



Facultad de Ciencias Económicas y Empresariales

INTERNATIONALIZATION PLAN FOR BIZUM

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SUMMARY

The learning goal of this Final Dissertation is to develop the academic content received during the degree and apply it to a real company case. The aim is to study the feasibility of an internationalization plan for Bizum (Sociedad de Procedimientos de Pago S.L). Bizum is a mobile payments solution focused on the niche sector of peer-to-peer (P2P) payments. It was created as a collaborative and innovative project of Spanish banks.

In the first place, this Final Dissertation analyzes the evolution of the traditional payments industry and the fintech disruption that it is experiencing in 2020. Moreover, it studies Bizum's business model, competitive landscape, and future prospects.

In the second place, a deductive method has been used to determine a feasible internationalization plan for Bizum. Internationalization models such as the Uppsala and Born-global model have been studied and contrasted from a theoretical and practical point of view. Such analysis has led to the conclusion that Bizum has characteristics of both models and should apply a mixed strategy to become international. This strategy has been materialized through Hollensen's (2011) general internationalization plan. The plan has five phases that have been applied to Bizum's specific characteristics and business model.

Based on the analysis of different countries' competitive landscape and overall attractiveness, the first pilot market for Bizum's internationalization should be Portugal, followed by Germany and Italy. The company could potentially license its business strategy to enter these new markets. Moreover, it could consider third party alliances as entry method, without discarding the possibility of participating in a pan-European payments solution.

This work contributes to Bizum's strategy by providing a viable internationalization plan based on a thorough and realistic analysis. Moreover, it makes important academic contributions by applying theoretical internationalization models to a real company case.

KEY WORDS:

Internationalization plan, potential markets, entry method, global marketing plan, mobile payment solution, peer-to-peer transactions, fintech.

INTRODUCTION

In the last decade, the global payments industry has delivered a sustainable growth and promising future. In 2016, it represented 34% of the overall revenues of the banking sector. Moreover, annual growth forecasts stood at an average of 7 %. This would make payments a 2 trillion-dollar industry by 2020 (McKinsey, 2017).

This healthy scenario is attracting new players. There is a surge of technological companies, known as fintechs, that threaten to alter the dynamics of the industry: According to Price Waterhouse Coopers, payments is the industry with the highest proportion of participants that fear they could lose over 60% of their business to fintechs (Price Waterhouse Coopers, 2016). Moreover, this phenomenon is taking place all over the world, with companies such as PayPal or Apple Pay already offering their payments services on a global scale (BNP Paribas & Capgemini, 2019). In particular, Bizum is one of those fintechs that has disrupted the traditional payments industry in Spain.

In a context of increasing global competition and fast growth of its industry, Bizum should study the viability of an internationalization strategy. The company could leverage its business model, which has been successful in its home market (Spain), and consider entering new markets.

Once established the decision to analyze an internationalization plan, there are other specific objectives to consider. In the first place, the company must analyze all the potential foreign markets and select the optimal targets. It is also important to evaluate different entry methods, depending on the country and company circumstances. Moreover, the company must establish a global marketing plan.

As a result, the main purpose of this work is to evaluate the feasibility Bizum's international expansion from a business and operating perspective and create a realistic internationalization plan.

METHODOLOGY

This Final Dissertation has used source materials of diverse nature, with the aim of presenting a realistic internationalization plan.

In the first place, it has been necessary to develop a thorough analysis of Bizum and the payments industry. The company has been analyzed using primary and secondary sources. As for the primary sources, an interview has been arranged with the company's Managing Director, Ángel Nigorra. This interview has provided very valuable company insight. In addition, the company's financial statements, press releases and webpage data have also been used as source material. Moreover, secondary sources of information include newspaper journals, and international marketing manuals.

The payments industry has been studied through articles published by multiple consulting firms such as Accenture, Price Waterhouse Cooper, Oliver Wyman, McKinsey, or Boston Consulting Group. In addition, online forums and web pages have been consulted for the latest news and trends in the payments industry.

In the second place, this Final Dissertation has used a deductive method. First, it has studied the theoretical framework of internationalization. Then, it has applied it to Bizum's specific business model.

The theoretical framework for corporate internationalization has been studied through a literary revision of several works. These include *International Marketing* (Cateora, Gilly & Graham, 2014) and *Global Marketing. A decision-oriented approach* (Hollensen, 2011). In addition, previous degree lectures on business strategy, based on *Exploring Strategy. Text & Cases* (Angwin, Johnson, Regnér, Scholes, & Whittington, 2014) have been considered to complete the theoretical background.

In the practical analysis of a potential international plan for Bizum, legal and regulatory aspects have also been considered. Sources include entities like the Bank of Spain and the European Central Bank (ECB).

PART 1: THE STRATEGY OF BUSINESS INTERNATIONALIZATION

A) CURRENT STATE OF AFFAIRS

1. The payments industry in Spain

1.1 History of the traditional payments industry

The payments industry has evolved across time, following the development of society and credit markets. In the last decade, the industry dynamics have faced a turning point due to the changes in consumer habits, influenced by the rise of technology (Badi *et al.*, 2018). For the purpose of this work, we are exclusively interested in the evolution of the industry since the creation of the credit card, until the current technological disruption in 2019.

