
Multi-Sided Digital Platforms' Application in SMEs' Fashion Brands Internet-Enabled International Marketing

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Abstract:

Purpose: While the multi-sided digital platforms (MSPs) enjoy increasing interest regarding their business models and internationalisation, little research has been done on the application of MSPs in firms' foreign expansion. Specifically, it is unclear how MSPs can support small and medium enterprises' (SMEs) international marketing. The aim of this paper is to identify models of MSPs application in the Internet-enabled international marketing of SMEs' fashion brands.

Design/Methodology/Approach: As the research method a multiple-case study was used. Data were obtained from both in-depth interviews with managers of four Polish SMEs – owners of fashion brands, whose products are sold in the foreign markets via MSPs, and secondary sources.

Findings: Studied companies offer their products via international MSPs originating from foreign markets and home country. It may be initiated both by platform's operators, brand owner and a foreign distributor. Responsible for the relations with MSPs and in control over international marketing via MSPs may be both brand owner and a foreign distributor.

Practical Implications: Presented models of MSPs application in international marketing can be used as a basis for shaping marketing strategies in this area.

Originality/Value: This paper contributes to the better understanding of SMEs' Internet-enabled international marketing using MSPs.

Keywords: SMEs' international marketing, multi-sided digital platforms, Internet-enabled internationalisation, foreign expansion, fashion brands.

JEL classification: M31, F23.

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1. Introduction

The development of the Internet and information technologies has led to numerous changes in the functioning, internationalisation and international marketing of firms, especially SMEs, also those from traditional industries (Sinkovics *et al.*, 2013).

In recent years there has been a dynamic development and internationalisation of multi-sided digital platforms (MSPs) such as e.g., Amazon, Wish, AliExpress (Hagiu and Wright, 2015). Retail sales through MSPs are to reach USD 4.88 billion in 2021. A phenomenon of “platformization” has considerable implications for international marketing (Nambisan *et al.*, 2019) as MSPs have changed the way firms operate across borders (Jin and Hurd, 2018) and the nature of exchange in retail, connecting suppliers with consumers from around the world within one large ecosystem, and thus facilitate interaction and exchange of products through MSPs (Hänninen *et al.*, 2018). The fashion market is one of the industries where a frequent use of e-commerce is observed (Lee *et al.*, 2019). This is demonstrated by growing online sales of fashion products (Statista, 2019) and a large number of international MSPs that specialize in fashion products (e.g., Zalando) or which offer inter alia fashion products (e.g., Amazon).

However, there is still a lack of research on the application of MSPs in the SMEs' and their brands Internet-enabled internationalization. Therefore, the purpose of the paper is to identify the models of application of MSPs in the international marketing of SMEs.

To answer the research questions, we reviewed the literature and applied the multiple case-study method using: (1) primary sources – semi-structured in-depth interviews with managers of Polish SMEs – owners of fashion export brands available on international MSPs and (2) secondary sources.

2. Background Literature

Researchers differentiates two models of firm internationalisation with the application of Internet technologies, Internet-enabled – Internet technologies are used to support firm`s internationalisation, and online channels are additional or alternative to offline distribution channels in the foreign markets and Internet-based internationalisation – online channels are applied as the only way of distribution (Shneor and Flåten, 2008).

MSPs facilitate exchanges or transactions between various users from various countries (Evans and Gawer, 2016) by connecting separate customer groups within one market space and enabling interaction between them including the exchange of information, goods or services (Hagiu and Wright, 2015). MSPs operating on the e-commerce market, both horizontal – not related to one specific industry, and vertical – specializing only in one industry, have the largest share among all MSPs in terms of both market value and number of entities (Evans and Gawer, 2016).

