent also provided the case companies with headaches. In particular, Rinde explained how working with the wrong type of agent in Norway had put her off from working with agents again unless on a distributor basis. The agent they had used in the domestic market had sold the products to shops that did not fit the profile of the brand or did not have customer groups that would buy the brand. This ended up being a massive flop for Vera & William, the business lost a lot of money, and Rinde had to go back to directly and personally doing the selling. When subsequently entering the Danish market, Rinde came in contact with an agent that also sold other brands that fit well with Vera & William and that had on access to very exclusive stores they otherwise would have struggled to get into. Given Rinde’s experience in the Norwegian market she deliberately set up a distributor agreement with the agent rather to which she stated that while the cost is higher for Vera & William, the risk is lower as some of the financial burden and responsibility is transferred to the distributor.

Regardless of using agents, distributors or going direct, all the case companies emphasised the importance of working with stores that *fit their profile*. This was seen as necessary both to reach the target customers for the products, and therefore sell more, and to build brand credibility and the kind of image the founders wanted for their company. Helle of Norwegian Rain talked at length about this. They had experienced that getting into certain stores would function as a door opener not only within that specific market, but also in other parts of the world. As an example, he pointed to Japanese stores and buyers, a market that they early entered and have focussed on specifically. Their customers there, both end customers and stores, tend to do a lot of research and be quite willing to experiment with the latest brands. As such, being sold in these stores or having success in Japan can be seen as a verification of sales potential and a stamp of approval for stores in Europe that might be more reluctant to take on an unknown brand.

As for managing the partners, both Norwegian Rain and Vera & William mentioned that following up on stores could be a challenge. While Helle emphasised the need to spend time training the staff, provide promotional material, make themselves available for local press, and help the stores with press releases when launching in a new city or market, Rinde stated that getting some customers to pay their invoices could be difficult. These types of challenges were exaggerated by the cultural and geographical distance to the market. Norwegian Rain was present in 20 countries in 2013 with only a few stores in many of these markets, while Vera & William also had been active in countries as dispersed as Japan and USA. Just the time difference between these markets made following them up a challenge.

Barrier 3 And 4: Limited Financial Resources and A Perception That the Company Is Too Small

In the survey, these two barriers were ranked as the most important ones, with all of the 13 micro-firms in the sample giving "limited financial resources" a six or seven on the scale from low to high importance, while seven also rating "company is too small" highly.

Curiously, Norwegian Rain did not rate the company size as being a significant barrier while both Fleischer Couture and Vera & William did. At the same time, Norwegian Rain's founder Helle exhibited a stronger global vision and desire to be international than the two other case companies and very deliberately went ahead with their internationalisation process. In comparison, Fleischer Couture and Vera & William approached international expansion in a more cautious and reactive manner. This may explain why Norwegian Rain did not see company size in of itself as a substantial barrier to entering foreign markets.

Comparison to Extant Literature

From our reviews of IB literature on the internationalisation process, we have seen how the Uppsala school of internationalisation focus on lack of knowledge and cultural, geographical, and language differences as barriers to foreign market entry. From Johanson & Vahlne (1977) we learned that both a lack of knowledge about foreign markets and lack of knowledge of how to operate businesses in foreign markets constitute "important obstacles to the development of international operations". We have also seen how the notion of cultural and geographical distance play into the process by affecting the markets selected for expansion at given stages and which entry modes to use. In this way, both the cultural, geographical, and the often-resulting language differences between the home and the target market therefore constitute barriers to entry for risk averse and incremental internationalising firms.

Furthermore, the Uppsala model assumes as a prerequisite for internationalisation that the domestic market is saturated or that the business in some way is experiencing adverse conditions in its home market and therefore seeks abroad. Arbaugh et al. (2008) therefore argue that *success in the domestic market* constitute a barrier to internationalisation as there would be no external push to drive them to seek growth in foreign markets.

For the micro-firms in our sample, we see few commonalities with the incremental internationalisation process in terms what the most significant barriers were. In fact, language and cultural differences were rated to be the least important overall, followed by lack of business knowledge. Even among the non-exporters, these were ranked the lowest. This is not terribly surprising. Globalisation and advances in IT and communications technology have enabled people to research different markets and export regulations more easily and from the comfort of their own home while constantly being exposed to news and entertainment in other languages and about other cultures. Therefore, the context of internationalisation studies has changed since Johanson, Vahlne and Wiedersheim-Paul did their studies in the 1970s.

Leonidou's (2004) comprehensive literature review of export barriers also resulted in a low importance placed on socio-cultural differences. However, he did find that informational barriers such as limited information to locate/analyse markets, inability to contact overseas customers, and difficulty identifying foreign business opportunities were the three most prevalent ones. While these are not found in our study in the exact same form as in Leonidou's study, the case companies' emphasis on the challenges they faced in finding the right partners, be that shops, middlemen, trade fairs, or magazines to showcase their products, share some of the same sentiment.

