INTERNATIONALISATION
THROUGH DIGITALISATION

KEY SUCCESS FACTORS FOR DIGITAL GROWTH

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Sweden is generally considered to have a high digital maturity, and Swedish companies has a broad, global spread. Still, Swedish SME are limited by untapped use of digital tools within international marketing and sales. To fully succeed in the global marketplace, Swedish SME must put digitalisation in the center of their international expansion strategy.

Digitalisation in Internationalisation

Digitalisation is fundamentally disrupting traditional industries, labour markets and the global economy. We are experiencing a digital revolution that transforms the world as we know it. To companies, this means opportunities for new or changed business models, spanning from marketing and sales channels to logistics. Traditional business models and value chains are challenged as digitally performed activities allows for increased availability, shorter lead times, faster time-to-market and lower transaction costs. This translates into opportunities for lower overall costs, allowing for smaller companies to compete with well-established companies and brands. Simultaneously, customer expectations mount with increased transparency, and competition increases across sectors.

Business Sweden has studied the implications of the on-going digitalisation on the internationalisation of Swedish companies, the digital maturity among small and medium sized companies (SME) in Sweden, as well as key digital marketing and sales activities that enable international growth. How can Swedish companies stay competitive in the new digital reality? What digital channels, tools and technology permits for increased sales across national borders? The analysis is based on research conducted by Business Sweden in 2015, including six in-depth interviews with successful, digitally advanced Swedish companies, as well as a survey with 150 Swedish exporting SME respondents.
Digitalisation combined with globalisation enables international business on a global scale. To Swedish companies, this means opportunities for sales to customers worldwide. Conversely, to foreign companies this facilitates sales in Sweden (see figure 1). Both international and domestic competition toughens, as Sweden becomes part of a global market. In 2015, 32 per cent of online sales in Sweden came from foreign trade according to PostNord’s e-barometer from 2015. As international competition increases on the Swedish market, it will be increasingly important for Swedish companies to stay competitive through digital and international business models.

In terms of internationalisation, marketing and sales activities are key. Digital channels and tools allow for customer segments in new markets to be reached at lower costs compared to traditional set-ups. New methods for brand-building, marketing and sales are enabled, as well as better insights into customer behaviour and demand. Digitalisation allows for wider reach, sales at higher speed, increased precision and lower costs, but also increased complexity and competition.

**Digital Competitiveness**

Digital marketing and sales channels have boomed during the last 15 years. Today, many companies use various digital channels to reach and communicate with customers. B2C companies have primarily been driving this rapid development, but the high demand that individual consumers set on availability, presence, understanding and contact is increasingly influencing the B2B sector too. Digital channels grow progressively important across all sectors.

To stay competitive, companies must add digital marketing and sales channels to their traditional, analogue channels and “brick and mortar” stores. Companies that apply several, different channels (multi-channel) tend to be more successful internationally than those who stick with a single one. But, the most successful companies combine all the different channels with continuous data-analysis of their customers. This allows for an integrated, omniscient customer experience (omni-channel) uniquely tailored for each customer.
Key digital channels, tools and technologies with large impact on companies’ international expansion are:

- **Content management**: A visual and cognitive webpage that steers and leads the customer to relevant information. It requires knowledge of how to present the message effectively, as well as analytical capability to understand the target group’s preferences and behaviour. A website should work both on big and small screens, since many of today’s customers will only access a company’s site from a mobile device.

- **Email marketing and digital newsletters**: Use of email and digital newsletters to deliver tailored information and drive traffic to the website or web shop and further communicate and interact with the customer. Local regulations must be considered, since there are often constraints for sending non-addressed advertising.

- **Search engine marketing and optimisation (SEM/SEO)**: Tools and strategies used to make your website show in the top results when using search engines. It requires insights into what key words should be used on what markets, as well as what search engines are dominant on each market. In many markets, Google has a market share of more than 90 per cent, but in e.g. China baidu.com has 56 per cent of the market, whereas Google merely has 4 per cent (see figure 2). With digital assets such as Siri, Google Home and Cortana the way customer search on the web is changing and companies need to adapt to the new opportunities.

- **E-commerce and online marketplace**: Selling products and services online, either through a company-specific webpage or through e-commerce platforms that group retailers and companies, e.g. Amazon or Alibaba. The large online marketplaces are growing rapidly, and many companies experience a need to be present both with a company website and on online marketplaces. It is also critical to understand the e-commerce maturity of the target market. Further, the webpage must be adapted to local sales regulations, e.g. payment and delivery systems.

Source: GS Statcounter, 2015
Social media: Social platforms that allow companies to informally work with storytelling, and to create brand ambassadors among customers, partners and employees. Companies are increasingly using social media as marketing platforms, as direct sales platforms ("social shopping"), and for support and customer care. It is important to understand what meeting places are most important to the target group, as well as to define what platforms the company wants to be associated with (see figure 3).