Research on e-commerce MSPs have focused on their competitive strategies and foreign expansion (Hänninen *et al.*, 2018; Wu and Gereffi, 2020), and only a few papers concern the way of application of MSPs in firm`s international marketing. The emergence of MSPs has provided firms, including SMEs, with considerable benefits. MSPs serve as an effective and efficient channel for SMEs` foreign expansion (Jean *et al.*, 2020). MSPs provide brand owners with a new model to tackle foreign markets` institutional and infrastructure weaknesses (Bei and Gielens, 2020). Moreover, entering the network of MSP`s suppliers enables SMEs to expand into foreign markets at relatively low costs, provides a channel to access foreign markets, reduces time and costs of product registration process (Jin and Hurd, 2018), and also promotes the acquisition of competences necessary to conduct online sales on foreign markets (Lee *et al.*, 2019). MSPs make it easier for fashion companies to become “online” due to the large base of potential customers.

Researchers differentiate various delivery models applied in cross-border e-commerce (Hagiu and Wright, 2015; Hänninen *et al.*, 2018; Isac, 2014) as: 1) traditional: suppliers deliver products to a MSP`s warehouse, and after the consumer`s order made via the MSP, products are picked, packed and sent to the customer, 2) just-in-time: only after the consumer places an order, the MSP orders a specific product from a supplier, the product is delivered to the MSP`s warehouse, packed and sent to the consumer, 3) fulfilment: the MSP orders products from the supplier before placing orders by consumers, orders their delivery to a maintained by an external firm`s warehouse, in which the products are stored until the order is placed by the consumer, and external service provider packages and sends the products, and 4) drop-shipping: the consumer places an order on the MSP, its operator orders this product from a supplier who packs the product and sends directly to the customer from his warehouse.

3. Research Methodology

Models of using MSPs in the international marketing of SMEs and their brands have not been sufficiently studied (Jin and Hurd, 2018), so we applied an exploratory qualitative approach using the multiple-case study (Eisenhardt and Graebner, 2007; Ghauri, 2004) recommended if the studied issues are not sufficiently researched (Makkonen and Virtanen, 2015).

We used recommended purposive sampling (Saunders *et al.*, 1997) to study four Polish SMEs – exporters of branded products, based on their availability. This study is limited to the fashion market because there are many international MSPs in this industry and many SMEs, also Polish, offer their products on such MSPs. The studied firms differ in terms of the company`s age, speed of internationalisation, category of offered fashion products, share of exports in total sales, number of export markets, key export markets, and type of MSP, on which their brands are available. To ensure credibility, we used recommended triangulation of data (Yin, 1994) – obtained from both primary and secondary sources, i.e. individual, direct, semi-structured in-depth interviews with owners/managers of the studied SMEs, responsible for the foreign

expansion of these enterprises and their brands, also e-commerce, and secondary sources: company/brand websites, MSPs' websites, industry reports. In-depth interviews were carried out using a semi-structured questionnaire including open-ended questions. All interviews were conducted using the interview form and recorded, and then transcripts were prepared. Each interview lasted about 1-1.5 hours. Anonymity was granted to respondents and firms.

Due to the exploratory nature of the study, key topics were identified using thematic content analysis of the transcribed interviews. When formulating content categories, data-driven coding was used – categories were determined based on obtained data, and the analysis consisted of coding line-by-line to identify topics. The characteristics of the studied SMEs and informants is presented in Table 1.

Table 1. *Characteristics of the studied SMEs and informants*

| Firm/Brand | F1/B1 | F2/B2 | F3/B3 | F4/B4 |
|--------------------------|--|--|------------------------------------|--|
| Product categories | Thermo-activated sportswear/ underwear, flame-retardant clothing | Women`s clothing (dresses, blouses, coats) | Lingerie, bodysuits, bathing suits | Handbags, accessories |
| Establish-ment | 2005 | 2010 | 2016 | 2014 |
| Main export markets | Germany, UK, Chile | Germany, Belgium, Austria | France, USA | UK, USA, Italy, France |
| Number of export markets | About 50 | Few European | Over 20 | 41 |
| Number of employees | About 50 | 1 | 4 | 10 |
| Informant | Marketing manager – RF1 | Owner – RF2 | Owner – RF3 | Export manager – R1F4 E-commerce manager – R2F4 |

Source: Own elaboration.