The payment card was born in the beginning of the 20th century in the United States. The company Western Union created the first model for its most exclusive customers, offering them a free-of-charge line of credit. During the following decades, many companies started to provide their own payment cards. However, these cards were exclusive to the company or establishment that issued them and could not be used in any other store. For example, in 1924, General Petroleum Corporation issued its first credit card, which could only be used for the purchase of oil in their establishments (ING, 2013).

The first payment card that could be used in multiple establishments did not appear until 1949. It was created after a conversation between Frank X. McNamara, from Hamilton Credit Corporation; Ralph Schneider, his lawyer; and Alfred Bloomingdale, grandson of the founder of Bloomingdale's. In the search of a multi-purpose, safe and personal payment-system, they became partners in the creation of the Diners' Club card. The business model consisted in being an intermediary between the establishment, to whom it charged a commission per transaction; and the buyer, from which it earned a maintenance fee. After its success, many financial entities around the country started to issue their own credit cards. In 1958, American Express was born and in 1965, Bank of America and a group of banks created Bank AmeriCard, Visa's predecessor. Simultaneously, a group of banks created the Master Charge, later to be known as MasterCard (ING, 2013).

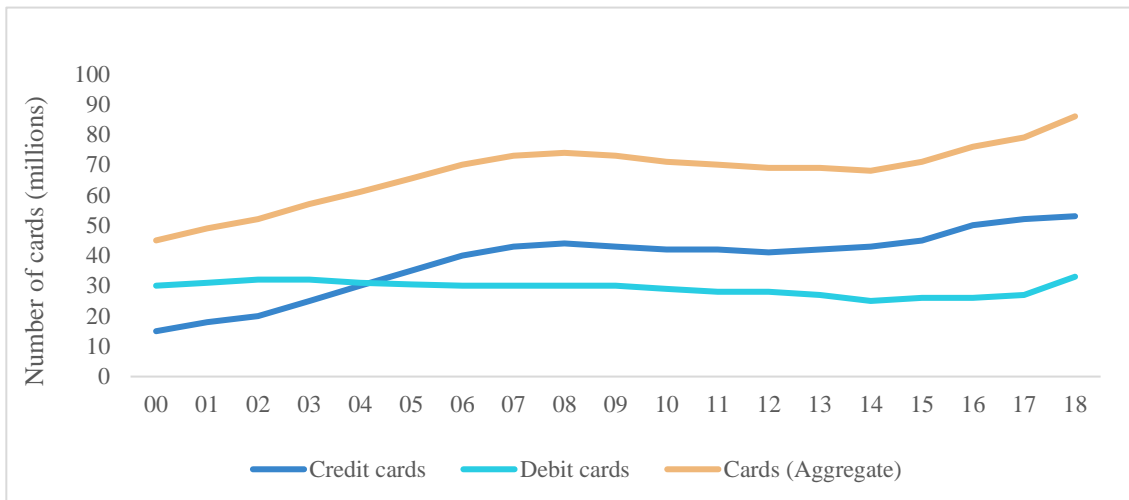
However, the credit card did not reach Spain until 1978, when banker Carlos Donis de León imported the idea from the United States and the first card was issued by Banco de Bilbao. From then on, more and more financial institutions jumped on board the movement and the use of payment cards became widespread. In the late seventies, the dynamics of the payments industry and its main players were starting to take form in Spain. In 1978, Visa opened its business to the Spanish market. It created an autonomous institution that grouped all Spanish card-issuers, culminating in the creation of Visa España in 1979. American Express and MasterCard followed, and the Spanish market was divided between these three companies (ING, 2013).

The global payment-card industry traditionally shows high concentration with these three brands controlling the global market (Rahmena, 2003). According to a report that collected data in 60 countries worldwide, Visa was the most preferred payment card by the average European consumer. This was also the case for Spain: In the 2010s, Visa credit and debit cards accounted for over a 61% market share in Spain, followed by Mastercard (26%), other local cards (4%) and American Express (1%), while a 7% of Spanish consumers did not opt for any of these payment platforms (La Información, 2014).

According to the Bank of Spain, bank cards have become one of the most relevant retail payment instruments over the last years in the European Union (Bank of Spain, 2019). The number of cards in Spain had a year-on-year upward trend of around 7-8%, since the mid-90s until the early 2000s (Bank of Spain, 2005). Today, there are currently over 800 million units circulating in Europe and annual transaction value exceeds 60 thousand million euros (Bank of Spain, 2019).

The following graph illustrates the evolution of the Spanish payments industry until 2018. It shows an average slowdown of the number of cards (aggregate) from 2007 until 2014, due to the financial crisis, recovering thereafter to reach a stable growth.