The subsequent challenge of managing the partners, in particular the agents and shops, ranging from issues such as training store personnel to collecting on outstanding payments, are also covered in Leonidou's study but among the less important barriers. "Accessing export distribution channels" and "Obtaining reliable foreign representation" was listed as #10 and 11, respectively, and ranked as having high impact, while "Maintaining control over foreign middlemen" was #37 and had very low impact. "Lack of managerial time to deal with exports" and "Slow collection of payments from abroad" were listed as #18 and 25 respectively, giving them a moderate importance.

A common complaint against IB has often been that smaller firms are excluded from research altogether. The traditional focus has been on larger, more mature businesses as small and/or recently established firms were thought to not be able to successfully internationalise due to a lack of resources. As such, a lack of resources and company size can, from an IB perspective, be seen as a substantial barrier to internationalisation. And while the survey does highlight limited financial resources and a perception that the company is too small as delimiting factors, it has not stopped these micro-firms from participating in exports. Instead, it seems that the internal motivating factors highlighted in the previous section outweigh the challenges faced by virtue of being a small company. This idea was central in our review of the international retailing literature on barriers. Both Vida & Fairhurst (1998) and Hutchinson et al. (2007, p. 99, referencing Williams, 1992) seconded that "…if management perceives obstacles as surmountable, smaller retailers can pursue growth-orientated and proactive motives in foreign markets".

In general, we find that Hutchinson et al. (2006) list of barriers to internationalisation for small specialist retailers is broadly in line with the results from our study. They found that the financial commitment required for internationalisation was the primary barrier for their case companies, followed by complexity of international markets, lack of market information, risk of loss of brand control and limited management resources. This resonates with the above presentation of the barriers experienced by our case companies, in particular the risk of losing control over the brand and its image. This is what Rinde was concerned about when using agents and why Fleischer Couture preferred to sell through smaller independent retailers, however, we have phrased it somewhat differently – as a difficulty finding and managing the right partners. The risk of losing control over the brand is part of the equation and why it is so important to find partners that fit the brand's profile. But our phrasing also alludes to the resource intensity required by this process and therefore why it can be such a challenge for smaller firms. Fleischer Couture spoke candidly about how time consuming it was to do personal direct selling in the Alps and that unless the company grew in number of people, or they found another more efficient way of establishing distribution abroad, they would not be able to maintain let alone expand their international footprint.

In summary we see that our case study and survey reveal familiar barriers, both from and IB, IE, and IR perspective, but that the focus on micro-firms adds a different emphasis, as does the context of the high-end niche fashion retailers wherein control over the brand image is paramount.

6.2 How Do Micro-Firms Internationalise?

6.2.1 Micro-Firms' Market Selection Strategies

In our study we find that micro-firms tend to do either or a combination of the following when it comes to market selection: 1) stay familiar, 2) follow demand, or 3) target sub-markets.

Market Selection Strategy 1: Stay Familiar

The "stay familiar" approach is based on expansion into culturally and geographically proximate markets. Of the nine exporting micro-firms in our survey sample, all but two sold their products in either of the neighbouring Nordic countries with one of these being Fleischer Couture who reported having signed on a Swedish reseller for the Fall/Winter 2013 collection. Seven companies also reported exporting to one or more

Anglo-Germanic country. In addition, countries from the Nordic and Anglo-Germanic clusters were listed as the initial and most important markets for seven micro-firms.

As the majority of the micro-firms in our sample, including two of our case companies, exported to countries in which the language is easily understood, the culture is not too dissimilar from the home market and the geographical distance is manageable with minimal impact of time zone differences they can be said to have gone into familiar markets. Furthermore, they also remained in familiar markets, as only four firms expanded outside these two clusters.

Norwegian Rain and Vera & William are two of the companies that expanded beyond the North and Western Europe region while Fleischer Couture did not. However, the discussion with the founders of Fleischer Couture made it clear that they had not been limited by geographical or cultural constraints. Instead, they had deliberately gone to the German Alps to find resellers. They figured that, as a high-end luxury ski/outerwear brand, that is where the customers are. As such their strategy would fit better under #3 Target Sub-Markets rather than #1 Stay Familiar. However, when reviewing the brand's list of stockists in 2020, it showed that there are only Norwegian, Danish, and Swedish resellers left and that in fact, the vast majority are domestic ones (78 of 81). For reasons that are unknown, the company seems to have withdrawn from the German market and they have also not capitalised on the unsolicited demand they received from North America back in 2012/2013, at least not to the extent where they have US based resellers. Therefore, Fleischer Couture has been put in the "Stay Familiar" group together with the other micro-firms from the survey that only reported exporting to the geographically and culturally close Nordic and Anglo-Germanic clusters.

Market Selection Strategy 2: Follow Demand

As the majority of the survey participants reported having expanded only to the Nordic and Anglo-Germanic clusters, the "Follow Demand" strategy is based on the behaviour and experience of Vera & William in particular, but also on comments and answers from Fleischer Couture and Norwegian Rain.