Mobile devices: Portable devices that create an additional interface for marketing and sales, and allows for companies to reach customers in real-time. Mobile commerce (m-commerce) is quickly growing as a complement to e-commerce. About 60 per cent of the global mobile device users use their mobile devices as the primary device for web browsing, and more than 80 per cent indicates that they will shop through their mobile device in the coming 12 months. It is important to consider the mobile devices characteristics and its effects on customer experience, ease of use, availability on social media, SEO etc. Also, market characteristics must be understood in terms of different mobile devices’ penetration, internet infrastructure, and data and information security (see figure 4).

Digital tools for customer customisation: Tools and applications for gathering and analysing customer behaviour and preferences across markets through big amounts of data “big data”, aiming to improve sales and marketing efficiency. Market specific factors that impact a big data strategy are personal information regulations, cultural openness regarding disclosing information, as well as digital infrastructure that allows for real-time data and data storage and analysis. Also, resources and
Digital international value chains: Digital systems that interlinks different operations within the value chain, also known as “smart infrastructure”. Technologies and applications automate the internal marketing and sales activities, and interact with the rest of the production process such as delivery and support. More advanced “smart infrastructure” interrelates with other core business departments too, e.g. CRM, supply chain management and project management. This type of system automates and streamlines large parts of the organisation, enables more flexible and agile processes in the value chain, and frees resources. In terms of internationalisation, this automates flows across national borders and decreases costs of exports and imports. Cloud services, that create smart infrastructure online and are accessible from all hard ware, are progressively used. These services are often cost effective since companies can choose what modules to use, and normally have well-developed, user-friendly interfaces.

Company in-house smart infrastructure often requires large investments, and complexity increases with each geography added. Generally, the usability is also effected by the market’s IT penetration, infrastructure, local regulations, and data information security.

Swedish Companies’ Digital Maturity

Sweden is perceived to have high digital competitiveness by international comparison. E.g. in EU’s DESI (Digital Economy and Society Index) from 2015, Sweden ranks among the top countries. Looking at the international reach of Swedish companies, it is also high. Still, our research shows that Swedish SME to little extent use digital technologies, channels and tools for marketing and sales. Looking at both neighbouring and distant international markets, the Swedish SME have relatively low digital maturity in terms of marketing and sales.

![Figure 5: Use of Digital Tools in International Marketing](image)

Source: Business Sweden Analysis, 2015
About 50 per cent of Swedish SME work with digital marketing tools internationally. SEO and e-mail marketing are the most common tools. Though, only 23 per cent actively use social media for marketing purpose, and 18 per cent of Swedish SME actively work with content management on their web page. No more than 2 per cent use big data analysis (see figure 5).

In terms of international sales, less companies use digital tools. Only 19 per cent of the SME work with e-commerce and online marketplace. This low number may partially be due to the majority of respondents being B2B companies, where e-commerce is less established. Though, the use of e-commerce within B2B companies is growing and the figure can still be considered low. About the same number of companies have e-commerce platforms adapted to mobile devices, as well as use digital payment systems (see figure 6).

Main challenges for companies in terms of marketing and sales are the lack of digital infrastructure in foreign markets, intense competition from local players, as well as different customer demands compared to the home market.

Important areas within the organisation where companies lack capability are insufficient digital competence and capacity as well as lack of financial resources to invest in digital tools.

Among the companies, there seem to be an understanding of the vast potential that digital tools hold, but the use of integrated digital channels in terms of international expansion is low.

FIGURE 6:
USE OF DIGITAL TOOLS IN INTERNATIONAL SALES

Source: Business Sweden Analysis, 2015
Success Factors for International Digitalisation

Sweden is digitally mature with well-developed digital infrastructure and good access to digital competence. Further, Swedish SME have a broad international reach. However, Swedish SME show a low digital maturity when it comes to international marketing and sales, which indicates untapped potential in terms of growth across national borders. Based on our research and extensive experience from working with companies on their internationalisation journey, we have concluded five key success factors for companies to expand internationally through digital channels.

Success factor 1: Do your digital homework

Map the digital maturity of your company, and the digital prerequisites for your international business. Create a clear and fact based view of what needs to be developed in order to succeed internationally through digitalisation.

Start with a “full inventory” of your organisation’s digitalisation level. Many companies are more digital than they think with many digital tools already in place. Include all departments of your organisation, the whole company will and should be affected. Do not be afraid to question existing methods and systems. Specifically map:

- Spend on current IT infrastructure and systems, including the spend development during the last years. How much are the systems used and what is the delivered output? Analyse data such as the number of website users as well as their behaviour (e.g. through Google Analytics). Also, look at simple things such as the level of e-mail communication. The lowest hanging fruits are often to add or improve an internal system. The easy, early wins are also important to show your organisation that digitalisation is a help and not a threat.

