LOWERING ENTRY BARRIERS IN A DIGITAL ERA

- A QUALITATIVE STUDY ABOUT THE SWEDISH FASHION INDUSTRY’S INTERNATIONAL EXPANSION WITH AFFILIATE MARKETING

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Abstract
The internet and the rise of e-commerce have changed the foundation for how Swedish fashion companies operates. The shift has simplified for businesses to reach foreign customers who are vital for the fashion companies as the Swedish market is too small to nurture all existing companies.
To expand abroad often requires plenty of resources to overcome structural entry barriers. One marketing tool that Swedish fashion companies have used to avoid high expenditures is Affiliate marketing, a cost-effective digital marketing instrument.

Therefore, is the purpose of this study to broaden the discussion about Affiliate marketing. Furthermore, this thesis will try to understand how Swedish fashion companies have incorporated Affiliate marketing to overcome market entry barriers.

The result from the empirical findings gave indications that Affiliate marketing has had an impact on the Swedish fashion companies’ expansion. It was important for the interviewed companies to collaborate with different bloggers and websites, to create a certain awareness about the companies’ products on the new markets. The study also showed that Affiliate marketing could lower entry barriers by itself but also exposes businesses to new barriers as logistic- and payment solutions that must work simultaneously. The outcome of the study shows that it is significantly important for a Swedish fashion company to have a proper logistics- and payment system in place before a company implements Affiliate marketing, as the method will otherwise prove ineffective.

Keywords: Affiliate Marketing, Digital Marketing, Entry barriers, Entry Strategy, E-commerce, Social Media
Sammanfattning

Efter att ha genomfört intervjuer gav resultatet från empirin indikationer om att Affiliate marketing haft en påverkan på svenska modeföretags genomförda expansion utomlands. Det var viktigt för de intervjuade företagen att kunna samverka med olika intressenter som kunde agera publicister och skapade intresse på de nya marknaderna. Resultatet visade att Affiliate marketing inte enskilt kunde sänka etableringshinder utan att företag var tvungna att genomföra andra åtgärder samtidigt. Det var av större vikt att som företag ha implementerat en fungerande logistik- och betalningslösning på plats innan svenska modeföretag använde sig av någon typ av marknadsföring som exempelvis Affiliate marketing.

Nyckelord: Affiliate marketing, Digital marknadsföring, E-handel, Etableringshinder, Social media
Index

1 Introduction .........................................................................................................................................- 1 -
  1.1 Previous research ..........................................................................................................................- 2 -
  1.2 Problem discussion .........................................................................................................................- 3 -
  1.3 Problem statement and purpose .....................................................................................................- 4 -
  1.4 Target group ..................................................................................................................................- 4 -
  1.5 Delimitations ..................................................................................................................................- 5 -

2 Theoretical framework ...........................................................................................................................- 6 -
  2.1 The internet .....................................................................................................................................- 6 -
  2.2 E-commerce ...................................................................................................................................- 6 -
  2.3 Affiliate Marketing ..........................................................................................................................- 7 -
  2.4 Social media ...................................................................................................................................- 7 -
  2.5 Cookies ...........................................................................................................................................- 9 -
  2.6 Entry strategies ...............................................................................................................................- 9 -
  2.7 Entry barriers .................................................................................................................................- 10 -
  2.8 E-commerce trading barriers .........................................................................................................- 11 -

3 Methodology .........................................................................................................................................- 12 -
  3.1 Research strategy ............................................................................................................................- 12 -
  3.2 Research Approach .........................................................................................................................- 13 -
  3.3 Research Process .............................................................................................................................- 13 -
  3.4 Research design ...............................................................................................................................- 14 -
  3.5 Data collection method ....................................................................................................................- 14 -
    3.5.1 Data collection tools ...................................................................................................................- 14 -
    3.5.2 Sampling ...................................................................................................................................- 14 -
    3.5.3 Collection of empirical data ........................................................................................................- 15 -
    3.5.4 Reflection on data collection .....................................................................................................- 15 -
  3.6 Ethical issues ....................................................................................................................................- 17 -
  3.7 Data evaluation .................................................................................................................................- 17 -
  3.8 Data analysis method .......................................................................................................................- 18 -

4 Empirical findings ...............................................................................................................................- 19 -
  4.1 Respondents .....................................................................................................................................- 19 -
  4.2 Affiliate Marketing ............................................................................................................................- 19 -
  4.3 Risks ................................................................................................................................................- 20 -
  4.4 Segmented and image building marketing ....................................................................................- 20 -
  4.5 Consequences and entry barriers ..................................................................................................- 21 -

5 Analysis & Discussion ..........................................................................................................................- 23 -
  5.1 Consequences and entry barriers ..................................................................................................- 23 -
  5.2 Lowering traditional entry barriers ................................................................................................- 23 -
  5.3 Arising barriers due to Affiliate marketing .....................................................................................- 24 -
    5.3.1 Social Media and control over affiliates ..................................................................................- 24 -
    5.3.2 Functioning logistics and market awareness .............................................................................- 24 -

6 Conclusion ..........................................................................................................................................- 26 -
  6.1 Limitations ......................................................................................................................................- 27 -
  6.2 Consequences and new barriers .....................................................................................................- 27 -
  6.3 Further research ...............................................................................................................................- 27 -

7 References ..........................................................................................................................................- 1 -

8 Appendix .............................................................................................................................................- 4 -
1 Introduction

The internet has revolutionised the way Swedish citizens shop their clothes (Bergström 2016). As life patterns shift, new marketing strategies are developed to profit from those changes (ibid). Before the internet, marketers focused on strengthening consumers’ awareness about brands or products through newspapers and broadcasting media (Affordablewebdesign 2016). In today’s online business climate companies can use more precise digital marketing tools, to reach out to potential customers (Spencer & Giles 2001). One sector that has used these tools is the Swedish fashion industry (Heathcote 2013).

The Swedish fashion industry has in modern history existed of a dominating retailer and a cluster of smaller companies (Sternö & Nielsén 2015). As the total Swedish fashion market is too small to nurture all existing companies, export is needed to keep them profitable (Sternö & Nielsén 2015). Marketing a fashion company can be expensive when expanding abroad (Mckinsey 2017). A cost effective online marketing tool for businesses to reach potential customers in new markets is Affiliate marketing (Duffy 2005).

Affiliate marketing is a digital performance-based method to reach customers online with the help of digital cookies (Duffy 2005). The term publishers refer to websites who promote advertisers and receive a commission on a cost per acquisition basis (Lediard 2017), while the Affiliate network works as an administrator providing the technical solution for both parts (Duffy 2005). These websites can include cashback sites, voucher code sites, loyalty sites and content sites such as blogs (Lediard 2017).

Companies who expands abroad need to overcome different types of entry barriers (OECD 2007). Entry barriers can be of a structural and strategic sort (OECD 2007). Structural entry barriers may be economies of scale and network effects, while strategic entry barriers are created by competing firms possibly for deterring entry for new businesses (OECD 2007). Heathcote (2013) says that Affiliate marketing has made an impact on the fashion sector because of the possibility to reach a broad audience through the internet at a low cost. It could, therefore, be argued that Affiliate marketing can help lowering some entry barriers for Swedish fashion companies. This phenomenon will be the topic of this bachelor thesis in Business Administration.

A descriptive model of how Affiliate Marketing works. By Brunius & Lind.
1.1 Previous research

The digital form of Affiliate marketing was invented by William J Tobin in 1989 to raise the profits for his flower store (Aaron 2014). Previous research within the field of marketing and the topic of online marketing shows that Affiliate marketing was not be reviewed and researched before years later (Aaron 2014).

According to a report published by Emerald Insight, the change of business climate due to the internet have made a substantial impact on the clothing industry (2012). Consumers can almost regardless of their geographical position purchase clothes from stores and brands from all around the globe through the Internet (Emerald Insight 2012). Consumers are therefore going online to expand their choice range when in search for specific products (Murad, K. & Salleh, S.M. 2014). In a survey made by Sternö & Nielsén (2015), the Swedish fashion export through sales in e-commerce will continue to rise during the five upcoming years, as customers’ demands and expectations have both changed and increased (Emerald Insight 2012). This change of attitude has led to difficulties for retailers who need to reach more customers than there are available on their home market to make their businesses more profitable (Sternö & Nielsen 2015). Research made by Rosenström (2016) also shows that smaller companies will have a tougher time surviving when the physical stores tend to be fewer but greater.