Compared to the "Stay Familiar" strategy, the micro-companies that have a "Follow Demand" strategy are highly dependent on unsolicited orders and will end up entering markets that are geographically and/or culturally distant because someone external to the company initiated it. As such, they *follow demand*. We saw Fleischer Couture do this to some extent, after they received a lot of PR from the Sarah Jessica Parker stunt, but this was all serviced as direct to customer shipments from Norway or through their then-German partner's web shop. Vera & William on the other hand, received unsolicited requests from boutiques asking to become stockists and agents/distributors wanting to work with the brand, as well as direct requests from customers.

For Rinde, these unsolicited requests are what made her have Canada as one of the most important markets for her brand and develop a presence in USA and Japan through agents. However, she rolled back the activity in Japan as it was too far away and difficult to manage, while for USA she said they had not made any effort to sell anything for a few years but might get an order here or there. Canada was another story, where they had a good relationship with the resellers which would steadily order from their catalogue with Rinde having to put in very little effort.

In conclusion, the "Follow Demand" market selection strategy may lead companies to expand into quite widely dispersed countries which will require more effort to successfully manage and grow. However, when the "Follow Demand" strategy is based on a reactive and opportunistic approach to internationalisation and unsolicited orders, this low effort mentality may clash with the requirements of the resulting footprint and therefore lead the companies to withdraw from the higher maintenance markets.

Market Selection Strategy 3: Target Sub-Markets

Both the "Follow Demand" and the "Target Sub-Markets" strategy can lead the internationalising company into markets with high psychic distance. However, the main difference between the two approaches is the deliberateness with which these markets are entered. Norwegian Rain is a clear example of this strategy.

While both Vera & William and Norwegian Rain were, at some point, present in the Japanese market, they had very different approaches to why they were there and what the goal was. For Helle, the Japanese market was attractive due to its ability to function as a proof of concept and show case to other, less adventurous markets.

It was also a market that inherently “fit” the profile of the brand, being a mix of Scandinavian sensibility and Japanese aesthetics. Thirdly, Helle had a personal desire to be present in the Japanese market – it would be “cool”.

The difference in deliberateness between Rinde and Helle in their approach to the Japanese market is best seen when reviewing the status in 2020. Rinde has completely withdrawn Vera & William from the market, in fact from all foreign markets except the odd sale via the brand’s web shop, while Helle has further expanded the footprint. Of the 120 stockists listed on Norwegian Rain’s webpage in 2020, over 50 were in Japan. In comparison, they only had six in Norway.

Further to being a strategy driven by proactive deliberateness, the “Target Sub-Markets” strategy is also based on the notion that country markets are somewhat irrelevant and that there is only a small customer base within each country market which are typically located in specific cities. Therefore, the brands adhering to this strategy would target specific cities or even specific shops in these cities, rather than a country as a whole. For Helle and Norwegian Rain this played out as being in 16 markets in 2012 but with only one or a few stockists in each country because that was the supply that those markets could manage at the time.

In closing we see that the “Target Sub-Markets” strategy is almost the direct opposite of the “Follow Demand” strategy. Instead of being reactive and opportunistic, the companies have a deliberate and proactive approach to internationalisation and in the long run might be more likely to see their presence in their selected markets grow rather than having to exit them.

Comparison to Extant Literature

In a sense the three strategies presented above make up a continuum from local and passive internationalisation with Stay Familiar to global and aggressive internationalisation with Target Sub-Markets. The Stay Familiar approach may at first glance look like support for the incremental internationalisation theories, while Target Sub-Markets sounds like something a Born Global would be more likely to do. And while there is some truth to this the size and the context of the firms in our study makes the reviewed IB and IE theories only partially applicable.

For the firms that we grouped into the Stay Familiar approach - represented by Fleischer Couture – it seems that cultural and geographical distance does factor into the equation which is a highly important part of the I- and U-models. These companies list having expanded into countries which have an overall low psychic distance from their home market. However, we did see in the previous section on barriers, that cultural and linguistical differences was rated the least important of the listed barriers. Neither was proximity rated particularly highly as a reason for entering the markets the companies had gone into. This begs the question of why these companies had only entered proximate markets at the time of the survey, while some of the other respondents had ventured further out.

From the discussion with the Fleischer Couture founders, it seems to be related to risk. In the interview, the two founders reiterated how important it was for them to take things slow and not grow too quickly. While they had a desire to grow the business and become a household name in their space, they expressed an uneasiness about losing control, the risk of taking on too much, and of making rash decisions under pressure. They believed it was beneficial for them to only have a handful of resellers abroad to begin with as that would allow them to better manage and follow up these partners, “test the waters” both in terms of the brand’s reception abroad and the practicalities of doing business in foreign markets, as well as provide them with bandwidth to deal with issues that surface.

This risk averseness is central to the incremental internationalisation models, where companies are said to increase their commitment to foreign markets and exporting in stages as they gain experience and grow more comfortable with international business. In the Uppsala and American Innovation models, we see how companies are supposed to make small and incremental steps towards internationalisation in an effort to reduce the risk they subject themselves to and that this influence both which markets they enter, how early it happens, which entry modes these companies use, and when subsequent entries are made. At the heart of this mindset is an ongoing evaluation of the inherent risk of a move and how much of it the company can stomach.