All the studied SMEs sell both on the Polish and foreign markets products manufactured domestically and labelled their corporate brands.

4. Results

The studied SMEs offer their branded products via international MSPs originating from both foreign markets (Amazon, Zalando, Net-a-Porter) and home country (Poland) (Showroom, Mostrami). Brands of the studied companies are available on both types of MSPs, vertical (Mostrami, Net-a-Porter, Not Just a Label–NJAL, Showroom, Zalando) and horizontal (e.g., Amazon). Products labelled “B1” are available on Amazon, “B2” – NJAL, Mostrami and Showroom, “B3” – Zalando, Yoox, Gallery Lafayette, Exposed Paris, Scène Discrète, and the company is planning to enter Net-A-Porter and Via Roma soon, and “B4” – Net-a-Porter and Moda Operandi. Moreover, all of these MSPs are transactional in nature, although in the initial phase of the brand’s “B2” cooperation, NJAL, unlike others, was only an

exhibition platform where designers presented brands' collections on their profiles. NJAL's operator did not charge a fee for running a brand profile on this MSP or a margin on the models sold through the MSP's "mediation". It may not even have known about the transactions between the MSP's users contacting through the MSP. Currently there are two categories of brands' profiles on the NJAL MSP: "black sheep" (selling their products, for which a margin is charged) and "grey sheep" (promoting themselves, but not selling – the MSP allows contacts with customers).

4.1 Initiator of Brand Selling on the MSP, Entity Responsible for Relations with the MSP and Form of Relations with the MSP

We found that the SMEs' models of applying MSPs in their brands' Internet-enabled international marketing differs in terms of: 1) initiator of brand selling on the MSP, 2) entity responsible for relations with the MSP and form of relations, and 3) control over international marketing via MSPs: range and features of products sold on MSPs, brand communication, price-fixing, and deliveries (delivery model). The characteristics of the application of international MSPs in the studied SMEs' international marketing are presented in Table 2.

Table 2. *International MSPs' use in the international marketing of studied SMEs*

| Firm | F1 | F2 | F3 | F4 |
|---|-------------------------------------|--|--|--|
| MSPs on which the brand is/was available | Amazon | NJAL; ASOS Marketplace; Mostrami; Showroom | Zalando; Yoox; Gallery Lafayette.com; Exposed Paris; Scène Discrete, | Net-a-Porter; Moda Operandi |
| Initiator of sales via MSP | Foreign distributor | Brand owner | MSP's operator | MSP's operator |
| Entity responsible for relations with MSP | Foreign distributor | Brand owner | Brand owner | Brand owner |
| Range and features of products sold on MSPs | Selected by the foreign distributor | Selected by the brand owner | Selected by the MSP (regular collections, special colours/pieces from previous collections on request) | Selected by MSP (regular collections, sometimes handbags with other straps than in brand's online store) |
| Control over brand communication on MSP | Foreign distributor | NJAL, Showroom – brand owner; Mostrami – MSP | MSP | MSP |
| Control over price-fixing | Foreign distributor | Brand owner | Contract: MSP and brand owner | Contract: MSP and brand owner |
| Delivery model | Fullfilment | NJAL – F2 delivers in its packaging; Mostrami – F2 delivers to MSP-> delivery to consumer in own packaging; Showroom – F2 delivers to consumer in MSP's packaging. | Traditional –from the MSP's warehouse | Traditional –from the MSP's warehouse |

The initiators of selling products via MSPs were, platform representatives, brand owner and a foreign distributor. For company F1 it was its foreign distributor who started cooperation with Amazon. Sales through Amazon is only one of the foreign distributor's distribution channels in a given foreign market, as it primarily offers products in stationary stores and own online store. There are no clauses relating to the sale of products through MSPs in the agreements between the company and foreign distributors, as there are only clauses of geographical exclusivity with distributors. Brand "B2" owner initiated selling via NJAL MSP, whereas further cooperation with Mostrami and Showroom – was in response to their operators: Similarly, in response to the MSP operators cooperation was initiated in the case of company F3 and F4, commonly as a result of meetings with the brand's owner at the Paris Fashion Fair (F3) and previously arranged meetings of company representatives with foreign partners during fashion weeks in Paris (F4). As stressed by respondent from company F4, representatives of Net-a-Porter and other foreign MSPs obtained information about the brand mainly due to brand's "B4" promotion in social media and significant expenditures on PR.