Svenskt Näringsliv (2003) says that the small clothing companies in Sweden are often the ones within a niche. That makes it hard to survive on a single market since the customers for niche products are naturally few. Due to the problems with both high competition from large physical retail stores and the competitors from the online market, companies are in need of reaching people all over the world (Rosenström 2016). This has earlier been associated with high costs since companies need a lot of recourses to market their products through traditional methods as magazines and television commercials (Duffy 2005).

A year after Duffy (2005) wrote an article about Affiliate Marketing’s impact on e-commerce, Anderson (2006) coined the long-tail theory that explains how businesses earlier sold large amounts of a small product range. Due to the development of the internet, it is possible to sell a smaller number of products to more people. Anderson (2006) describes this to be possible by a combination of several factors that have changed in recent time. The first factor is the democratisation of production tools, it has become easier for small actors to produce their own products on a limited scale (Anderson 2006), another factor is the democratisation of distribution and communication. The production, communication and transaction costs may have been lowered which earlier have been significant barriers to trade (Kommerskollegium 2012). This democratisation open an opportunity for companies with niched products (Anderson 2006). Rieple & Pisano (2015) states that only being available in a market will not create a greater demand among the consumers. Companies and consumers need tools that makes the customers find the products they have an interest in and ultimately are looking for online (ibid). Lediard (2017) has found Affiliate marketing to be a method that eases the dilemma of publishing relevant content to a certain consumer.

Another dilemma that companies are faced with are different sorts of entry barriers when established in a new market (Preston McAfee, Mialon, & Williams 2004). Petersen & Pedersen (2002) research says that international companies have found that knowledge about the foreign market is crucial when entering a market. Entry barrier for companies are defined as the additional costs a company will face when expanding internationally compared to doing business domestically (Petersen & Pedersen, 2002). Examples of barriers that a foreign
company might have less knowledge about could be in subjects as local culture, politics and economy (Petersen & Pedersen, 2002).

In a study by Kietzmann, Hermkens, McCarthy & Silvestre conducted in 2011 explains the researchers that social media can be a way of communicating between companies and consumers. Kietzmann et al. (2011) further claim that consumers are utilising digital platforms like social media to share and discuss content on the internet. It is common that affiliates are promoting products through social media and affiliates are profiting massively from purchases made through social media (Marketing Weekly News 2012).

Another aspect of Affiliate Marketing is security. Snyder & Kanich (2016) have researched the safety angle of Affiliate marketing and historically has the technology provided by the Affiliate networks been inferior with (ibid). Criminals have taken advantage of weaknesses in the systems and achieved cookie-stuffing scams (Snyder & Kanich 2016). Due to several cases of fraud, the trust between the advertisers and affiliates have decreased (Croft 2006). Croft (2006) argues that there is research that discusses how trust can be created and strengthened between the parties. Previous research has focused on the relationship between the primary providers of Affiliate Marketing, for example, eBay and Amazon and its affiliates (Campanelli 2005). This thesis will not focus on the risk aspect between advertisers and affiliates. However, the existing risk that aspiring Advertisers of Affiliate Marketing should be taken into account when implementing the marketing method (Croft 2006).

1.2 Problem discussion

The Internet has exposed companies to competition from all around the world (ITU 2015). The earlier research concludes that newly established fashion companies have a hard time to survive in the retail climate which currently prevails (Sternö & Nielsen 2015). Most often it is niche companies who struggles with the competition online (Rosenström 2016). These fashion companies have fewer customers in their physical stores since a few global retail chains dominate the fashion landscape (ibid). This has led to that newly established companies entrepreneurs need to expand their businesses and establish themselves in new markets to become or continue to be profitable (Sternö & Nielsén 2015). When a company does expand, the business will most certain encounter market entry barriers (Bain 1956). These barriers are different types of obstacles for businesses and may require a lot of resources to overcome (Bain 1956). The primary problems have often been associated with the need for resources to make the new markets aware of the company’s existence and adapt to the market climate in the form of culture, economy and politics (Petersen & Pedersen 2002). This makes it harder for companies with limited resources to establish themselves in a new market.

As the business climate evolves, so does market entry barriers simultaneously (Bain 1956) E-commerce businesses have given companies with brick and mortar stores a hard time surviving in their home market (Rosenström 2016). To stay profitable today as a company, a business needs to reach new customers and, or new markets (Rosenström 2016). That may come with major inconveniences regarding the business climate on each market (Petersen & Pedersen 2002). Trading or entry barriers are something that all companies have to face but differ depending on country and type of business (Bain 1956). Regardless of the barrier, it requires resources from the companies who wants to focus on their primary business (Bain 1956). This leads to that companies need methods and strategies to implement when expanding or establishing on new markets (Bain 1956).
Both the subjects of Affiliate Marketing and Entry barriers have been researched before, as there is a wide span of books regarding the topics available online (Amazon 2017). Former research has focused on Affiliate Marketing from the perspective of an affiliate. How an individual, for example, a blogger can profit from Affiliate marketing (Amazon 2017). There are a large variety of guide books available online regarding that perspective (Amazon 2017). However, the research field of Affiliate Marketing lacks research from a businesses or advertiser point of view. Affiliate marketing and entry barriers have not previously been studied combined therefore will this thesis turn the perspective around and look at how companies can use Affiliate marketing to lower entry barriers.

The most obvious problematisation and the main reason for focusing the thesis on this subject is the problem that Swedish fashion companies are facing on the domestic market (Rosenström 2016). The industry is pressed by low margins and heavy competition, making it even more necessary to keep costs down (Rosenström 2016). An expansion for Swedish fashion companies towards new markets is therefore crucial not only to grow larger but to survive in the digital age (Sternö & Nielsen 2015). If a company is not aware of cost effective business solutions in this digital era, it can be a future contributing factor to reducing liquidity and that might end in bankruptcy henceforth (Rosenström 2016). It is therefore interesting to research how Swedish fashion companies have experienced their expanding with the help of Affiliate Marketing. It has not previously been studied if and how Swedish fashion companies have used Affiliate Marketing to grow. There is room for more research in the field of cost reducing establishing methods, as previous research has not looked at Affiliate Marketing as a possible tool to lower entry barriers. A gap has been identified in the previous research about Affiliate Marketing and this bachelor thesis will aim to fill that void.

1.3 Problem statement and purpose

Taken the previous research and problem discussion into account, the purpose of this study is to deepen the discussion about Affiliate marketing and how the marketing technique can be used to lowering entry barriers for Swedish fashion companies when expanding into new markets without costly expenditures.

*How can Affiliate marketing help Swedish fashion companies lowering entry barriers when expanding abroad?*

The motive of the study is to understand which impact Affiliate marketing has had on Swedish fashion companies working with Affiliate marketing and how the technique has changed the conditions on how to be profitable in an online environment. Despite the fact that Affiliate marketing is one of the most used marketing techniques, there are not much previous empirical research done about how a fashion company can benefit from working with Affiliate marketing. It is interesting to explore further what makes the method successful. The meaning with our thesis is to explore how a fashion company with limited resources can reach a broad audience with the help of Affiliates and be profitable while reaching customers in new markets.

1.4 Target group

The outcome of this report will give the reader a wider perspective on Affiliate marketing and how it can be used when expanding beyond the Swedish border for fashion companies. This thesis will also provide insight on how Swedish fashion companies works with Affiliate marketing today and what look they have on Affiliate marketing for the future and what impact that will have on their businesses.
This report is targeted toward those with a keen interest in Affiliate marketing. Particularly for employees who work for companies who aspires to offer this service and aim to expand abroad. In such a scenario, this report could help a company with their Affiliate marketing strategy and what not to miss out on when expanding abroad.

1.5 Delimitations
Before going deeper into this thesis, it is important to understand the delimitations of the study. The time limit for this report was approximately ten weeks. This report focus on Affiliate marketing, entry barriers and how these two components can be used in e-commerce. The companies investigated in this thesis are only Swedish companies and therefore can the conclusions only be drawn for the Swedish market.
2 Theoretical framework

To respond to the purpose and research question, it is important first to understand the underlying structures for affiliate marketing to exist. The Internet is the basis for all affiliate marketing activities today and is therefore an inevitable part of the theoretical framework.

2.1 The internet

The internet is a network that connects computers and reaches worldwide, which in turn creates millions of other networks (Berners-Lee, Cailliau, Loutonen, Frystyk Nielsen & Hiller 1994). One of the services on the internet is the World Wide Web (Berners-Lee et al. 1994). The internet is often mentioned as “the web” or WWW (ibid). The function of the internet is shortly explained to connect and reach data from the millions of servers around the globe (ibid). The internet makes it possible to get a hold on content in the form of texts, audio, photos and videos (ibid). In the beginning, the internet was created and used as a tool for sharing information but has during its development changes into an important channel for individuals, companies and governments (ibid).