On this Stay Familiar strategy seems to be aligned with the incremental models. However, the incremental models also posit that the export intensity and distance to markets should increase over time after internationalisation has been initiated. This we have not seen happen with Fleischer Couture, quite the opposite, with the German market seemingly having been exited and the majority of stockists within the domestic market.

The fate of Fleischer Couture may instead be indicative of what Moen & Servais (2002, pp. 69-70) concluded after seeing how much of an influence early internationalisation behaviour had on the future export performance of the companies in their study. In their words, for companies "…that are not established with a strong international focus, it may be difficult to develop later into high-involvement exporters".

One company that did have a strong international focus right from the start, was Norwegian Rain. And when checking in on the company in 2020, they had continued to expand their footprint abroad and solidified their presence in the Japanese market in particular, compared to the status in 2012/13. As such, they have followed a development pattern more like the Born Globals in Moen & Servais' (2002) study as they found that early internationalisation was correlated with higher export intensity, stronger global orientation, and more and farther-flung export markets.

While showing commonalities with International Entrepreneurship theory and Born Globals, the retail context of the study has also impacted the Target Sub-Markets strategy. In the literature review chapter, we saw that from an International Retailing perspective the market selection strategy depends on the type of retailer we are dealing with. Large general merchandise and fast fashion retailers were generally found to expand to geographically and/or culturally proximate markets and show more of the typical incremental internationalisation traits. Small specialist retailers and high-end luxury brands, on the other hand, were less dictated by the notion of psychic distance and more driven by a need to find and access a very narrowly defined customer group. For these brands, the country market therefore loses its significance and instead the focus is on specific cities and locations within these cities, such as luxury department stores and niche multi-brand stores focussed on avant-garde and experimental fashion.

Though Norwegian Rain is not exactly following the "New York, Paris, London" pattern discussed by Hollander (1970), it is the latter group of retailers that it has the most in common with. Founder Helle very clearly pointed out that he thought the idea of country markets to be an antiquated one and that for them the focus has been on getting into individual stores that fit their profile and would give them the exposure they needed, rather than this or that country. Given the aesthetic and specific use case of the brand's products, Norwegian Rain cater to a narrowly defined customer segment. There will only be a limited number of potential customers and resellers available to them, especially compared to more generalist brands, and therefore they end up targeting *markets within markets*, hence the moniker for this market selection strategy.

For the Follow Demand strategy, exemplified by Vera & William, there are elements of both the incremental and Born Global theories present along with aspects from international retailing. Rinde's reliance on unsolicited approaches from potential agents, stockists, and customers is in line with Bell's (1995, in Moen & Servais, 2002, p. 53) statement that "domestic and foreign client patronage…rather than the psychic distance to export markets" influence market selection which is contradictory to the incremental models.

However, Rinde also stated that for her brand it was important to have an international presence in order for the brand to *do better in Norway*. This notion of internationalising to "develop business back into the domestic market" and because "domestic clients desire to deal with suppliers that have international experience" was stated by Freeman et al. (2012) to be traits of older and later internationalising firms, not of Born Globals.

In general, though, the Follow Demand strategy seems to have provided Vera & William with neither the rapid growth of the Born Globals nor the stability of the Uppsala model. Rather it seems that the unstructured and responsive approach to internationalisation taken by Rinde left them "stuck in the middle".

In summary we see that there is some merit to the three strategies representing a continuum from the incremental models to the Born Global approach with some tweaks given the retail context of the firms. Furthermore, the lack of resources and size of these companies does not need to limit the scope and scale of their internationalisation as showcased by Norwegian Rain. It can be overcome by having a niche brand and product profile, knowing where and how to find customers, and deploying a deliberate internationalisation strategy founded on a strong global ambition.

6.2.2 Micro-Firms' Pace of Internationalisation

Our study finds that internationalising micro-firms tend initiate exports relatively soon after inception and best can be described as *Early Internationals*.

We found that eight out of the nine exporting micro-firms in the survey started doing so within five years of being founded. Furthermore, three of these eight reported having export share in 2012 of at least 30%. Vera & William and Norwegian Rain were among these high intensity exporters, while Fleischer Couture only had a 5% export share. However, as we have seen in the previous sections, both Vera & William and Fleischer Couture seem to have dialled back on their international efforts since 2013 rather than expanding further, and the third survey respondent that reported having a high export share have wound down completely. This leaves only Norwegian Rain, which have continued to expand, of the original Born Global candidates. Of the companies that were small or non-exporters back in 2012, only #15 have both grown revenue significantly and lists stockists in foreign markets on their webpage. Still, the majority of resellers they have are in the domestic market and therefore we assume that exports make up a large portion of sales but not the majority. As such, we deem it more appropriate to categorise these micro-firms as early internationalised rather than Born Global firms.