- Hardware equipment. Many companies move all services into the cloud to lower the IT costs. There is always a risk with external cloud services, but there are risks with own equipment as well. Read contracts and agreements carefully when signing up to digital online services, sometimes it can be hard to cancel a subscription or service.

- The silos (verticals) in your organisation that do not communicate today. How can data between the department be connected and what is the cost? E.g. connecting the ERP system to the CRM or financial system. Push your suppliers, and look at the cost of not connecting the data.

- Scalability of current IT infrastructure and systems. How much can the sales grow with existing systems, and how must you prepare to change the systems? Scaling up your organisation on an unsteady foundation can lead to inability to deliver on time, lack of quality and defective customer service.

- Security requirements. Do not make it difficult to use devices, since that will make your employees not use them. Can you allow employees to “bring your own device” (BYOD) to work or will the company supply phones, tablets etc.? Balance security versus usability.

- The employees’ (private) level of digitalisation. The personnel often have a higher level of digitalisation at home than at work, and use digital services for consumption, to find data, and to keep in touch with friends and suppliers. Put those digital competences to the best use, and look for ambassadors in your organisation that see digitalisation as a way forward rather than a threat.
Then, understand the digital prerequisites for your international business based on your target markets. Important areas to scan are:

- Digital maturity and infrastructure of the market. Look at the level of digital devices usage among the population, e.g. smartphone penetration, as well as the available internet and IT infrastructure. Do not frown on what could be considered outdated ways of doing online business. In China portals are an important sales channel as compared to e-commerce, whereas in Sweden portals were key 15 years ago. Also consider the IT development pace and direction.

- Digital customer behaviour. Beside the technology prerequisites, what characterises the market in terms of culture, language, preferences etc.? What triggers buying behaviour in the market?

- Market competition. Look at what your digital competitors doing, i.e. how they built their site(s) and differences in how they present themselves in different markets (e.g. online, social media).

- Local regulations. What are the conditions when it comes to sales laws and regulations, e.g. payment and delivery systems and terms? In many markets digitalisation legislation has not kept up with the digital development. Also look at data and information security regulations, e.g. data and personal information storage and analysis.

Success factor 2: Develop your international business model digitally

Challenge your existing business model and expansion plans to develop a digital way of working that enable new opportunities in international markets. Reach those segments that was not possible through direct sales, agents or distributors, and adjust your offering to digital sales. Not all companies might invent completely new business ideas, but all companies can use digital tools to develop their global reach. Important areas to consider when developing your digital, international business model are:

- Digital tools. Decide on what digital tools that your digital business model requires. Small companies can be perceived as “big” companies in the digital world, and interact with clients in the same, professional way. What tools your company needs to keep contact with clients, handle support cases and manage resellers?

- Agile mind-set. Digitalisation should make your organisation quicker to react, not bogged down with more administration. Update your digitalisation plan often going forward.

- Scalability. Think scalability, look at each process as “if you do this for 10 clients today, how can you use digital tools or systems so that you can do it for 100 clients tomorrow”? Understand your business on an item-by-item level and then scale it. Look for bottle-necks in your value chain and expand them.

- Collect sales data. Use digital tools to collect data and information, and support your sales network. A well-developed and implemented CRM system will get you information about your customers in markets where they currently might be hidden behind a local distributor.

- Set KPIs. The aim of the digital business model is likely to increase sales, shorten lead-times etc. Before starting, measure the KPIs of today and set targets. Follow up as the digitalisation process advances, both to secure that you are on track, and to motivate your organisation to keep changing. Set realistic targets, and change path if the chosen digitalisation strategy seems to be wrong.

- Stay close to customers and suppliers. Involve your suppliers and customers in your digital work. They will provide important input and
guidance, and are more likely to stay connected to your company if you include them early.

- Adapt to existing business model. A digital shop that enable sales globally can threaten your existing sales channels and agreements, e.g. existing local sales agents or distributor contracts. Map those potential problems, and make sure to manage them.

- Market specifics. Adapt your online presence depending on market characteristics and customer preferences. Make the customer always feel at home. Also, adapt the payment method depending on payment culture. Use a Product Information Management (PIM) system to keep product information, and translate the information into more languages as your business grow internationally.

- Fundamentals. Even if you can sell products online your digital business model is well developed, fundamentals like cash flow will still be important. Use digital tools to keep track of “old” fundamentals as your business grow. Also, ensure your financial systems/reporting structure allows you to follow up the detailed level you need before scaling up your business.

Success factor 3: Leverage big data

Big data is not only for big companies. Today, there are numerous analytical tools that can provide a small company with important insights through the use of big data, and make it more relevant across markets globally.