The internet has not only changed companies’ way of communication, but the internet has also affected businesses workflow on several levels, as it can be a crucial part of the optimisation of any business processes (Dentzel 2014). Two examples are the supply chain and sales management who can use the internet in their daily operations (Dentzel 2014). The better a company is at selling or processing data through the web, the better the opportunities are for improvement the business (Dentzel 2014). The internet has had an impact on the societies all over the world and the number of people with access to the service is increasing every single day (ITU 2015). According to ITU, there were more than 3.2 billion people with access to the internet in 2015.

Affiliate marketing has been around even before the e-commerce was introduced, but the E-commerce has provided incentives to Affiliate Marketing to grow and spread. It is the basis for Internet-based transactions, and it is therefore important that E-commerce as a theoretical concept forms part of the theoretical framework.

2.2 E-commerce

Due to the development of the internet came the revolution of online trading (Laudon, K.C & Traver, C. 2016). This meant that the business conditions for companies all over the world changed and led to many new opportunities (ibid). Laudon & Traver (2016) stated that the three most important factors for success in e-commerce are Social media, Big data and accessible e-commerce tools.

E-commerce stands for electronic commerce and is every type of business activity managed through electronic connections (Wigand 1997). Business is everything that creates value for companies, both for internal and external clients (ibid). Since the development of the internet and e-commerce, a lot of companies focus their online operations on becoming a more efficient business (Wigand 1997). Companies interact with each other and their customers B2B and B2C in an easy way to a low cost (ibid).

Through e-commerce, companies are provided with a new non-physical channel to sell products and services instead of or as a complement to brick and mortar businesses (Falk &
E-commerce makes it possible to enter new markets and to reach more people (ibid). Previously, companies had to improve different kind of qualities as production and supply chain to win customers in both existing and new markets (ibid). E-commerce is making it possible for companies to focus on sales and try to improve their efficiency instead (ibid). Before, the distance was the problem for businesses worldwide but are now less crucial since it is possible to reach potential customers through the internet (ibid). Instead, it is now important to focus on gaining your customer's trust (ibid). This is affected by several factors as perceived risk, perceived website quality and perceived market orientation of the company (Falk & Hagsten 2014).

In order to use Affiliate Marketing to reduce entry barriers, it is important to understand the underlying principles of the tool itself, to use it in the best possible way in the thesis.

2.3 Affiliate Marketing

Affiliate marketing is a marketing method based on an agreement between two parts, where an affiliate creates publicity online on behalf of an advertiser and gets paid per acquisition in return (Duffy 2005). An affiliate could be a private person, a company or an association (ibid). The affiliate publishes content on their online media platforms with a traceable link to the advertiser’s site (ibid). The link includes a specific ID which makes it possible for the advertiser to analyse the performance of each Affiliate (Gray 1999). Examples of media platform could be websites in the form of blogs, online magazines and social media platforms as Instagram or Facebook (Mariussen, Daniele & Bowie 2010).

The purpose of using Affiliate marketing can differ depending on marketing strategy or type of company (Mariussen, Daniele & Bowie 2010). It could be used to increase sales, extend exposure or strengthen relationships with customers (Goldschmidt, Junghagen & Harris, 2003; Mariussen, Daniele & Bowie 2010). The structure of payment and the form of advertising can differ depending on affiliate or company’s goals (Gray 1999). Most often, the affiliate receives a monthly payment or when the affiliate has reached the minimum amount of sales to get a pay-out (Gray 1999).

Duffy (2005) gives an example that explains the advantages of Affiliate marketing. Brick and mortar companies advertise through media like television, radio, paper magazines or daily journals. This type of marketing requires that significant expenses are being made in advance, without any guarantee for sales (ibid). It is a great risk for companies that the cost for advertising could be higher than the profits generated from the marketing. As companies are responsible for both the development and costs of the advertising without any certainty of getting back invested capital (ibid). Compared to Affiliate marketing, where an affiliate is paid on per acquisition and the affiliate uses an already existing marketing channels to promote products or services (Duffy 2005). Therefore, argues Duffy (2005) that Affiliate marketing has become a major strategic consideration for many companies participating in e-commerce.

It is important to have Social Media in the theoretical framework because it is in the context of Social Media that Affiliate Marketing will be seen in practice for individuals and businesses. Which in many cases makes it possible for companies to enter new markets.

2.4 Social media

Pocol (2012) explains social media as a global term that defines various activities. Primarily it is social interaction where the users can share their creation on words, blogs, photos, video
and music (Ibid). It is all the places online where humans read, write, create, and share information with each other (ibid). It has created a space where one can share opinions without barriers and allows people all around the world to participate in (ibid). It is the parts of the internet where customers can share their personal experience about products they use every day (ibid). Examples of social media are Instagram, Twitter, Facebook and YouTube where individuals can share personally created content (ibid).

Earlier did companies use the internet as a one-way communication, getting exposure and reaching people all over the world (Kietzmann, Hermkens, McCarthy & Silvestre 2011). Social media have created a way for humans and companies to interact and exchange everyday communication with each other (Kietzmann et al. 2011). Today the two-way communication through social media can create new and stronger customer relationships (ibid). Customers can also share and receive recommendations or thoughts about products (ibid). This is how Kietzmann, Hermkens, McCarthy & Silvestre (2011) defines social media as the possibility to share and receive content directly, from both companies and individuals.

Figure 1. The honeycomb of social media

Kietzmann et al. (2011) explain the social media through a seven-block framework which describes the foundation and most important parts of social media. These blocks are identity, conversations, sharing, presence, relationships, reputation and groups (ibid). This figure makes it possible to examine each aspect and their consequences for companies in today’s society (ibid). Kietzmann et al. (2011) claim that these seven elements are the building blocks of the phenomenon social media but not all of them have to be present simultaneously when doing a social media activity (ibid).
The technology enables Affiliate Marketing to work and because the technology is vital for using Affiliate Marketing, it has got its own chapter in the theoretical framework.

2.5 Cookies

With the internet comes the possibility for the owner of a website to track and target the visitors’ behaviour on the web (Brain 2003). What makes this technique possible is a tracker called a cookie (Brain 2003). A cookie is a data text file that the website attaches to the visitor’s computer hard drive (ibid). While the user is browsing on other websites, the file will collect information about what sites the user is visiting and which activities the user is engaging in (ibid). When the user re-enters the website that placed the cookie, the site can be reformed to fit the interest of the user with help from data collected from other websites (ibid).

Two common types of cookies are session cookies and permanent cookies. The first mentioned saves information about the particular session, most often to facilitate the use of the website. This cookie collects information about the user to increase the user friendliness of the site. The second are more important in the long term and is strategically placed to collect personal information and movement patterns while the user is browsing other websites. These permanent cookies make it possible for companies to create personal direct marketing (Capron 2004).

A website can only gather information through its cookie (ibid). The spread of information is therefore somewhat limited and it cannot get ahold of other cookies or information on the user’s hard drive (Brain 2003).

However, cookies are the object of an ethical discussion regarding the personal information it gathers, as email, name and addresses could be revealed. Cookies can also collect information about what the user are interested in, what websites that have been entered and recommendation to match what the user has previously bought online (Brain 2003).

Depending on company or user perspective, different functions of the cookies can create a certain benefit. Online visitors could have their payment method saved to speed up the checkout process. For companies, cookies can give detailed information about the user's browsing habits. If the cookies are compromising the user's integrity or making the site more user-friendly is up to each user to decide.

To understand how to reduce entry barriers through Affiliate Marketing, it is important to highlight in the theoretical framework what general strategies exist within the field of entry strategies.

2.6 Entry strategies

McAfee, Mialon and Williams conclude in their paper; “What is a barrier to entry?” (2004) published in The American Economic Review quote George Stigler who says that a barrier to entry is; “A cost of producing which must be borne by a firm which seeks to enter an industry but is not borne by firms already in the industry”.

A market entry strategy is a company’s plan on how to enter a new market. It contains goals and decisions regarding which market to enter and how to enter (Leih & Teece 2014). Important factors are opportunities, threats and the customers’ demands on each market (ibid). When a company decides to use e-commerce and Affiliate marketing, the business becomes available to customers all over the world with access to the internet, since anyone with an internet connection can browse a company’s website (ibid). The right entry strategy can make a substantial change regarding a company’s performance on the market. Both in the form of the number of customers and revenue. (Leih & Teece 2014)
Important factors when setting entry strategies are timing, cost-effectiveness and complementary assets (Leih & Teece 2014). A company can be first on the market but might not have the right amount of resources to stand the competition when competitors release products with a distinctive improvement (ibid). It is crucial to release a product at the right time to stay on the market and not just be first on the market (ibid).