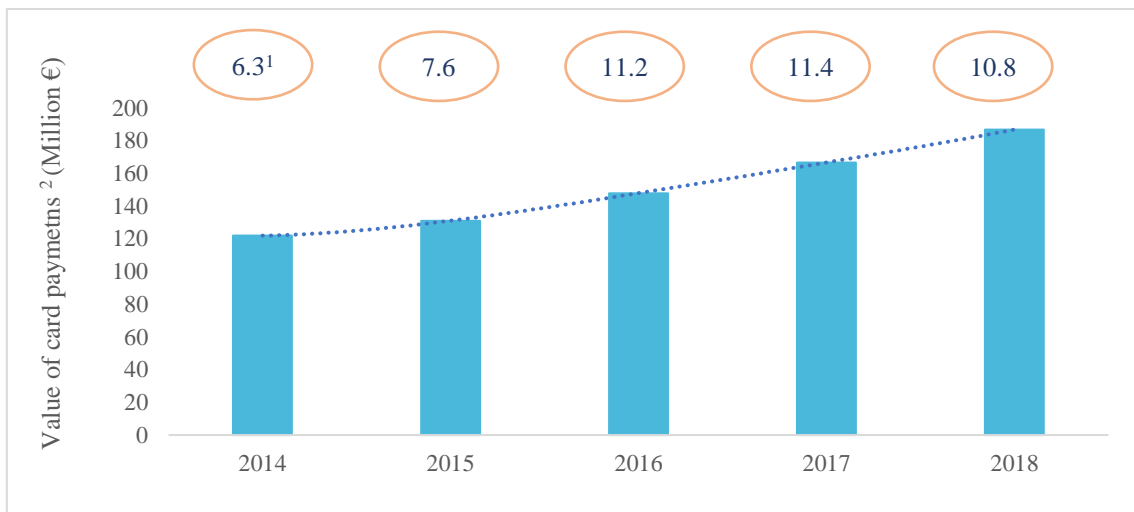
Graph 1: Number of payment cards in circulation in Spain (2000-2018)



Source: Bank of Spain (2019).

Moreover, the value of card payments in Spain has grown year-on-year since 2014, as illustrated in the following graph.

Graph 2: Value of card payments in Spain (2014-2018)



¹Increase/decrease in the real value of payments (annual percentage changes; HICP-adjusted).

²Value of payments with cards issued by resident Payment Service providers (PSPs).

Source: Bank of Spain (2019).

1.2 Industry players and dynamics

In any transaction where the payment method is a credit or debit card there can be up to five different players (Baack, Baack, & Harris, 2013):

1. *Networks or card associations*, such as Visa or Mastercard, which are the backbone of the payments system.
2. *Merchant acquirers* are the distribution and sales part of the industry. They sign up merchants for card acceptance and provide them the support that they require to process card transactions: point-of-sale terminals, data transmission, payment authorization and settlement, etc.
3. *Merchants* are the commercial establishments where a customer pays: restaurants, stores, gas stations, etc., that accept payment cards.
4. *Card issuers* are typically banks, in charge of authorizing payments and billing cardholders.
5. *Cardholders* are the individuals that make a purchase using a card as payment method.

The revenues in the payment card business are based on volume. The main type of fee exchanged is the merchant discount. It is calculated as a percentage of every transaction and split between the merchant acquirer, network association and card issuing bank. Moreover, the portion that benefits card issuers is called interchange fee. Merchant acquirers typically want to sign up merchants with frequent transactions and high spending value per ticket. Moreover, networks like Visa encourage customers to use cards as payment method. However, merchants tend to prefer cash, except when card acceptance encourages customers to spend more (Baack, *et al.*, 2013).

According to Carlos Trascasa, global leader of the Financial Services and Payments practice at McKinsey, the payment business has multiplied its value by five in the last ten years. The industry is increasingly profitable, with a high-growth activity. Moreover, many payment companies are already worth more in the stock market than banks themselves (Lander, 2019).

Furthermore, Boston Consulting Group (BCG) calculates that the global revenues of the industry have been growing at an average of 6.8% since 2010, standing at 1,27 trillion dollars in 2017 (Badi *et al.*, 2018). In addition, it is estimated that the industry could reach

an additional 1 trillion dollars in new revenue until 2027, pushed by the positive macroeconomic situation, technological advances, and expansion of digital and cash mechanisms (Badi *et al.*, 2018). As a result, payments is considered one of the brightest spots in the financial services sector and offers a wide range of possibilities for payments institutions.

Overall, there are certain factors that could reshape the global payments industry in the foreseeable future. In the first place, a favorable factor for payment card growth is the current tendency towards non-cash payments. The use of credit cards is currently on the rise (Badi *et al.*, 2018).

In the second place, European M&A operations, Private Equity (PE) acquisitions and emergence of pan-European payments providers such as Worldline and Nets, are driving a process of consolidation of the industry (Badi *et al.*, 2018).

Moreover, favorable changes in regulation are taking place to increase the transparency and competition in the industry. For example, the European Commission has launched a proposal to reduce the price of cross-border euro payments in non-euro European Union (EU) member states (Spinaci, 2018). Furthermore, the ECB created in 2018 the Target Instant Payment Settlement Service (TIPS), in order to create a pan-European solution for instant payments (Badi *et al.*, 2018). There are also expected changes in the European Payment Services Directive (PS2D) that will have multiple implications. One of them will consist in opening banks' payment services to third party companies, known as TPPS (Third Party Payment Service Providers) (González, 2019). Overall, the industry is experiencing a modernization and standardization in the payments infrastructure.