Comparison to Extant Literature

The literature points to different definitions and terms for rapidly and early internationalising firms. The Born Globals label we have seen attributed to firms that initiate exports within two years of inception (Moen & Servais, 2002) while Aspelund & Moen (2005) gave a classification that focussed more on a high export share (in excess of c. 50%) and high number of foreign markets but less on time to internationalisation (up to almost 30 years although the average was below five).

While Moen & Servais' (2002) definition implies four of the nine exporting micro-firms would classify as Born Globals at the time of the survey, the fact that two of these have since stopped doing business and one seem to primarily focus on the domestic market, makes it disputable to claim internationalising micro-firms are a type of Born Globals. Adopting Aspelund & Moen's (2005) alternative definition does not help either.

However, in their work, Aspelund & Moen (2005) also defines a less aggressive but also early internationalising type of firm which they dubbed the "Early International". Companies that fall within this cluster has a lower export share than the Born Globals (up to 50%, instead of above 50%), take on average a little longer to internationalise (7.0 vs 4.3 years) and tend to be in fewer markets (6.5 on average vs 18.8 for the BGs).

Moreover, in Section 3.2.1 on Motives from an IR perspective, we presented Moore's (1997) early work on the internationalisation process of fashion retailers and saw how he split these firms in two groups. One that expanded abroad at a later stage, that is after more than 30 years, and one that internationalised early, within seven years of inception. His "Early Internationalised" share many of the same motives for entering foreign markets as our case companies, including transferability of brand and niche market positioning. Therefore, "Early Internationals" seems the best label to give these micro-firms.

6.2.3 Micro-Firms' Entry Modes

In terms of entry, and operating, modes, our study finds that micro-firms tend to internationalise using one or more of the following modes: 1) direct sales to local stockists, 2) indirect sales to local stockists, or 3) their own web stores.

Furthermore, they tend to use direct sales early in the internationalisation process before engaging intermediaries to act on their behalf. This intermediary can either be agents, distributors, agents under distributor agreements, or dedicated sales representatives. As such, the entry mode can change from market to market depending on the company's total experience in exporting but also develop as the company gains experience within a market.

Mode 1: Direct Sales to Local Stockists

Of the nine internationalised micro-firms in the survey sample, four rated direct sales to retailers highly, including all the case companies. For the case companies, both Vera & William and Fleischer Couture reported having done direct sales successfully in the domestic market and relied initially on the same tactic in the foreign markets. Fleischer Couture, in particular, quite literally replicated the approach from the domestic market as they went on a sales tour in the Alps with boxes of samples in their car just as they had done in Norway with, visiting store after store, some unannounced, some planned.

While Rinde from Vera & William also talked about having made personal direct contact with shops in Norway, she did so too in the foreign markets but not as proactive. Instead, and as we have discussed earlier, she relied more on unsolicited requests from potential stockists. With some of these, she developed close and personal relationships.

Norwegian Rain also sold directly to retailers in their export markets, however, they had less experience with this from the domestic market as their focus from the start had been to develop internationally. Of the international markets, Helle stated that they attended fashion weeks and trade fairs which is where they did most of their sales. They had stands at the fairs which allowed relevant buyers to discover them and them to showcase their full creative vision. But they would also send out invitations to potential stockists and buyers to notify them they would be at the fair and that they would like to talk.

Mode 2: Indirect Sales to Local Stockists

In addition to contacting resellers directly, three of the nine gave indirect sales to retailers a five or higher, including Vera & William and Norwegian Rain. As we also know that Fleischer Couture considered signing on agents or sales representatives as really the only way for them to be able to sustain and grow their international presence in the future, we see this as additional support for the importance of this entry and operating mode.

Norwegian Rain also pointed out that agents, in addition to showrooms, were the norm in the fashion industry and the way to go a little further down the line. However, as much as Helle had emphasised getting into the right stores, he also emphasised finding the right agents was challenging. The agents would need to have access to the right network of stores, preferably sell similar brands, be trained on their products, and managed in a way that was conducive to the growth they wanted. As such, Helle and Rinde of Vera & William was very much in agreement on a preference to using agents as distributors and not pure agents working on commission to make sure there was alignment between the agent's incentives and the business' goals.

It is worth nothing though, that Norwegian Rain very early on signed on a "Head of International Sales" who did work on commission but also received consulting fees. As such he was not an employee with the business but so closely connected to the business it would not be right to view him as an intermediary. At the time of the interview, they had also added a regional sales manager for the Nordics, including Norway, who was on a same type of deal as the International sales director, both as hybrids of agents and employees.

Mode 3: Company-Owned Web Store

Web stores was a more commonly listed mode of export for the micro-firms with the lowest export intensity. While Norwegian Rain ranked it as having average importance, the two lowest export intensity micro-firms ranked gave it seven and 6, respectively. These two firms relied solely on their own web store and used no other mode to facilitate international sales.