The choice of market is an important aspect (Leih & Teece 2014). Companies expand most often into markets which are similar to the already existing markets because it makes the conversion much easier regarding resources like time and money spent on analysing the market. Other factors which often play a part in choosing the right market is the terms of size and purchasing power a market has (ibid).

*When a company enters a new market, there are several different types of entry barriers, and in order to analyse how to lower them, it is important first to know which they are and what effect the various barrier types may have.*

### 2.7 Entry barriers

Joe Bain (1956) was the first to explain barriers to entry and its different factors in his research. Bain (1956) concludes that the primary ones are the economy of scale, large capital requirements, product differentiation and cost advantage. These are barriers that companies who wants to enter a market must face and overcome. Among these three types of barriers, Bain (1956) concludes that the product differentiation to be the most frequent entry barrier for companies selling consumer goods.

According to Greer (1992), there are two types of barriers, structural and strategic. The structural ones include the three barriers that Bain (1956) explained but also capital cost. The strategic barriers are created or executed by already incumbent companies at the specific market. Petersen & Pedersen (2002) explains that companies without the experience of a certain market may have a problem they call “foreignness”. It is defined as all the extra resources a company might need when entering a new market (ibid). Examples of these barriers which requires a lot of knowledge or resources are differences in culture and politics but also the economy of the certain market (ibid).

According to Porter (1980) though, there are only six major entry barriers.

1. Cost and advantages of incumbents
2. Product differentiation of incumbents
3. Capital requirements
4. Customer switching costs
5. Access to distribution channels
6. Government policy

Karakaya & Stahl (1989) have made another list of barriers that a company might face and should consider when establishing themselves in a new market. It includes 19 different barriers and what Greer (1992) explains to be structural and strategic barriers. Although, Karakaya & Stahl (1989) agrees on the major entry barriers are the same as Porter (1980) stated in his research, Karakaya & Stahl (1989) perceive some of the entry barriers as more important than others. The most critical barrier when deciding to enter a market is to be aware of the advantages of incumbents (ibid). The second is capital requirements, having these under control affects the firm's profitability (ibid). The third most important entry barrier is the product differentiation (ibid). Businesses are deterring entering companies by their product range, claims Karakaya and Stahl (1989).
In addition to general entry barriers that may apply to most companies and markets, there are also specific e-commerce barriers, which are important to highlight in the theoretical framework with the research question in mind.

2.8 E-commerce trading barriers

One of the greatest problems for Swedish e-commerce companies is the lack of information about global trading (Kommerskollegium 2012). The information can be in the form of requirements regarding payments, customs and taxes for a specific country (ibid). For companies participating in any kind of trade, it is important to make the transaction as easy for the buyer as possible (Teo & Yo 2004). Free and fast shipments with easy returns and secure payment method are some of the ways to make the process smoother (Kommerskollegium 2012). A continuing problem when shopping online is customs regulations, as customs delays shipments and it could have an adverse effect on the return process (ibid). E-commerce customers cannot try on clothes through a computer or mobile screen and it is therefore common that a customer order several different sizes of a garment to send back what was not a good fit (HUI Research 2015). First, the clothes need to go through the customs for delivery, but what makes it more problematic for companies are the time spent in the return process (Kommerskollegium 2012). As long as the products are being shipped back, it cannot be sold to other customers and companies are there for losing potential income.

A company’s lack of resources can create another barrier for businesses engaged in e-commerce (Kommerskollegium 2012). The time and resources needed first to collect and then analyse information regarding each market to operate on can be expensive. This decision process could be time-consuming and therefore, make it harder for companies to be active in several markets at the same time (ibid). Most of the entrepreneurs that ignore this dilemma run their business through a “trial and error” method which in some cases are very successful but can get fatal consequences (ibid). The outcome of the “trial and error” method could be that companies are unintentionally breaking the law (Kommerskollegium 2012), for example in terms missing out on enlightening the customers about their consumer rights.

As an e-commerce company operating in Sweden, there are certain consumer rights to consider (Kommerskollegium 2011). In Sweden and the rest of the European Union, customers have the right to repeal the purchase made online within 14 days (SFS 2005:59; Kommerskollegium 2011). The consumer rights outside the European Union can vary, these variations in consumer rights are affecting the administrative part of Swedish companies as they must relate to those variations in their daily business (Kommerskollegium 2012).

Swedish companies must take into consideration that authorities in some countries have requirements regarding the layout of websites that operating on the national market (Kommerskollegium 2012). The authorities are most often concerned about the language of the site (ibid). Countries and sometimes even different states have specific regulations concerning the language of a website (ibid). These rules could be difficult to understand and could require a considerable amount of work for Swedish companies (Kommerskollegium 2012).

A problem that could occur for Swedish companies selling goods is that foreign countries require that different sorts of information are included in the product specification (Kommerskollegium 2012). Information about what textile fibre a garment is made of and washing instructions are two examples of what needs to be included in the product
specification (ibid). What exact information that needs to be covered may differ from a country to another (ibid). This makes it hard for clothing companies, who need to change their tags in the production lead to satisfy the authorities on all markets a company is operating on (ibid). These requirements increase the administrative burden on businesses, especially if a company operates on a large number of markets (Kommerskollegium 2012).

Companies must take different forms of taxes into consideration when expanding abroad and choose which country to be registered in (Kommerskollegium 2012). The requirements for VAT registration differs, both outside the European Union and even within the EU (ibid). Countries divided into states with their own tax and VAT regulations could be hard to handle administratively and entails costs for Swedish companies (ibid). In many countries, Swedish companies must register for VAT if a company is selling over a limited amount. This type of requirements contradicts the foundation of e-commerce and creates uncertainty among businesses (ibid).

Some foreign markets cannot offer internet based services as their legislations regarding e-commerce is lacking behind and invoices need to be physical and contracts need to be sign with pen and paper (Kommerskollegium 2012). This complicates for Swedish e-commerce businesses and could lead to a lack of sale to those markets (ibid). Many countries have laws that describe which payment options are approved online (Kommerskollegium 2011). To be competitive in several markets, Swedish companies need to use many unique solutions which lead to higher administrative costs (Kommerskollegium 2012). Other Swedish companies have chosen not the sell to these market because of foreign national regulations regarding their payment solutions (ibid).

An alternative method that Swedish companies have implemented is to offer foreign customers to pay through their internet bank (Kommerskollegium 2012). To provide this method, it requires that the Swedish company opens a local bank account in every market a company wants to be present on (ibid). This payment service increases costs administration for Swedish companies (ibid).

3 Methodology

3.1 Research strategy
A research strategy is a necessity to enable researchers to answer their given research question or solve a problem (Recker 2012). The research strategy defines how the researcher will collect data, how they will process it and analyse it within their area of research (Bryman & Bell 2015). A study can be carried out either by a quantitative or qualitative research strategy (Recker 2012). The distinction between quantitative and qualitative research lays in the fact that quantitative researchers employ measurement and qualitative researchers do not (Bryman & Bell 2015). Additionally, a qualitative research strategy focuses more on words in the collection and qualitative analysing of texts and documents (Bryman & Bell 2015). The main subject of this study focuses on how businesses can use Affiliate marketing while expanding overseas to lower entry barriers. To understand the research subject and develop a theory based on the research question, a qualitative research strategy was understood as the most appropriate. There are several arguments for choosing a qualitative research strategy for this study.
First, the internet usage is constantly growing (HBR 2012) in a wide variety of spectrums. A qualitative research strategy is recommended for studies where the research area is still emerging (Recker 2012). It is, therefore, reasoned that a qualitative research strategy would be the fittest option for this study. Secondly, as the conclusion relies on words gathered from the respondents the most suiting strategy would be a qualitative research approach (Recker 2012). The last argument for a qualitative research study is that a quantitative research focuses on measuring and analysing the subject with statistics which do not fit well with the structure of the research question.

Structured interviews were conducted through email and semi-structured interviews were made through applications like Skype and Facetime with the respondents who had more time to offer. All interviews shared the same purpose of assembling data about the interviewees own experiences and proficiencies concerning the research topic. As interviews were interpreted, it was believed that no other research strategy could have been used due to the difficulty of analysing data in the form of words from the respondents.