1.3 The arrival of mobile payments: Fintech disruption

With the rise of technology and the upswing of mobile payments, the traditional payments industry has been disrupted and incumbent banks may have reason to worry when looking forward. According to Oliver Wyman, the payment card market is currently transitioning to the next phase of competition. Card issuers will not only compete to reach new customers, but also to acquire every single transaction. Consequently, the search for customer convenience combined with new technological possibilities has enabled the

appearance of new fintech companies and applications that have changed the way we conceive financial services (Batra & Hayes, 2019).

The fintech concept has its source in the aftermath of the 2007-2013 financial recession. Credibility and trust on traditional banks weakened, whilst technology-driven companies strengthened, due to the changing consumer preferences towards digitalization. As a result, new companies that used technology to innovate and digitalize the financial sector emerged. Moreover, over 40% of fintechs operating in the world, do so in the payments industry (Lander, 2019).

According to BCG, leading banks should react to this current environment in the payments industry and create their own platforms, instead of just viewing the fintech rise as a threat (Badi *et al.*, 2018). In other words, the payments business presents an increasing revenue potential but traditional banks may have a difficulty capturing it if they do not shift towards digital business models. Spanish banks' collaborative action of creating Bizum is a clear example of this opportunistic mindset.

Furthermore, the entry of fintech giants, startups and other nonbank digital entities are transforming the customer experience, reshaping, and broadening the financial services sector. Special attention should be paid to startups, which had not been considered a traditional threat to banks until now: Due to the nature of the new entrants, the importance of smartphones as a channel and the evolving customer expectations, startups seem to be some of the most disruptive players for banks today (Bansal *et al.*, 2015).

Oliver Wyman, BCG and McKinsey are not the only consulting firms that have dedicated efforts to the study of this industry. In 2019, Accenture developed a survey answered by 240 executives at banks from 22 countries. The survey aimed to capture their opinion on the disruption of the payments business towards instant, invisible and free (IIF) financial services. Moreover, it asked them how incumbent banks could continue to reinvent themselves and add value (Agarwal, Gagliardi, McIntyre, & Wilson, 2019).

The survey determined that 40% of the executives polled considered that payments were already instant whilst another 38% said that the industry would become instant over the next 12 months. There was an average of 77% of respondents that agreed that payments are increasingly invisible, with the rise of third-party apps and platforms such as wearables, digital wallets, and Internet of things (IoT). Furthermore, 71% agreed that

another groundbreaking aspect of the industry is that services are becoming free for the user (Agarwal *et al.*, 2019).

Overall, the survey showed that the impact of IIF payments will be increasingly relevant in the upcoming future and that incumbent players are being threatened. If traditional banks do not get on board this trend, the competitive environment could cost them a significant opportunity loss (280\$ billion in revenue according to Accenture estimates) (Agarwal *et al.*, 2019). Moreover, incumbents should react in two ways that go hand in hand. In the first place, traditional banks should reimagine their core payments operations, incorporating technology as a key element in their strategies. In the second place, they should differentiate themselves from the competition by creating value in the current low-margin, high-volume business (Agarwal *et al.*, 2019).

Overall, the traditional credit card market that had been unchanged for decades is seeing a drastic turning point in 2020. There is an imperative demand for speed, convenience, and innovation. Consumers manage their financial lives through their smartphones, and card issuers must compete to be selected for each payment transaction (Batra & Hayes, 2019).

2. Bizum

2.1 A collaborative project of Spanish banks

An interview with the Managing Director of the company, Ángel Nigorra, was conducted. The objective was to understand the motivation behind Bizum's creation and business model, and fully capture it in this Final Dissertation.

The idea of creating Bizum had its source in 2015, when the European Central Bank (ECB) communicated to all European countries its intention to shift towards immediate transfers. The Spanish banking sector decided to create an infrastructure that allowed immediate payments. This infrastructure was materialized through Bizum (Nigorra, 2020).

Moreover, with the upswing of mobile payment applications such as PayPal or Apple Pay, the average consumer had started to shift its preferences: The demand for faster, cheaper, easier, and more convenient services in the payments industry was on the rise. As a result, Bizum was born in October 2016 as a proactive response of Spanish financial institutions to such unsatisfied client's demands (Nigorra, 2020).

Aside from a response to unsatisfied demand, Bizum was also born as a defense mechanism of Spanish banks with respect to the new fintech entrants in the payments industry (Nigorra, 2020). Consequently, and under the legal name Sociedad de Procedimientos de Pago S.L, the company was created as a collaborative project.

The founding parties were over thirty Spanish banks. Representatives of Santander, BBVA, CaixaBank, Bankia, Banco Sabadell, Banco Popular, Kutxabank and Unicaja, were members of the company's board of directors. This collaboration of banks that created Bizum decided to focus on the niche sector of peer-to-peer (P2P) payments via smartphone. The number of users and transactions grew exponentially over the period of 2016 to 2019, expanding the company's business to other services besides money-exchange transactions between individuals (Sociedad Procedimientos de Pago, S.L., 2018).

Being a collaborative project of Spanish banks has given Bizum certain competitive advantages. According to Ángel Nigorra, it has allowed the company to reach crucial network effects in a faster and easier way. Moreover, Bizum has obtained the trust and prestige of its founding partners: Bizum's service is offered by Spanish trustworthy

financial entities. As a result, trust on the company cascades from the reputation of traditional banks (Nigorra, 2020).