This type of direct-to-consumer sales models are becoming more popular, especially among small and newly established companies. It cuts out the middlemen and leaves the brand with full control over its image but also requires a different type of marketing effort to develop international demand. Social media and the influencer/celebrity endorsement marketing tactic have made it possible to create inherently global brands with no physical retail presence at all, neither in the domestic market nor abroad. These are online only businesses that may market themselves as "Scandinavian" but actually be based in Hong Kong and produced in Turkey and China, like accessories brand Linjer Co who has a Norwegian co-founder.

For the two respondents in our survey though, the internationalisation through company-owned web shop does not necessarily signal a deliberate global strategy instead it is more opportunistic. These web stores predominantly service the Norwegian market, with an English language version and global shipping available. This can be seen by the very low export figures of these firms.

Another alternative to the company-owned web shop is partnering with stockists that have webstores. Fleischer Couture did this with their stockist in the German market and would refer international customers to this web shop rather than service them directly. However, in 2020 they have their own webstore that can serve both Norwegian and international customers as it offers an English version of the webpage with prices in US dollars.

Comparison to Extant Literature

The traditional way of looking at entry modes is as discrete options with different risk, control, resource requirement, and flexibility profiles. The three modes listed above; direct sales to local stockists, indirect sales to local stockists, and company-owned web stores, are all export type modes which according to Figure 3-12 should require low resource commitment from the focal firm, gives a high degree of flexibility, and has a low risk profile but provides the least control over operations in the foreign market. However, as we have seen in the above, these three modes are not created equal.

While we have classified both direct and indirect sales to stockists to be an export type mode, the indirect mode has elements of a contractual strategy to it. If classified as a contractual mode it should therefore offer *more* control to the focal firm but require *higher* resource commitment. However, the case companies all reported that using agents was desirable because it *reduced* the time and resources required of them to manage international sales but that it gave them *less* control over how their brand was presented to end customers than when going direct. As such it seems that these two modes are best organised along the continuum with indirect exports at the far left, giving the least control for low resource commitment, followed by direct exports, giving somewhat higher control but requiring more effort.

When organised like this and knowing that our case companies generally progressed or expressed a desire to progress from direct to indirect sales, we see little support for the incremental internationalisation thesis that as companies gain experience in a market their commitment to this market will increase in the form of adopting higher control modes such as establishing a sales subsidiary or production capabilities. Instead, they seemed more than happy to give the reins to someone else once the market is up and running and dedicate their time and focus elsewhere, including other markets. This may be down to these types of firm having more of a market spreading strategy in which they prefer to have a small presence in many markets, as mentioned by Helle of Norwegian Rain. At the same time, we did see Norwegian Rain add showrooms and flagship stores in certain markets, including Tokyo and Paris, but this was unique to them.

Generally, though, we see that export is how these micro-firms start their internationalisation journey which aligns with both the Uppsala and the Innovation-Related models, see Figure 3-13, but this is about as far as the commonalities go. Furthermore, Aspelund & Moen (2006) also found that there were no major differences in the initial market entry mode for Born Globals, Early Internationals – which we have established corresponds most to our sample – and that of Late Internationals, which follow more of an incremental internationalisation process. Instead, they concluded that entry modes are chosen from a “strategic viewpoint and is less dependent on the manner with which the firm internationalizes” (Aspelund & Moen, 2005, p. 48).

Aspelund & Moen’s (2005) conclusion that a company’s strategy is the deciding factor in determining entry mode is reminiscent of what Picot-Coupey (2006) found in her study of small specialist French retailers. Picot-Coupey (2006) argued that entry mode choice is influenced by the company’s marketing policy, its retail profile, network, and motives for internationalisation. These all closely related to a company’s strategy, either in informing it or being a result of it.

In addition to the above, Picot-Coupey (2006) states that the characteristics of the market under review for entry also influence the choice of mode. The companies review the parameters of each entry mode considering these factors. The parameters are dissemination risk, control, flexibility, and resource requirement, and in line with what we saw earlier as the traditional way of differentiating between modes.

Picot-Coupey (2006) describe *flexibility* as the degree to which a mode offers the ability to rapidly scale up or down presence in a market and gave examples of retailers deliberately choosing to sell through department stores with multiple outlets rather than targeting individual stores. This was an important consideration for our case companies. Norwegian Rain spoke of finding agents and showrooms in Japan that had reach outside of Tokyo and specifically among the more avant-garde resellers they were targeting. Vera & William explained how an agent they signed up with in Denmark gave them immediate access to a range of high-end standalone stores they would have struggled to get into on their own.

Resource requirement came into the fore as well, with Fleischer Couture needing to work with agents in the future as doing direct sales in foreign markets just takes too much time and effort while Norwegian Rain discussed a preference for having stands at trade fairs rather than showrooms as stands gave a better payoff given the effort put in.

Control and dissemination risk were for our case companies closely related with them choosing to go direct initially rather than use agents or distributors to ensure that the products end up in stores that fit their brand and will sell. Vera & William had bad experiences with making the wrong choice here when they experimented with an agent working on commission in the domestic market which led them to be reluctant to agents in foreign markets unless on distributor type arrangements.