3.2 Research Approach
There are three different techniques to investigate the relation between theory and research; inductive, deductive and abductive (Bryman & Bell 2015). In an inductive study, the theory is the conclusion of the study, unlike deductive research where hypotheses are being created on existing theory (Bryman & Bell 2015). The combination of inductive and deductive research can be seen as an abductive approach toward research (Bryman & Bell 2015). To achieve a wider understanding and broaden the field of research, the deductive approach was neglected by the researchers in favour of an inductive perspective. As a deductive approach starts from an existing theory or model and the researchers’ objective were to achieve a theory build on generalisations drawn from observations rather than from existing theory (Bryman & Bell 2015). Therefore, was it suitable that the study would be written with an inductive perspective. The perspective is tightly related to qualitative research as inductive study forms a bond between collected data and theory (Bryman & Bell 2015). A theory was established after analysing the received data from the structured and semi-structured interviews.

3.3 Research Process
Affiliate marketing has been a key area of interest and was therefore chosen as the phenomenon of this study. First was a literature review conducted to gain deeper knowledge and understanding about the research field. A problem discussion was developed with the literature review in mind. In the problem discussion, a gap in the research was recognised which ended up in a research question.

The research question helped form the purpose and laid out the framework for the discussion and conclusion. An appropriate method was chosen in the effort to answer the research question in an accurate way. A theory was assembled using a broad range of literature and scientific articles surrounding the field of Affiliate marketing, which led to a foundation for the empirical study. The outcome of the empirical study was deeply analysed in the discussion, and the result was shown in the conclusion based on the findings made earlier on. The figure below showcases the research process.
3.4 Research design
The Research design lays the framework for how the researchers will collect and analyse the data (Bryman & Bell 2015). It is of high significance to implement a well-suited research design because it reflects the priorities that will be taken in the research process. The form of this study is shaped as a cross-sectional research design as it is motivated to use the method when conducting semi-structured interviews (Bryman & Bell 2015). The interviews were constructed after the guidelines defined by (Bryman & Bell 2015). Cross-sectional design collects data from several cases from a specific point in time is relevant for the study and research question.

It is desirable to have a large amount of data in a qualitative research strategy (Bryman & Bell 2015). Because of the lack of time from some of the respondents' both structured and semi-structured interviews were held. The different interview types answered the same kind of questionnaire but with the notable difference that there was a chance for follow-up questions with the respondents who had taken part in a semi-structured interview. The result of having both open and more detailed questions led to a great amount of data from the interviewees and was after that interpreted by the researchers.

3.5 Data collection method

3.5.1 Data collection tools
The most frequently used tool for gathering data for this study was Summon, the search engine provided by the University of Borås. To collect previous research about Affiliate marketing and surrounding topics was also Google Scholar used. By combining the findings from HB Summon and Google Scholar a theoretical framework was created with the aim to build the foundation for this study. Furthermore, were course literature and books found at the University library in Borås and the Economic library in Gothenburg used to further establish the theoretical framework. These sources can be found among the other sources in the reference list.

3.5.2 Sampling
The process of sampling data was executed with the aim to reach a wider understanding about the research question. To collect the data, five interviews were conducted two through email, two through Skype with the length of 20-25 minutes and one face to face at the respondent’s office. The respondents of the study were not chosen by random as the researchers focused on interviewing professionals in the field of Affiliate marketing. This indicates a non-probability
sampling through purpose sampling (Bryman & Bell 2015). The chosen method of this study can be criticised for not being representative and this will be further reasoned in chapter six underneath the section for implications and limitations.

The respondents were all professionals in the Swedish fashion industry within businesses who offer Affiliate marketing to potential publishers. As all respondents had similar work descriptions and the respondents shared a comparable working background together with the idea that they could provide external knowledge within the field of research. That was the main arguments for choosing the method. The aim was to get the respondents to reason back and forth about the subject of research to understand how and why the businesses Affiliate marketing strategies are constructed.

The number of respondents was desired to be higher than the number that participated, however several potential interviewees fell short due to different reasons and the study had to progress with only five participants.

3.5.3 Collection of empirical data

The qualitative research strategy chosen for the study is a combination of semi-structured and structured interviews as a few of the intended respondents only had time to answer the questions by email. The preferred and most suited way for the study was semi-structured interviews as it was seen as a chance to change the order of asking questions (Bryman & Bell 2015) and an effective way to collect the amount of data within the tight timeframe.

A quantitative study was avoided with the argument that interviews are a better choice when longer and more detailed answers are needed for the analysis and discussion of the study (Bryman & Bell 2015). The possibility to ask follow-up questions to further understand and interpret the answers (ibid) from the respondents was one argument for prioritising semi-structured interviews before structured interviews.

The questions in the interview consisted of both open questions and closed questions. An open question offers the respondents the chance to respond with both a wider and more detailed answer (Bryman & Bell 2015). According to Bryman and Bell (2015), this type of questions is desirable to ask when the focus lays on interpretation rather than measurements.

3.5.4 Reflection on data collection

In the search for respondents to interview regarding this thesis, it was important to get ahold of experienced interviewees, with a lot of knowledge within the field. The goal of the interviews was to get enough empirical data to firstly reach redundancy and secondly to be able to see a pattern in the collected data. The number of interviewees in this report is fewer than intended. The primary focus was Swedish companies, and it appeared to be hard to find respondents with either the will or time to participate. To find companies who are using Affiliate marketing, the researchers used a website which listed Affiliate marketing advertisers. This site contained more than 50 suitable companies for the study. All of them were contacted, both through e-mail and telephone to receive as many answers as possible. It was disappointing that only five respondents chose to participate.

According to researchers like Guest et al. (2006) refers to 12 interviews a number to get enough qualitative data to write a credible and qualitative essay. There is also other research referring to other numbers like 14 and even fewer than 12, but 12 is a recurrent figure in studies (Guest et al. 2006). The choice of continuing without the asked number of 12
participants and only with the amount of data collected from the five interviews was taken into account, and the researchers were aware of the affects the study's weight and credibility. It is believed that more respondents could have been a part of the study to potentially determine the results more accurately. It also affects that it’s impairing the possibility of drawing larger and more accurate conclusions from the study.

The authors are aware of that all respondents who have been interviewed have had a positive attitude towards affiliate marketing. The ambition was also to interview companies with a negative experience to be able to take part in the study to get a broader perspective about the method. It was hard to find this type of business, as companies often do not show marketing techniques that they no longer use. This may have led to a more positive approach towards affiliate marketing as a marketing tool, than if respondents with negative connotations to affiliate marketing had been a more prominent part of the study.

Semi-structured, qualitative interviews are useful when adapting the questions to some extent to match the respondent expertise with the aim to extract as much data from the interviewee as possible (Bryman & Bell 2015). The method also provides valuable information from participants’ experiences in their right context as it is easy to ask follow-up questions in a simple manner (Bryman & Bell 2015). The disadvantages may be that face-to-face interviews take a long time to complete and the long time required to analyse the data material (Bryman & Bell 2015). With the previous statement in mind, the researchers found this method to be the most suitable for the study.

Unfortunately, not all interviews were conducted in the same way as the foregoing as a majority of the interviews were done through Skype or by email. When the choice was between interviews with the help of Skype or none at all, the choice was easy for the continuation of the study. Skype is a great tool to reach interviewees who do not have the opportunity to sit down and do an interview, for example, due to geographical distances (Sullivan 2012). Skype or other video call services share the same kind of negative connotations that can be associated with physical interviews and in addition to them, there are some ethical aspects and other parameters that should be considered extra carefully when interviewing through Skype (Sullivan 2012). Video interviews and other non-physical meetings tend to be easier to finish and therefore shorter, this may have affected the depthness of the study. It is also harder to guarantee anonymity for those interviewed because of Skype's user agreement (Sullivan 2012). According to the user agreement, they have the right to use and save what you have written, speak or act while using their software (Sullivan 2012). This could be a huge issue depending on the research topics (Sullivan 2012). In this thesis, the researchers believed that the benefits outweigh the drawbacks of using the method.