Carlos Trascasa claimed that “nobody is going to give their financial information to four guys who have set up an app in a garage, but they are going to force banks to provide services with greater added value” (Lander, 2019). In the case of Spanish banks, such added value is contributed by Bizum. Moreover, according to the company’s press kit, the app complies with the PSD2, approved by the European Commission to regulate payment services in the European Economic Area. Furthermore, the company has received the support of the Spanish banking associations such as AEB, CECA and UNACC, and from inter-banking payment infrastructures like Iberpay, Redsys and Cecabank (Lander, 2019).

However, being partnered with financial entities also conditions Bizum. When there is a single actor in a business, it is faster and easier to implement changes in the company, and the pace at which they will take place. However, when there are many actors, decisions have to be consensual and their execution can require a longer and more complex process (Nigorra, 2020).

The only leading bank in Spain not associated with the entity is Internationale Nederlanden Groep (ING). The Dutch bank has its own service called Twyp, which allows P2P payments via mobile phone (Twyp, 2020). However, during the presentation of 2019 annual results, the Chairman of the bank for Iberia, César González-Bueno, declared that the company did not discard the possibility of joining Bizum (La Vanguardia, 2019).

Bizum was one of the first collaborative- banking projects in Spain. However, there are similar services in other European countries such as Jiffy (2014) in Italy, Swish (2012) in Sweden, MobilePay (2013) in Denmark and Blik (2015) in Poland (Personal communication, 2020). They all provide a mobile payments solution focused on the P2P niche and are backed up by their country’s major banks.

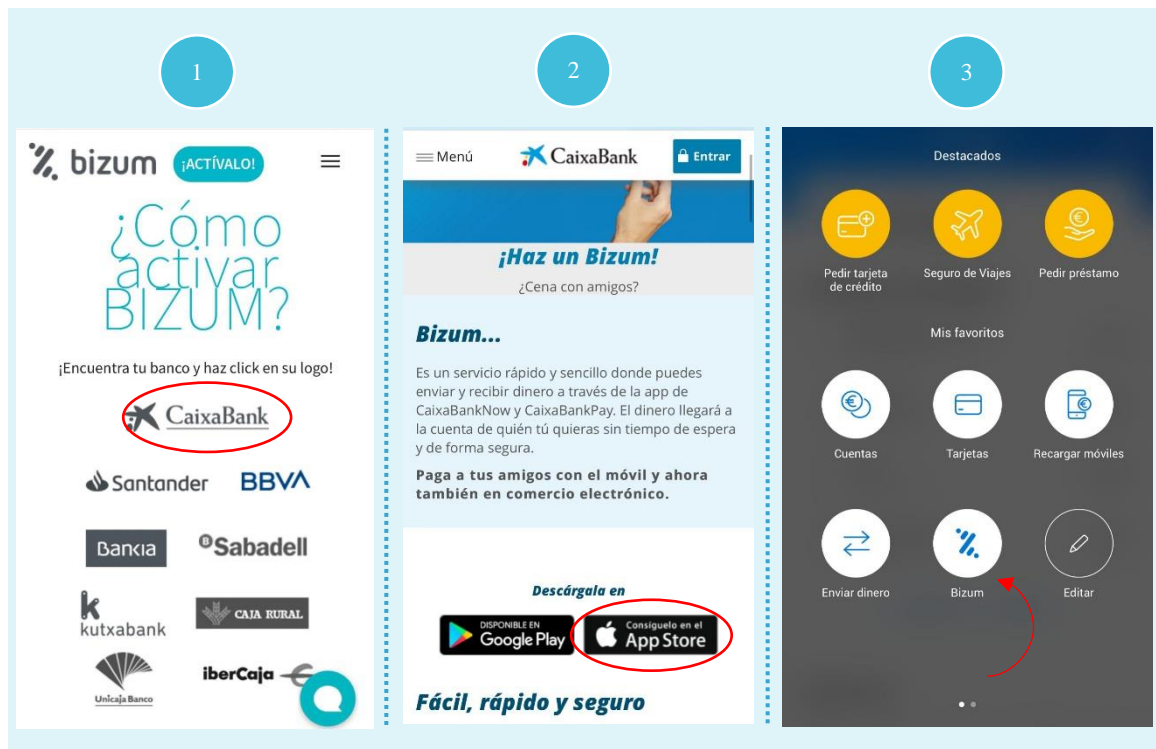
2.2 Current business model and future prospects

“If you carry a smartphone, you carry money”, is the slogan shown in company’s online webpage (Bizum, 2020). Bizum is a free downloadable service, compatible with IOS and Android, that allows the user to send and receive money in less than 10 seconds through their bank account. Being fast and easy are two of its most remarked qualities according to the company (Bizum, 2020).

In order to access the service, a user would follow three steps:

1. *Select their bank:* Within Bizum’s website (Bizum.es) the users would press on the “Activate!” button and click on their bank’s logo.
2. *Download the bank’s app:* After pressing on their bank’s logo, the site redirects them to such bank’s web page. The next step is to download the bank’s app following the instructions provided. If the bank’s client already had its app downloaded, this step would be unnecessary.
3. *Pay with Bizum:* the users would then access the bank’s app on their smartphone and choose to send or receive money with Bizum.

Figure 1: Illustrative example of three-step process



Source: Own elaboration based on Bizum (2020).