Enter the digital analytics world of possibilities. Create a digital view on how your international target groups are acting. What do they want, and how do they want it? In what ways do customers in different markets want to be treated in different phases of marketing, sales and delivery? Can you automate continuous analysis and adaption, and can you act directly on analysis, e.g. marketing automation? Big data is here to stay, and it will rapidly become an increasingly integral part of businesses worldwide.

Look for tools that allows for new logical connections between input and output, and apply them on your production facilities or business processes. One way to gather your own data may be to give every customer interaction a unique ID that follows the interaction on its path from interest to signed order via your digital systems. This means you will be able to see what kind of interaction that leads to what kind of result, and you will be able to see how sales is connected to interest and different activities. Big data can also be applied on social media and trends.

Companies such as Facebook and Google offer, in various levels, big data information. Understand and map what information is relevant to your business. Examples of usable tools are Brand Pit that shows how companies’ products are shown in social media through photographs, and Google Global Market finder and Google Trends that provide companies with insights into what consumers are looking for.

Further, it is crucial to connect big data with user-friendly visualisation tools (dash boards). Illustrate KPIs and make it easy for your company to quickly understand and draw conclusions from the data.

Success factor 4: Apply the multi-channel approach

Include digital channels in your analogue work. Complement the physical meeting with digital tools to streamline and strengthen the personal processing and relationship. The personal relationship and meeting will continue to be critical, and business will still be personal. A multi-channel approach where digital and analogue channels interact seamlessly to create the best customer experience facilitates and strengthens this relationship building.

Social media is increasingly used to support marketing campaigns and personal meetings. Map what sites and channels are used, and where your customers spend time. Before you enter a channel, be aware of how the channel is used by companies similar to yours. Also, learn how the channel owner monetize from the channel as well as how your videos, photos etc.
may be used. Remember that there is no such thing as a “free lunch”, the channel owner will have use for you being in the channel. Once you enter a channel you enter with your brand and your reputation at stake, and it is often difficult to leave. Spend some time researching what channels your company should be in.

Shape a story about your company online by choosing the right channels and telling the right things. Communicate what you want your company to be known for. To control the story will be difficult, but you can actively track and shape what is being said, as well as what information comes up first when you google your company. Build a community that supports your company, and use friends to promote your business and work in the community. Be prepared for negative comments in social media. Competitors might impersonate a customer and leave a negative community. Also, remember that hashtags can be used in both good and bad ways. Make sure to understand how, i.e. look at existing results, before you decide to use them. Business will still be personal, but your customers will know a lot more about you before you meet.

Success factor 5: Strive for digital symbiosis

Integrate digital technologies, channels and tools in your international operations. Do not put digital questions in a separate box, but use digital solutions to help you grow faster than your problems. Define goals in digital sales channels for both sales staff and distributors. Work with digital channels in marketing campaigns, and use the web and the supporting IT systems to automate client processing and lead generation. Let the ordinary operations become seamlessly integrated with digital tools, and strive for automatic solutions where the human factor is taken out of the equation. Aim for symbiotic effects where 1+1>2.

Be aware that digital tools will develop faster than your business, and do not be limited by what you know exist. There are tools for updating the same post in different social media channels at the same time, and tools for releasing posts every four hours even if you are not at work. Marketing automation tools can be very powerful if used properly. Do you want to keep in touch with 1000 customers? Use a tool to keep track of who opened your message. Do you want to know if a client has read your proposal? Use a tool for that. If you have a problem, someone else will also have had it, and there is most likely a digital solution or remedy for it (probably thoroughly explained in a YouTube video). Try to describe your problems and challenges with a common language, e.g. English, Swedish, and then look for a digital solution.

Setting Up for Continued Digital Internationalisation

Sweden is generally considered to have a high digital maturity, and Swedish companies has a broad, global spread. But, Swedish SME are limited by untapped use of digital tools in terms of international marketing and sales. Today, every company should have digitalisation on their agenda. Digitalisation allows for more clients and shorter lead times, globally.

But, a digital tool does not change a behaviour. Digitalisation can be disruptive and threatening, both to companies as a whole and to individuals within organisations. Focus should be kept on the benefits of the digital agenda, rather than the risks for individual employees. Also, all parts of the company should be involved in the digitalisation journey, including the top management. Digitalisation is larger than the IT department, it is a core mind-set without limitations.

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Business Sweden’s purpose is to help every Swedish company to reach its full international potential and help companies abroad to reach their potential by investing in Sweden. The purpose is operationalised through 450 staff deployed at 14 offices in Sweden and at 55 offices in 49 key markets abroad. Feel free to contact us for any questions regarding Swedish international trade or foreign investments in Sweden.