In two cases the researchers were faced in with a similar choice between accepting answers from respondents via email or not receiving any answers at all. The interviewees claimed that they would like to contribute to the study but not had the opportunity for various reasons to conduct a face-to-face interview or a Skype interview. According to researchers such as Meho (2006) who have summarised and compiled results from previous research in his article E-mail interviewing in Qualitative Research: A Methodological Discussion. Meho (2006) shows in his article both the pros and cons of using the method in a qualitative study. In the article (Meho 2006), he finds that it is a cost-effective way to conduct interviews compared to face-to-face interviews. A list of questions can be sent to a large group of potential respondents without being dependent on time zone or geographical location (Meho 2006). Email interviews also shorten transcription time and a positive aspect is that you can think through their answers before sending them (Meho 2006). In comparison with Skype interviews and face-to-face interviews, the method has more weaknesses and collected data seen as less
valuable than the face-to-face and any form of video interview (Bryman & Bell 2015). As a researcher, you receive a smaller amount of data because of the difficulty to read facial expressions and understand body language or feel of tone (Meho 2006). This means that all such parameters will be lost during the interview (Bryman & Bell 2015). In addition to this, other difficulties may occur for example, interviewees do not interpret the questions correctly, it is harder and takes longer to ask follow-up questions, and respondents tend to respond less to follow-up questions (Meho 2006). Other issues that may arise when interviewing via email can take the form that the interviewees do not provide enough meaningful data and that it may take too long to complete an interview due to follow-up questions. There is also a small chance and uncertainty about that the person who answers the questions is not the person who has been asked to answer them. As with the other interview methods, the researchers found that the advantages outweighed the disadvantages and used the data in the thesis, while the results from the email interviews were considered as slightly less valuable when the data from Skype and face-to-face interviews were analysed.

3.6 Ethical issues

In all research, it is highly important to take ethical aspects into consideration to be able to maintain a fair and impartial research process (Bryman & Bell 2015) Integrity is one area of ethical dilemmas that may occur in a research process (ibid). As this thesis, as in any qualitative study ethical issues were taken into concern and all respondents were informed about the construction of the study and the interview situation on beforehand. All targeted respondents were given a chance to either accept or decline the offer to participate in the study.

To prepare the respondents and preserve a strong ethical approach the research questions were sent out before in advance of the schedule interviews together with an extensive explanation of the background to the study. The background info also included information about the researchers and the purpose of the study.

In conversation with the respondents, they agreed to be recorded. It is highly important for the researchers to inform the respondents their rights to withdraw whenever they feel like (Recker 2012). Neither the respondents' name, position and any other personal information that could identify them was published in the study to ensure their anonymity. Lastly, the respondents were offered a copy of the recorded material and a transcription of the interview if they desired it.

3.7 Data evaluation

To evaluate data in a qualitative study, four criteria need to be evaluated regarding the trustworthiness of the study. According to Bryman & Bell (2015) are these credibility, transferability, dependability and confirmability. To achieve a high degree of credibility in qualitative research, it is important to construct a solid theoretical framework with the help of precise tools in the process of gathering data (Bryman & Bell 2015). The theoretical framework works as the backbone for the study and together with previous research helped create a well-planned and accurate interview situation to realise credibility.

To achieve a trustworthy study, it is equally important to accomplish a high level of reliability (Bryman & Bell). To reach the desirable level of reliability, the methodology must be unmistakably explained to ensure the repeatability of the study (Bryman & Bell 2015) Due to the interview situations, where subjective interpretations of the collection of data will occur is one reason for concern. To minimise the impact by the researcher, the sampling decision was
explained and highlighted in 3.5.2. Furthermore, the interview questions were well-substantiated and meticulous instructions were explained in advance.

### 3.8 Data analysis method

To handle the amount of data collected from the respondents during the interviews a software plug-in to Skype called Call recorder was used. To further ensure the quality of the recorded material a smartphone microphone recorded the interviews as a backup. After the complete interview section, a transcript of the recorded material was made with the purpose to handle the data in a correct way. Bryman and Bell (2015) recommended this method of transcription to reduce the risk to forget any answers from the respondents. This process is characterised by the researcher dividing the examined data into different sub-categories and labels them that may be important for the outcome of the research (Bryman & Bell 2015). The categories were social media, entry barriers, e-commerce and Affiliate marketing. In the area of Affiliate Marketing the most interest part, during the interviews, was the respondents’ prior knowledge about the subject and if they had the enough experience to participate further in the study, the data was thereafter interpreted and analysed. The first part laid the foundation for the rest of the data coding. The second part about e-commerce was coded with the intent to have a better understanding about how Affiliate Marketing was incorporated into the e-commerce platform. After that entry barriers were discussed and this area was coded with the aim to investigate if the respondents’ companies used Affiliate marketing to lower entry barriers while expanding and if so, how that was executed. The last step was to code how the companies used Affiliate marketing to benefit from social media with the purpose to understand how all four parts could work collaboratively inside a company. Finally, the empirical data was compared to the findings from the theoretical framework. The intention with this strategy was to accomplish a motivated and well-planned analysis for the outcome of this specific study.
4 Empirical findings

4.1 Respondents

The five respondents' identities will be kept anonymous in this study. The respondents will instead be referred to as respondent 1,2,3,4,5. However, some general information about the respondents will be revealed and presented in the table below.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Location of the company</th>
<th>Numbers of employees</th>
<th>Job title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stockholm</td>
<td>15-20</td>
<td>E-commerce manager</td>
</tr>
<tr>
<td>2</td>
<td>Göteborg</td>
<td>1-5</td>
<td>E-commerce developer</td>
</tr>
<tr>
<td>3</td>
<td>Stockholm</td>
<td>10000+</td>
<td>E-commerce marketing manager</td>
</tr>
<tr>
<td>4</td>
<td>Göteborg</td>
<td>15-20</td>
<td>E-commerce manager</td>
</tr>
<tr>
<td>5</td>
<td>Göteborg</td>
<td>5-10</td>
<td>E-commerce manager</td>
</tr>
</tbody>
</table>

4.2 Affiliate Marketing

Respondent 1, clarifies at the beginning of the interview, that there are several different forms of Affiliate marketing. That they have to accept the fast-paced environment, they are present at, which is something that can be difficult in their business. Respondent 3 also says that they use different types of Affiliates to generate traffic to their website. Their Affiliate network includes coupon and deal sites, cashback sites and content sites. An upside with Affiliate marketing explains respondent 2 is that they can choose who they want to become their Affiliate partner and exclude unserious business proposals from discount sites. Respondent 2 explains that they use Affiliate marketing to spread the word about their products on more platforms and in contexts where they are not currently present. Respondent 2 concludes that, unlike earlier, the Internet and social media can create incredible hypes around phenomena or products in a very short period of time.

When being asked if Affiliate marketing has had a significant effect on their global expansion, respondent 1 answers that there is a mix between PR, Affiliate marketing and influencers and they all blend together. Respondent 1 continues that celebrities as hip-hop star Kanye West and actress Nathalie Portman have been seen wearing products without the company sending them any, therefore are more Affiliates contacts them to get their own products. This means that the business in comparison to other companies rarely has had to pay Affiliates up front to get exposure in other countries and markets.

There is a person at the company who sends out products to people all over the world. Some of those then publish a message that says, buy the company’s product and receive 15 percent discount with this code - About how respondent 1’s company uses Affiliate partners.

According to respondent 5, Affiliate Marketing requires commitment from the advertiser to make the marketing method to proper function and provide good results. Respondent 5 further explains that depending on the Affiliate Networks, the quality of interfaces for managing the affiliates varies. Due to the variation of quality on interfaces, it is essential to choose an
Affiliate Network partner with a simple method to manage the affiliates. To stay profitable and as it otherwise could be highly time-consuming for small businesses.

4.3 Risks

Respondent 1 considers simple Affiliate deals with discount codes and visibility on evening online newspapers like the Aftonbladet as watered methods. Respondent 1 says that companies need to think about where a business does not want to be seen and work actively not to get exposure on those websites. Respondent 2 adds that an issue of trust may occur if an Affiliate partner misinterprets their agreement and the publisher uses some type of sales technique that the company respondent 2 represents dislikes. It is also possible that affiliates express themselves in a way that stands in direct contrast to the values of the company, respondent 2 explains. The fashion company that respondent 2 represents don’t want the publishers to write anything related to fast fashion. Come and buy here, cheap and quickly. That is not a publisher the company would support, respondent 2 adds. In the future, respondent 2 and 5 says that they will reduce the number of Affiliates because it is hard to keep track of what they say and do. Instead, they will collaborate more tightly with a few Affiliates who have proven to be successful in the past and make them into brand ambassadors.

I believe that if you are a newly started business today, you shall work with influencers and targeted advertisement and only cooperate with them for an extended period of time. - Respondent 1 about the importance of long-lasting marketing relationships.