According to the company's 2018 annual accounts, the team is currently working on creating a single collaborative app to facilitate the identification and diffusion of the service even more. This would make access to the service homogeneous through a single app, regardless of the user's bank (Sociedad Procedimientos de Pago, S.L., 2018).

Bizum uses the phone number associated with the user's bank account, allowing them to send or receive money instantaneously to and from other mobile phones. The only requirement to be able to use Bizum is to have a mobile phone linked to a Spanish bank account in any of the financial entities that offer the service. The account is identified by its International Bank Account Number (IBAN). This is the number attached to all accounts in the EU countries plus Norway, Switzerland, Liechtenstein and Hungary. The IBAN is made up of a code that identifies the country the account belongs to, the account holder's bank and the account number itself (BBVA, 2016).

Bizum does not currently allow payments to foreign bank accounts. However, it does not have any restrictions in terms of the nationality of the phone number. As a result, a payment can be made to a foreign number so long that it is associated to a Spanish bank account (Sociedad Procedimientos de Pago, S.L., 2018).

The company currently has 7,3 million users and has made over 100 million transactions (Bizum, 2020). In a company such as Bizum, an incremental number of users is essential to be able to become scalable. This concept is known as network effect and takes place when a product or service's value increases exponentially when more people use it. Such effect is crucial for the expansion of apps such as WhatsApp, Facebook, Airbnb and, inevitably, Bizum. Furthermore, network effects help scale a business by increasing its customer base, market share and the overall value proposition (Reddy, 2018).

The current company business model is supported by five pillars of activity (Sociedad Procedimientos de Pago, S.L., 2018):

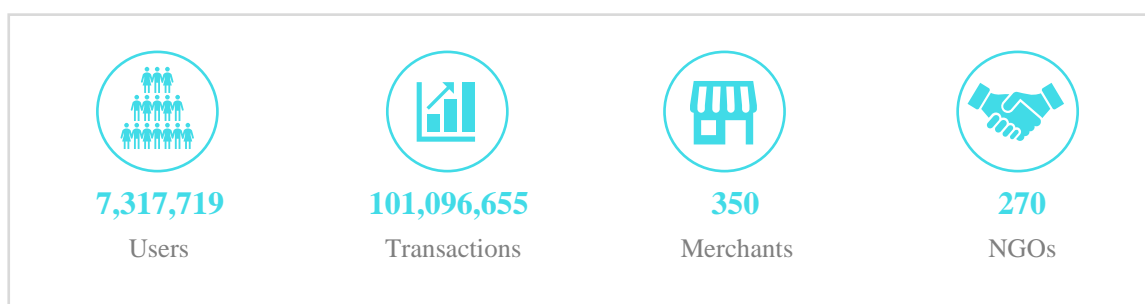
1. *Peer to peer payments*: The App allows users to make immediate, free of charge transfers to friends or acquaintances. This is the main niche-market that Bizum initially targeted in its business model.
2. *Non-governmental organization (NGO) donations*: Bizum allows users to easily and safely contribute to the causes of those NGOs and associations that are linked to the company. According to their webpage, there are over 270 organizations already linked to Bizum.

3. *Businesses*: Bizum offers companies its platform to pay promotions, grant discounts, or carry out returns and refunds to its clients, needing only their phone number.
4. *Online payment*: Bizum allows users to make online purchases in an easier and convenient way. The only steps are to indicate the user's mobile phone, validate the transaction with a four-digit code, and the money will be securely transferred from their bank account. This new line of business is available in 350 stores that have accepted the mobile app payment method. It is a function in which the company is currently working on. Ángel Nigorra trusts that this new functionality will reinforce the attractiveness of a service that already reaches millions of people and has increased exponentially in recent times (El Independiente, 2020).
5. *In-store payments*: The company team is currently working on becoming an in-store payment method. This would allow users to pay their purchases via smartphone in physical stores.

Additional information of the company's current performance (Bizum, 2020) confirms that:

- In the second quarter of 2018, Bizum extended the limits per transaction from 500 to 1,000 euros and raised the maximum amount of transactions received by a client in a single day.
- The App is widely used by clients between ages of 18 and 54. The most active ones in terms of number of transactions are in the range of 35 to 44 years old (32% of the client base), followed by those aged between 25 and 34 (27%).
- Most users turn to the App to share expenses: 51% use it to pay half tickets, dinners, Netflix subscriptions etc. and 39% for joint gift payment. Other common usage includes sharing lottery and pocket money expenses among friends and family.
- Bizum enabled NGO donations in 2018 and since then has collaborated with over 270 organizations. Over 15,000 transactions have been carried out, accumulating over 200,000 euros.
- Bizum's goal was to end 2019 with 6 million users. The company accomplished and surpassed this goal. It currently has over 7 million users. Moreover, Bizum aims to reach 12 million users and 180 million transactions by the end of 2020 (Nigorra, 2020).

Figure 2: Summary of Bizum's current situation (2020)



Source: Bizum (2020).

The corporate purpose of Bizum is to provide member banks with an access to a common platform, that facilitates immediate mobile and electronic transfers. In accordance to this value-adding service, the company obtains revenues through a monthly invoice to those entities. The invoice depends on the volume of transactions made through the common platform (Sociedad Procedimientos de Pago, S.L., 2018).