In addition to retailer strategy and entry mode characteristics, Picot-Coupey's (2006) model also adds a consideration for what she terms as *plural* and *composite form*. In Johanson &Vahlne (1977) and Johanson & Wiedersheim-Paul (1975) the evolution from exporting to higher intensity operating modes as the internationalising company gains experience was essential. Picot-Coupey (2006) expands on this in her work, where not only are companies found to change model as they progress, but they also use a combination of modes within a single market, as well as different modes in different markets. While the modes used by our case and survey companies are not the same as those Picot-Coupey (2006) found, we still see the same pattern of combining and alternating modes to maximize the distribution of the brands while limited by their current level of resources, risk appetite, and strategic preferences.

Our case companies and survey respondents are found to use direct and indirect wholesaling, online channels, and to a very minor extent showrooms and flagship/concept stores, while Picot-Coupey (2006) found that the French specialist retailers she looked at preferred shop-in-shop, franchised stores, and company-owned stores. Here the shop-in-shop is analogous to the direct/indirect selling to stockists our case companies preferred, while the showrooms, pop-up and concept stores are versions of the high-control company-owned store but requiring somewhat less resources as they can be leased rather than owned premises, set up for shorter periods, or shared with one or a few other brands with similar customer profiles. Norwegian Rain did the latter for their “flagships” in Paris and Tokyo which also feature creative director T-Michael's namesake line alongside products from Norwegian furniture makers.

It is worth noting though that Norwegian Rain’s “flagships” are an example of misuse of the label as defined by Moore et al. (2000). These stores are not flagships in the true luxury high fashion brand sense with its grand scale, exorbitant costs, and highly desirable locations. Still, they serve a similar purpose – to establish the brand as a reputable and premium player within its chosen markets and niche.

In conclusion we see that even if micro-firms are small and have very limited resources available to them, they can successfully enter and operate in foreign markets by choosing modes that gives them sufficient flexibility and does not overextend them. And while certain modes are the norm within the fashion industry, this does not seem to limit the ability of micro-firms to expand internationally as they are able to adapt the modes to fit their capabilities. As such, the conclusion from Picot-Coupey (2006, p. 229) that “operation mode choice is affected by the reason for the internationalisation strategy, as well as the vision and experience of internationalisation by retail managers” rings true also for our type of companies.

7 Conclusions & Implications

This thesis sought to investigate the ability of very small companies to internationalise using the creative industries as backdrop for the qualitative and quantitative data sampling.

Micro-firms have to a large extent been excluded from internationalisation research, both in traditional MNC studies, stage theory, international entrepreneurship, and retailer expansion studies. Our study shows that even with only a handful of people involved and revenues in the low single digit million Norwegian *kroner*, many of the companies reviewed were indeed capable of selling outside the domestic market, a few even very successfully so.

Furthermore, we saw that the context of the creative industries, and specifically the consumer facing fashion sector, adds a few peculiarities that have not been emphasised much in literature that focussed on the internationalisation process of manufacturing or high-tech businesses.

These conclusions and implications for academics and practitioners are elaborated in the following.

7.1 Research Questions

We had two primary research questions in this thesis:

1. *Why* do *micro-firms* internationalise?
2. *How* do *micro-firms* internationalise?

These questions allow us to investigate whether micro-firms are capable of internationalisation and if they must approach international expansion differently than their larger and more established counterparts.

Our study shows that micro-firms are indeed capable of conducting market-facing business in foreign markets. Most of the survey participants have some exposure to international sales though only a few of them showed high export intensity.

As for the approach to internationalisation, we see traces of both typical international business theories and of international entrepreneurship ones. The overarching conclusion from the study is that some micro-firms approach internationalisation in a passive and reactive manner taking advantage of opportunities as they come along but may fear straying too far from familiar grounds. Others act with a great deal of intent and deliberateness, having a clear vision of where they want to be and why.

Generally, we find that micro-firms in the fashion sector internationalise to sell more, build brand awareness, and to realise an underlying ambition, while they see a lack of brand awareness as a key challenge along with the difficulty of finding the right partners and arenas through which to enter a market. Limited financial resources and a perception that the company is too small to internationalise are also factors that play into restricting foreign market expansion.

In terms of *how* micro-firms internationalise, we found that they choose to enter markets that are either familiar, in terms of language and culture, and geographically close, from which they received unsolicited orders thereby following demand, or more proactively target sub-markets that are relevant to them. Furthermore, micro-firms that internationalise do so relatively soon after inception, with the more proactive and globally focussed ones being somewhat faster than those firms that take a more passive approach.

As for entry modes, this is largely determined by the context of being fashion brands in addition to the relative lack of resources given the size of these companies, and therefore limited to direct sales to stockists, use of intermediaries like agents and distributors to sell to stockists, and web stores. While one of the more proactive and determined firms did use concept/flagship stores, this was a unique case and should not influence the conclusion too much. However, it does provide an interesting contrast to the less resource intensive modes chosen by the rest of the study participants.

7.2 Implications for Theory

Our study has a few implications for theory relating to both the context as it is based on fashion brands and micro-firms, and to findings from the survey and case interviews.