It is of great importance to building long-lasting relationships with the affiliates and influencers. If you give away a jacket it could be worn and posted several times on social medias in comparison to a small and less expensive product as a bracelet, says respondent 1. It is not only cheaper than giving away products to influencers, but it also gives our company an opportunity to trace the customers and collect more data about them, that we can use in other situations says respondent 2. Respondent 1 explains that their greatest problem with the influencer marketing is the trouble with statistics of each endorsement. It is hard to measure what each post of the company’s products generates. But still, it is very effective and has a relatively low cost compared with other marketing methods. There is also a lot of other synergies connected with the influencer marketing. If they produce and ship more products, in the beginning, it can generate other advantageous opportunities. For example, one can get better deals with business partners as producers and logistics companies.

4.4 Segmented and image building marketing

On a personal level respondent 2 sees upsides with Affiliate marketing since the method can come across as a more personal and tailored form of advertisement than a classic commercial could be. Affiliate marketing could almost take shape as mouth-to-mouth communication according to respondent 2.

Regarding cookies and the tracking of visitors that affiliate marketing implies, respondent 5 mentions that their cookies are active for 30 days and will start from scratch each time the visitor re-enters the site. This allows the cookies to be active much longer than visitors might understand and helps companies to keep track of their customers and publish relevant content.

Respondent 1 explains that another company called Happy Socks have several employees whose only work task is to search for and contact appropriate Affiliates, while the company
that respondent 1 works for, receives requests by around 20 persons each day asking to be their Affiliate associates. Overall respondent 1 says that Affiliate marketing has had a significant role in their global sales.

In my point of view, Affiliate marketing provides a great opportunity to grow for smaller companies as you can balance the speed and cost you want to expand in. - Respondent 4

If the company respondent 1 represents would have started their business today, respondent 1 is convinced that they would solely have focused on influencers. As a proof for this respondent 1 mentions the former marketing director at the watch brand Daniel Wellington, who put their entire marketing budget on influencer marketing when he now launches a new business. If the company would have had a slightly larger budget from the beginning, they would have focused on establishing endorsement deals with people who inspires the company and represents the same values as the company stands for says respondent 2. They in turn can publish relevant content to their followers who often have the same interest and passion for the brand and their products further explains respondent 2.

4.5 Consequences and entry barriers

In the future will respondent 1’s company invest more heavily in influencers, but also in new visibility on online platforms. Asia, for example, has a lot of shopping platforms that the western world does not use, says respondent 1. If a company use these properly, it could be a very powerful tool for marketing in these regions, examples of popular social platforms are Weibo and Taobao, but respondent 1’s company are not involved in these since their logistics doesn’t allow that yet. Respondent 1 says that one should pay notice that it is very expensive and takes a very long time to send goods to countries far away, this creates problems if you do not prepare yourself as a company. You must have a proper supply chain that can handle the pressure and an organisation that knows how to deal with all the differences in foreign markets concludes Respondent 1.

Both respondents 1 and 5 says that the affiliate marketing method has helped them lower some entry and trade barriers. For instance, it allowed them to enter markets with much fewer resources than they would have needed without affiliate marketing. Respondent 5 agrees with the fact that companies can lower barriers in the form of the need for resources as well. Since the method usually is based on commission per acquisition, the businesses can even count for the expenses in their budget.

The possibility to reach many people in the right segment at a price that low is how respondent 5 summarises the benefits of affiliate marketing. Interestingly respondent 3 mentions that the affiliate marketing only lowers costs but not anything that he or she defines as an entry barrier.

Respondent 1 further explained that it is important to keep an eye on where you get exposure abroad. One example is when a product from respondent 1’s business was featured in a popular k-pop video on YouTube. The company was not ready for all the web traffic that the video generated and transition rate was therefore very low. Most visitors just looked at the products without shopping and Respondent 1’s theory is that the site was in English and did not feel particularly familiar with the Koreans who visited. Respondent 1 is convinced that the visitors would have liked to see the site in the native language to feel comfortable enough actually to take the step to buy something. In addition, many are afraid of the difficult
logistics. The delivery takes a long time and the customer may need to make a return. Additionally, there may be tariff charges that also discourage purchases. As a company, you must be very clear and trustworthy as possible, says respondent 1 and explains further that a company must be very clear with the terms and conditions. In order to succeed, respondent 1 company try to target all marketing and Affiliate marketing to markets where they have functional logistics. Also, currencies are a dilemma for companies doing business globally. Respondent 5 mentions that only within the market they are active in and will expand into there are five different currencies in seven markets.

Respondent 4 agrees with respondent 1 regarding that a business has to analyse the situation before entering a new collaboration with a new affiliate. But on the other hand, the respondent also says that the company sees no other risks with Affiliate marketing as long as the company are in charge. The company can choose who they want to work with and for how long says respondent 4.

**Affiliate marketing has had an impact on our global sales, absolutely.** - Respondent 1

Referring to in-house statistics, respondent 1 can see that the conversion rate in English speaking countries is significantly higher, and because of that, is every Swedish crown spent on marketing significantly more valuable in countries such as the United States and England than it would in countries like South Korea and China. According to respondent 2, had the company rolled out their global expansion before they started collaborating with Affiliates. Respondent 2 business could then reach new customers through contacts and spontaneous meetings and when the contracts were in place, the idea of having Affiliates to support and market their business came along.

**In the long run, the company will win. The organic sales exceed the costs and the company will get more traffic, visitors and orders.** - Respondent 2.

Respondent 1 gives a concluding answer regarding the question about how Affiliate marketing have generated an opportunity for companies in the fashion industry to grow fast and efficiently. **The method primarily makes it possible to reach a lot of people but still segmented. This means that a business can reach people all over the world with a specific interest. Preferably will companies then connect with influencers which are engaged in their products.**
5 Analysis & Discussion

5.1 Consequences and entry barriers

As respondent 1 said, the term Affiliate marketing is very broad and can be defined in several ways. Respondent 1’s company works with several types of what respondent 1 calls Affiliates. Respondent 1 also defines their influencers on social media as Affiliates which are not included according to Goldschmidt, Junghagen & Harris, (2003) who says that the Affiliate has to feature a link to the advertiser’s website. The definition of Affiliate marketing might not be publicly discussed and disagreed on but companies and researchers have different views of what it is. Duffy (2005) explains the method to be a marketing method online where publicity is being made online by Affiliates who gets paid in return. In that case, the Affiliate marketing would include much more than only content with a belonging tracked link. The other respondents though seem to be united about that Affiliate marketing are defined in the same way that Goldschmidt, Junghagen & Harris, (2003) concludes in their report.

Kommerskollegium (2012) describes the e-commerce business as a revolutioniser for the international trading. (ibid) say that the climate and the way of doing businesses all over the world have changed and that the companies have come to the customers much closer. Not physically but through the communication tools, the internet provides. This is something that all of our interview respondents have experience and takes advantage of. It is also concluded that with the possibilities for small companies to reach customers worldwide also comes new trading and market entry barriers. The respondents were specifically questioned about the problem that none of them actually mentioned that they have had any concerns with that fact. All of the respondents said that they are doing research and market analyses before letting Affiliates make publicity in a certain area. Respondent 1 mentioned the problem of customs, taxes and deliveries as a problem for the company. Respondent 1 and 4 argues that after finalising an analysis before using Affiliates or entering a new market it is easier to avoid those problems. The respondents said that they took action, but looking at the actions they made, it seems that they actively choose to avoid the markets instead of working towards a development of functioning strategies supply chains. Respondent 2 have a different experience and explains that they wanted to expand into new areas and therefore did an organisational development first. It was first at the time after that they started to use Affiliates to support their expansion.

5.2 Lowering traditional entry barriers

Respondent 1 and 5 agrees with earlier research from Duffy (2005) clearly states that affiliate marketing has lowered traditional barriers and allowed them to enter markets with much fewer resources than previously required. Especially since the method most often are based on commission per acquisition, the businesses can even count for the expenses in their budget and are therefore more economically stable. It is agreed on that it was not possible to reach many people in the right segment at the price that affiliate marketing now allows.

Lediard, M. (2017) argue that the affiliate marketing and PR goes hand in hand as they both work as levers for each other. This is something respondent 1 specifically says and the other respondents mentions that they use affiliates to both increase sales and create awareness. Respondent 4 though, only mentions that their company focuses on increasing their sales. Respondent 2 explains that the company have Affiliates around the globe but focuses on what they consider to be the most interesting cities. For example, this could be cities where the company already have stockists or wants to open their own stores. By having Affiliates in
those areas, the market will get aware of the products before the launch of stores or new collections. As both Duffy (2005) says and respondent 1, 2 and 4, the Affiliate marketing are making it possible to reach more people but in a more segmented way than before. It is also agreed on that companies find that they can strengthen the brand through the method. Both respondent 1, 3 and Lediard, M (2017) argues that one can and should use affiliate marketing in medias where their target group operates online since that will make the marketing more segmented.