In the case of three of the studied companies (F2, F3, F4), brand owners are responsible for the relations with a MSP, whilst for F1 – foreign distributor that cooperates with Amazon. Two of the studied companies (F3, F4) established relations with MSPs exclusively based on agreements between the brand owner and a MSP, and F2 – both on such agreements (with Mostrami and Showroom) and regulations' acceptance (NJAL). Informant from Company F1 stresses that there are no clauses relating to the sale of products through MSPs in the agreements between the company and foreign distributors, and only in the agreement with each distributor there is a clause of geographical exclusivity. The sale of products labelled brand "B4" through Net-a-Porter is based on framework agreements renewed annually, which specify e.g. prices, brand description and product information. The Net-a-Porter sells mainly products from subsequent collections of brand "B4", which are also available in stationary or online shop.

Within the framework agreements between company F4 and Net-a-Porter, the employees of the MSP place orders for products via e-mail. Company F4 representatives and MSP's buyers meet once every six months after the new collection's presentation and then place orders for the new collection, specifying models, number of items, and delivery date, (minimum of three months). Cooperation of brand "B3" owner with Zalando and other MSPs is also based on agreements. The MSP's buyers contact the firm F3 after the collection's presentation and order selected models in certain numbers, after which F3 has about 3-4 months to produce and deliver them to the MSP's warehouses in various locations. When a specific model is sold out on the MSP, its buyers send orders for a certain number of pieces. Company F3 sells via MSPs only products from its brand's regular collection, and at most occasionally the colour of a specific model is adjusted at the MSP's request. The Zalando buyers dedicated to brand "B3" decide about the models for sale in the next season. Since the beginning of the brand's cooperation with Zalando, the offer of

products includes a set of models referred as a basic collection. Moreover, every six months the MSPs` buyers order products from the brand`s new collection. The cooperation of “B2” with Mostrami and Showroom was based on the agreements which provided, e.g. margin of around 30%, later increased due to the high interest in the products sold through them.

4.2 Control over International Marketing via MSPs

As for the products offered on MSPs, for company F1 it is the responsibility of the foreign distributor, and for company F2 – of brand owner. Regarding companies F3 and F4 – on MSPs are available products ordered by MPSs` representatives although:

R2F4: *“We deliver specific products for specific orders. We show the designs of future collections in advance, after which platform`s buyers choose products and their quantities [...] It happened that we made products on request of the platform that were available exclusively at theirs, but under our brand name”.*

Regarding the control over the brand communication, MSP`s operators are in charge for brands “B3” and “B4”. As indicated by respondent RF3, the representatives of Zalando are in charge for brand`s promotion, including products` photos on the website that is not consulted with the brand`s owner. Similarly, Net-a-Porter has a lot of freedom in communicating products of brand “B4”. The photos presenting products on the MSP are made on behalf of its operator, and their layout and form are not consulted with the company F4. However, as the respondents from company F4 note:

R2F4: *“They certainly take into account the brand image and adapt the clothes styling etc. to it. They try to adjust it and you can always discuss it. [...] Sometimes they were acceptable and sometimes not, and then it is corrected, but there have never been major problems”.*

In the case of brand “B2”, NJAL has conducted intensive social media activities to promote brands available on the MSP, using images etc., provided by the brands` owners. In turn, with regard to Mostrami – the platform`s operator had control over the brand “B2” communication:

RF2: *“Until certain moment, Mostrami took pictures themselves, so they had a very consistent look, which is important [...] and now you have to deliver the pictures, cover the costs of the pictures [...]”.*

Regarding price-fixing, brand “B2” owner fixes prices independently, whereas in the case of companies F3 and F4 there is a contract with MSP`s operator. Company F4 strives to ensure that the prices of their products offered on the MSP are the same in all distribution channels.