Firstly, as the thesis showcase that micro-firms do participate in international business, they warrant being included in internationalisation research. This is further supported by the findings not being wildly different from established theory and therefore should not inappropriately skew results due to immaturity or instability.

Secondly, our work shows that *context matter.* The sector that these case and survey companies are in lends itself particularly well to internationalisation. Being a clothing or accessories brand is quite different from being a manufacturing business or high-tech company. These brands, almost regardless of size, typically have large parts of their supply chain outsourced and internationalised with minimal involvement in the actual manufacturing of their products. Their internal value chain mainly consists of design, marketing, and sales related tasks which limits the potential for complexity in a future internationalised value chain. Furthermore, the sales and marketing channels in the sector are typically well-established, and brands are likely to be using the same modes and channels in foreign markets as they do at home. This means that there is a high degree of inherent transferability of skills and experience from market to market in the sector. As such, the context of these firms has simplified their internationalisation process and contributed to their ability to venture abroad at a very early stage despite having limited resources.

Given the impact of the firms' context and how it affects which value chain steps are internalised and which are outsourced, we propose that these are elements that should be taken into account in internationalisation studies to a larger extent than they have in the past. The sample selection process should ensure that the sample is either limited to companies within the same sector or that maps to roughly the same internal value chain, or that it contains a cross-section of companies from a wide range of sectors and with different value chains. The data should be analysed in light of the selection of value chains or sectors and the impact clearly communicated to the reader. This will enable better comparison of findings across studies and help develop conclusions that are not overly generic or difficult to apply for practitioners.

One of the take-aways from this thesis is the impact of brand image on the ambition and ability to internationalise, as well as on the actual internationalisation process. This is not something typically highlighted in neither stage nor BG theory. It is a result of the context of the firms under review and a particularly strong feature in the fashion industry. Given the lack of focus on brand image in non-retail-based internationalisation literature and close connection to owner-founder characteristics and vision, it warrants a second look from an IE perspective. In IE, the internationalisation decision is highly influenced by the founder's perceptions and ambitions. These personal opinions are transferred to the company and reflected in the words and imagery used to describe it. They become part of the brand profile of the company which on one hand facilitates internationalisation and on the other hand necessitates it, for the brand to avoid becoming a fallacy. This almost Catch-22 situation raises the question whether having an internationally relevant and globally focussed brand, as opposed to company or product, is either necessary or sufficient, both or neither, for successful internationalisation. As such it comes into play for businesses outside the world of fashion, and not only for consumer-facing ones, and warrants being studied as a potential contributing factor to the development of Born Globals and other types of international ventures.

Lastly, the rapid growth of the online "direct to consumer" business model has created a group of highly internationalised, fast growing consumer-facing brands with minimal to no physical footprint neither in their domestic nor foreign markets. This adds a new, rather extreme, option to the list of established entry modes such as exporting, franchising, acquisitions, and wholly owned subsidiaries, with its own set of *pros* and *cons*, e.g., perceivably the best of both worlds with high degree of control and flexibility coupled with low risk and low resource commitment, but with very different requirements for marketing. As a "have your cake and eat it too"-option that breaks with established theories in IB and IE, it is worth further research, particularly to establish how and in what situations it can successfully be applied, and what the major risks are to pursuing such a model.

7.3 IMPLICATIONS FOR PRACTITIONERS

Our study also has implications for practitioners. For entrepreneurs and owner-managers of small firms with international ambitions they can take comfort in the results of this thesis which shows that even the very small firms in our study were able to operate in foreign markets. However, as we have discussed previously, there seems to be one of two approaches the firms can take: either a proactive or a reactive one.

For companies that have a very strong strategic objective to develop a presence in international markets, the proactive approach would give them a better chance of success and potential for higher export intensity. This entails developing, from the beginning, a company with products and a brand image that are internationally relevant. In addition, these founders benefit from having a solid understanding of which markets to enter and why, as well as of what entry mode to use and who to partner with or sell to. If this is all well-aligned to the brand, the company is less likely to waste time and money on markets or customers/resellers that are not suitable for its products.

However, there is a balance to be struck between being so overly cautious it slows down the pace of internationalisation and moving rapidly but not doing any homework. As Moen & Servais (2002) concluded the international behaviour in the early years of a company's development has a strong influence on its longer-term international performance. Therefore, entrepreneurs with global ambitions should make good use of the first few years after establishment but avoid rushing into markets or arrangements that are not well-aligned with the brand.

For companies where foreign markets are not necessarily the top priority, a more opportunistic approach can be taken in which the firms rely predominantly on unsolicited orders for their international expansion. However, being less proactive does not mean the companies should be any less selective in which markets to enter and with what partner to work. Taking a reactive approach can put a company at risk of taking on customers in markets that are too difficult to serve or that does not fit the brand, which may end up doing more harm than good. It can stretch their already limited resources too thin, and shift focus away from core markets. As such, both reactive and proactive internationalisers should have a strong, clear rationale for their decisions to maximise their chance of success.

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