One of the key questions in the 2020 scenario of app-popularity is how free-downloadable apps earn revenue. One of the most attractive features of Bizum's service is that it is cost free for the user since no fee is required to download the app or make money transfers. However, there is certain flexibility in the business model since each bank that collaboratively uses the app has a slightly different policy on customer fees.

The company's only revenue source from P2P transactions is the invoice that it charges member banks (Sociedad Procedimientos de Pago, S.L., 2018). The key inflexion point for Bizum will be when it becomes a widely accepted payment method for both in-store and online purchases. This would increase the value-added that it provides its member banks, since they could charge merchants a fixed fee or variable commission per transaction. The implication of businesses will be a potential revenue line. Furthermore, offering premium services within the app for a fee could also be a possibility.

2.3 Competitive landscape

When an individual makes a P2P transfer, he faces different alternatives. On the one hand, the traditional option is to carry out the transaction directly through a bank: a client can call or physically go to a branch office, or alternatively carry out the transaction through the bank's webpage. On the other hand, mobile payment applications provide a more user-friendly process that allows clients to make the transfer in seconds via smartphone.

Mobile payment apps face competitive pressure from two sides: In the first place, they are new entrants to a traditional industry and must compete with incumbent businesses such as banks or credit card issuers. In the second place, they compete with other innovative fintechs and nonbank applications.

Bizum does not face the first type of competition mentioned, with respect to Spanish incumbent banks, since it is a collaborative project offered by them. However, it does compete with multinational mobile payment applications such as Apple Pay, PayPal, Google Pay or Venmo.

2.3.1 Apple Pay

Apple Pay is a contactless payment application for Apple smartphones. It plays the role of a digital wallet: rather than having to carry around physical credit cards, Apple Pay stores them digitally. The application supports most major credit and debit cards providers including Visa, MasterCard and American Express. Moreover, Apple's own credit card, the 'Apple Card' is also supported. The app provides a safe, fast, contactless payment method, but essentially is just a virtual wallet and does not aim to substitute credit card usage. It aims to provide a compatible service that enhances customer-convenience. Furthermore, it is not conceived to be used as a P2P payment method. As a result, it only competes with Bizum as payment method, not as a P2P transfer mechanism (Williams, 2015).

2.3.2 Google Pay

Google Pay provides a similar service to Apple Pay, allowing clients to save credit and debit cards, loyalty cards, gift cards and even tickets within the app. Furthermore,

according to the Company webpage, it facilitates a process called tokenization in which a token stands in for a customer's actual credit and debit card numbers (Google, 2019).

2.3.3 PayPal

PayPal is described as a service that allows users to pay, send money and accept payments without having to enter their financial data continuously. The app, which is considered pioneer in the mobile payments industry, currently has over 250 million users from more than 200 countries, in 25 currencies. Much like Bizum, PayPal focuses on the niche of P2P payments. It can also be used to pay in online shops and auctions sites such as eBay. However, instead of using a phone number as verification, it requires an electronic mail account. PayPal covers a wide set of client needs. At the moment of making a payment or transfer to another user, the client can choose the funding source preferred within the application: In the first place, and similar to Apple Pay, the user can pay with a card stored in the digital wallet. In the second place, similar to Bizum, the users can pay with his PayPal balance linked to their bank account. Furthermore, it has the competitive advantage of allowing global payments (PayPal, 2020).

2.3.4 Venmo

Venmo is an American app owned by PayPal. It is similar to the previously described, but with a higher focus on P2P transactions. The differential factor of this app is that it also resembles a social media network, with a feed of comments and interactive exchanges between users. However, it is only available in the United States and compatible with U.S. based bank accounts and phone numbers (Venmo, 2020).

Aside from these multinational competitors, Bizum specifically faces competition from other national mobile payment companies such as Twyp or Verse.

2.3.5 Twyp

Twyp is ING's payments solution, available to any individual in Spain whether they are a client of the bank or not. It serves the purpose of a digital wallet, which must be recharged in order to make payments and is linked to the user's bank account.

Additionally, it allows free-of-charge transactions, paying and receiving money from individuals, and includes its own virtual card to make online purchases. Furthermore, it can be added in Google Pay and used to purchase in physical stores (Twyp, 2020).

2.3.6 Verse

Verse is a Spanish start-up developed by three young entrepreneurs. Its idea is to facilitate P2P transfer, alike Bizum, but it is available in all of Europe and not only focuses on the Spanish market. The differential point of this app is the events segment, which allows users to create groups and events to make common funds (Verse, 2020),

However, none of the previously mentioned companies have been created as a collaboration between national financial entities. This aspect gives Bizum a security system, information platform and network that provides the company a competitive advantage it should exploit.