5.3 Arising barriers due to Affiliate marketing

5.3.1 Social Media and control over affiliates
Respondent 1 explains that a lot of their Affiliate Marketing are made through social media and that they have had great impact through their partnerships. In the honeycomb figure of social media stated earlier in the report, Kietzmann et al. (2011) describe the several functionalities of the social media landscape that companies can take advantages of. Not all of them necessarily have to be present while doing social media activities but we can see that companies are certainly using their social media and Affiliates in order to take advantages of the functionalities it provides. Respondent 3 explains that they most often use their Affiliates to increase brand awareness and build relationships. This is done by their well-supervised Affiliate network who are sharing content. Both respondent 1, 2 and 3 mentions that they use Affiliates to strengthen their identity in one way or another but they have different views whether it is a risk or not. Respondent 4 sees no risk with the Affiliates affecting their reputation which also is a part of the honeycomb of social media. That contradicts to the what respondent 2 stated, which is that they are very conscious whether an Affiliate is spreading an image that does not correspond to the one the company are intending to do. Respondent 1 though clarifies that it is crucial to already have a functioning supply chain and strategies before making publicity on a new market to be able to meet the customers demands.

There could be a correlation between the size of the company since the respondents experiencing different levels of difficulties having Affiliates publishing content in collaboration with their companies. All of the respondents explains that they take conscious decisions about who they decide to collaborate with since this affects their company image. However, respondent 2 and 3 experience that the freedom of the Affiliates can be a negative consequence if the company doesn't have a certain control over their network. Both of those companies are bigger than respondent 4 and have therefore other experiences. The size of the business and Affiliate network requires more resources put on organisational control says respondent 3. Respondent 3 also says that they will cut down a certain amount of affiliates and focus on the most effective ones. She says that one should create long lasting relationships with the affiliates. This is probably done right since Lediard, M. (2017) explains this will result in more effective campaigns. It will also help the companies to understand who have a keen interest in the sector and are truly passionate about the company’s products.

5.3.2 Functioning logistics and market awareness
According to Respondent 1, Affiliate marketing has had an impact on their global sales since it both lowers their costs and makes markets abroad more accessible. However, Respondent 1 further explains the importance of having an existing logistic network and a practical solution to deal with orders from markets far away. Kommerskollegium (2012) explains in their report
the importance of handling custom charges and other tariffs to lower eventual barriers of entry. The empirical findings are consistent with the theoretical framework.

The importance of cultural distance is also important while setting a company’s market entry strategy. Leih, S. & Teece, D. (2014) explains that companies most often start by expanding into markets which are psychologically close and does not continue with others until the companies have gained experience. Respondent 3 says that they have had a problem with the conversion rate when getting exposure in unfamiliar markets. They concluded this to be because of the non-familiarity the visitors from example Asia felt. Leih, S. & Teece, D. (2014) also concludes the importance of timing in market entry. As respondent 3 says they try to create as much brand awareness on the markets before entering them.
6 Conclusion

The concluding chapter of this thesis highlights the aims and objectives that have previously been introduced in chapter 1. The chapter provides a conclusion of the study, it addresses the thesis limitations, contribution to the field and gives suggestions for further research. This report has analysed Affiliate Marketing and what impact the marketing method has had on market entry barriers for Swedish fashion companies when expanding abroad. The business environment has changed since the introduction of the internet, and Swedish fashion companies are today breaking traditional market entry barriers using the power of the internet as they simultaneously encounter new barriers online. The physical distance between customers and companies have decreased with the help of e-commerce and Affiliate marketing. Which also entails new types of actions for companies.

To answer the research question how can Affiliate Marketing help Swedish fashion companies’ lower entry barriers when expanding abroad. Companies, business reports, earlier research about market barriers and affiliate marketing were examined. Knowing both what problems companies are facing when expanding abroad and their positive and negative experience of affiliate marketing, an answer could be provided.

Affiliate marketing is easy to set up, use and are highly accessible for fashion companies. It is a method that makes companies grow their sale and create awareness about a brand at a reduced cost compared to analogue marketing and sales techniques. The first step for any Swedish fashion company with an interest of expanding with Affiliate marketing is to create an Affiliate Marketing strategy plan before entering any new market. The plan should contain information about which intended markets to start to operate on and additional information about the market should be included. The plan could also provide information about potential affiliates with large networks and influence on the desired market. It is also important to conduct a review of possible logistics partners that can deliver future orders.

Companies can quickly overcome traditional entry barriers by using affiliate marketing, as barriers for marketing costs to create brand awareness can be heavily reduced. Affiliate Marketing is more cost compared to standardised marketing channels such as fashion magazines and billboards.

A Swedish fashion company should be visible in the right places and get the intended image communicated to lower entry barriers. To implement that strategy, it is important to have control over the Affiliates to some extent, to make sure that the affiliates communicate a wishful image about the company. This is implemented by only accepting the affiliates that reflect the company’s brand value.

A company must ensure that the business is ready for the international market and to receive orders from potential foreign customers. To make sure that a Swedish fashion company can provide potential shoppers with their orders, it is vital that the business has a functioning logistic solution in place to send the physical goods to the customer and be able to handle all logistic surrounding return and similar errands. Otherwise can Affiliate marketing be a more expensive solution than first anticipated as unexpected tariffs and customs charges can emerge, which can lead to potential loss of profit. The outcome of such a scenario is the exact opposite of intention with Affiliate Marketing.
6.1 Limitations
The study’s focus on how to use Affiliate Marketing to lower entry barriers in the fashion industry. In the research, traditional strategies to lower entries have been excluded to focus on entry barriers in an online environment. Another subject that has been avoided in the report is exit barriers. Companies do not only fight entry barriers, when exiting a market there are also barriers. Exiting-barriers is a research area of its own and has therefore been excluded from the report. To narrow the study further, the findings are mainly applicable in the Swedish fashion industry as the interviews have mainly been conducted with employees in Swedish fashion companies. The report has deliberately dodged discussing the Affiliates view as the report focus on the companies point of view of the Affiliate sector. To overcome the limitations in the study in future research, studies can be done out of the opposite perspective, with a focus on the Affiliates and what they can do to help lower entry barriers.

6.2 Consequences and new barriers
The main contribution of the thesis is a broadening of the discussion about Affiliate marketing and how it can be used a marketing strategy when a Swedish fashion company expands overseas. The theory of the thesis is grounded in empirical data gathered from interviews, and the result highlights the correlation between Swedish fashion businesses and their use of Affiliate marketing when expanding abroad.

6.3 Further research
This report has focused on Affiliate marketing and how it can be used as a tool to lower entry barriers to new markets. If the reporting period had been longer than ten weeks, a larger study could have been accomplished. There are several other digital marketing tools that a fashion company can use when expanding to other countries and markets. This field has not been thoroughly researched, and a comparison between different digital marketing tools and a study about when to use which to become most effective in a company’s expansion process could be a suggestion for further research.

Another topic for further research could be to investigate if there are country-specific differences between similar fashion companies located in different countries and research if nationality plays and part in choosing marketing strategy when expanding abroad.

The third suggestion for further research could be a cases study about how new barriers of entry have occurred after the breakthrough of the internet and how that change has reformed the business model of newly established fashion companies.
7 References


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8 Appendix

Undersökningen är till för att förstå vilken inverkan affiliate marknadsföring har haft på modeföretag och hur tekniken har förändrat förutsättningarna att etablera sig på en ny marknad.

1. Vad fick er att börja använda er av metoden?
2. När började ni med affiliate marketing?
3. Hur jobbar ert företag med affiliate marketing idag?
4. Vilka fördelar ser du personligen med affiliate marketing?
5. Vilka nackdelar ser du personligen med affiliate marketing?
6. Hur ser framtiden för Affiliate marketing inom ert företag ut?
7. Vilka förändringar kommer ert företag göra de kommande åren?
8. Metoden sänker vissa etableringshinder men skapar även nya, hur resonerar ni kring det? Ex, tull, lagar, varumärkesskydd etc.
   a. Hur jobbar ert företag idag med de nya hinder som uppstår?
      i. Analyseras de innan eller ej?
   b. Kan det uppstå fler hinder än möjligheter?
9. Var affiliate marketing en betydande del för ert företags expansion?
10. Om ni var nystartade idag, hade ni gjort något annorlunda idag?
11. Integritet och cookies – Hur länge sparar ni cookies hos användare?
12. Är det något du finner vi borde tagit upp men inte gjort?