Company F1 has no control over prices of products offered by a foreign distributor on Amazon, which are sometimes understated compared to other brand's distribution channels. We identified various delivery models, e.g., fulfilment (company F1), traditional model, i.e., from the MSP's warehouses (companies F3 and F4), and for company F2 – just-in-time (Mostrami) and drop-shipping, but in MSP's packagings (Showroom).

Products labelled brand "B1" offered on Amazon are delivered to foreign consumers by a foreign distributor from his warehouse. As informant from Company F1 adds, sales through Amazon platform is only one of the distribution channels for a foreign distributor in a given foreign market, as it primarily offers these products in stationary stores and in its own online store.

In the case of company F3 and F4, the delivery of products to the MSP's warehouses is at the hands of the brand owner and made on the specified date, e.g., Net-a-Porter shipments are made to warehouses located in three locations (Europe, Asia and US). Net-a-Porter customers purchase products on the MSP's website, which are then delivered to them from the MSP's warehouse. Company F4 treats deliveries to foreign distributors of the brand, including Net-a-Porter, as a priority and therefore they are subject to very detailed quality control.

Concerning company F2, in the case of Showroom, the consumer buys a product on the MSP, after which the order is directed to the supplier, who has to pack a product in the Showroom's packaging and send it directly to a customer.

During the cooperation between brand "B2" and NJAL, even though it was a "grey sheep", according to the MSP's terms, the products should be delivered within two weeks.

In the case of Mostrami, the supplier (F2) even does not know to whom product is sold, as orders are not redirected to him, only information that there is an order for a specific product, and he is to send it to the MSP's headquarters in Warsaw, where it is packed and sent to a client.

5. Conclusions, Limitations and Recommendations for Further Research

SMEs offer products labelled their brands on international MSPs originating from both foreign markets and domestic one.

MSPs may be applied in the foreign brand expansion of SMEs thanks to: (1) brands' foreign distributor who initiates sales via large and powerful MSP, (2) MSPs, and it often results from previous promotional activities of brand owners (e.g., PR), (3) the brand owner. According to our study, both the brand owner and foreign distributor may be responsible for the relations with MSPs. The models of using international

MSPs in the Internet-enabled internationalisation of SMEs surveyed differ in terms of the forms of relations with MSPs too – it may be based on agreement between brand owner and MSP or may relate only to the regulations` acceptance. These models differ also in terms of the entity that has control over products offered on MSP, brand promotion on the MSP and price-fixing: it may be the MSP`s, brand owner or its foreign distributor. In relations with MSPs are applied various distribution models – both traditional model, i.e., contracted products` delivery to MSPs` warehouses and then dispatch to consumers after their orders, as well as those where export only takes place after the consumer has placed an order.

Overall, the application of Internet technologies in the foreign expansion and international marketing of the surveyed companies supports conclusions from previous studies concerning their importance in internationalisation (Sinkovics *et al.*, 2013), and growing importance of MSPs in international business (Anwar, 2018).

This study contributes to the international marketing literature and practice. To the best of our knowledge, no research on the models of application of MSPs in the foreign expansion of SMEs, including international marketing, has been conducted so far, so it is impossible to relate the results of this research to previous studies. Our paper contributes to the wider understanding of SMEs Internet-enabled internationalisation process and international marketing thanks to the identification of the models of the application of MSPs in international marketing, and by linking the results with few publications on that topic.

This research is exploratory in nature, however results gained due to our study open a plenty of avenues for future research. The main limitation is a small (four SMEs) sample of completed case studies – in the future, the number of surveyed firms could be increased. The study was limited to the fashion industry and Polish firms – it would be worthwhile to cover other industries and product categories (e.g. cosmetics, furniture). It would be valuable to compare the models of the application of MSPs in the international marketing of companies originating from various countries. We also recommend research on using international MSPs in the foreign expansion of large enterprises to compare with SMEs.

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