Table 1: Comparative table of mobile payment apps

Features	Apple Pay	Google Pay	PayPal	Venmo	Twyp	Verse	Bizum
Mobile compatibility	IOS	IOS, Android	IOS, Android	IOS, Android	IOS, Android	IOS, Android	IOS, Android
Digital wallet	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✗
Peer-to-peer transfers	✗ ¹	WIP	✓✓	✓✓	✓✓	✓✓	✓✓
Online payment	✓✓	✓✓	✓✓	✓	✓	✓ ²	✓
In-store payment	✓✓	✓✓	✓✓	✓	✓	✓	WIP
Market	Global	Global	Global	USA	Spain & Netherlands	Europe	Spain ³
Funding Source	Credit or debit card	Credit or debit card & bank account	Credit or debit card & bank account	Credit or debit card & bank account	Credit or debit card	Credit or debit card	Bank account
Peer-to- peer Transfer fees for user	✗	✗	✗	✗	✗	✗	✗
Collaborative project of financial entities	✗	✗	✗	✗	✗	✗	✓✓
Other features	-	-	-	Social network	-	Event creation	-

✓✓: YES ✓:OCCASIONALLY ✗ :NO WIP :WORK IN PROGRESS

1. Apple Pay does not support this feature, although an extension called Apple cash allows sending/receiving money through messaging. Only available in USA.
2. The Verse card allows payment in online and physical stores that accept Visa.
3. Only available for clients of Spanish member banks

Source: Own elaboration

B) THEORETICAL FRAMEWORK

Globalization is the growing interdependence of the world's national economies, cultures, and populations, as a result of cross-border trade in goods and services (Peterson Institute of International Economics, 2020). Across the globe, partnerships have been built between different countries. This has facilitated the flow of investment, people, information, and technology. In 2007, Friedman (2007) published *The world is flat*, a metaphor for the twenty-first century picture of the world. He described it as a fair game in terms of commerce, where all the players and competitors have an equal opportunity (Hollensen, 2011).

From a business perspective, many companies' activities have followed globalization, taking their operations beyond national borders. Global marketing reflects this trend. Hollensen (2011) defines global marketing as a firm's commitment to coordinate its activities, and to find and satisfy global customer needs better than the competition. Moreover, each firm should develop a global marketing strategy, exploiting the knowledge of its main market and transferring it to international markets. In this process, learning and adapting as the company enters new markets is crucial (Hollensen, 2011).

1. Internationalization: Concept definition

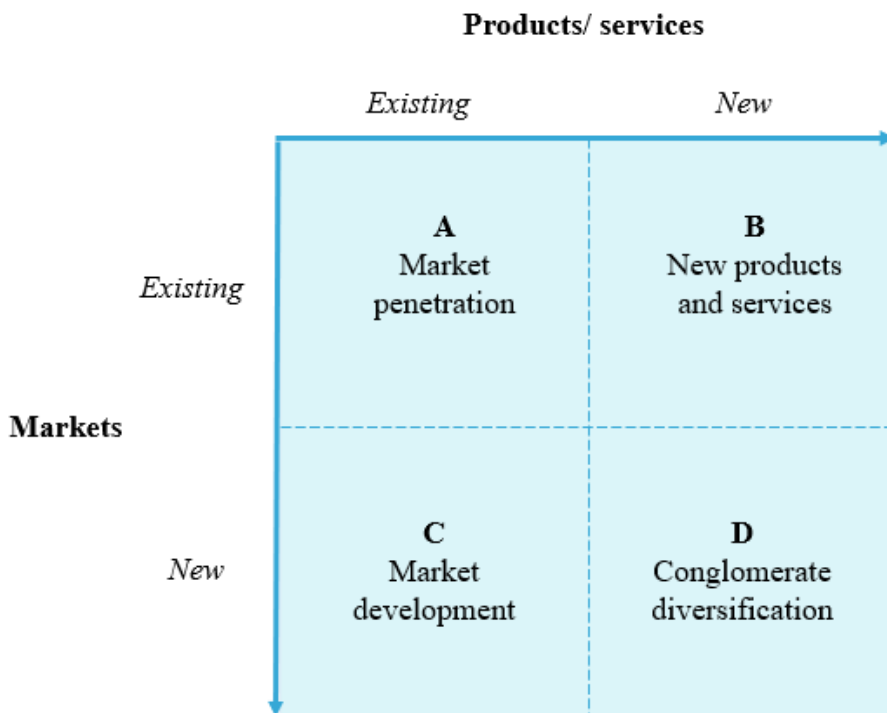
1.1 Market development strategy

There are multiple researchers that dedicate their work to the study of corporate internationalization. According to Johanson and Vahlne (1977), corporate internationalization is a process in which a company gradually increases its international involvement, expanding its activities over a national country's border (Antoncic, Hisrich, & Ruzzier, 2006). Overall, it is a set of corporate actions by which a firm becomes integrated in international economic activities (Mathews, 2006).

Another way to interpret an internationalization strategy is through the Ansoff growth matrix (Ansoff, 1977). The matrix is a theoretical framework that describes alternative corporate strategies, showing four basic directions for organizational growth (see Figure 3 for an adapted version). An organization would typically start its business activities at point A, *Market Penetration*, proceeding to increase its diversity by growing on either of

the two axes (or both at the same time in the case of *conglomerate diversification*). Increasing the range of products and/or markets served by an organization is known as ‘diversification’ (Angwin, *et al.*, 2014). Moreover, related diversification involves diversifying into products or services with a relationship to the existing businesses, whilst unrelated diversification implies moving towards businesses with no clear links to the current ones (Sobrino, 2019).

Figure 3: Ansoff Matrix



Source: Adapted from Ansoff (1977).

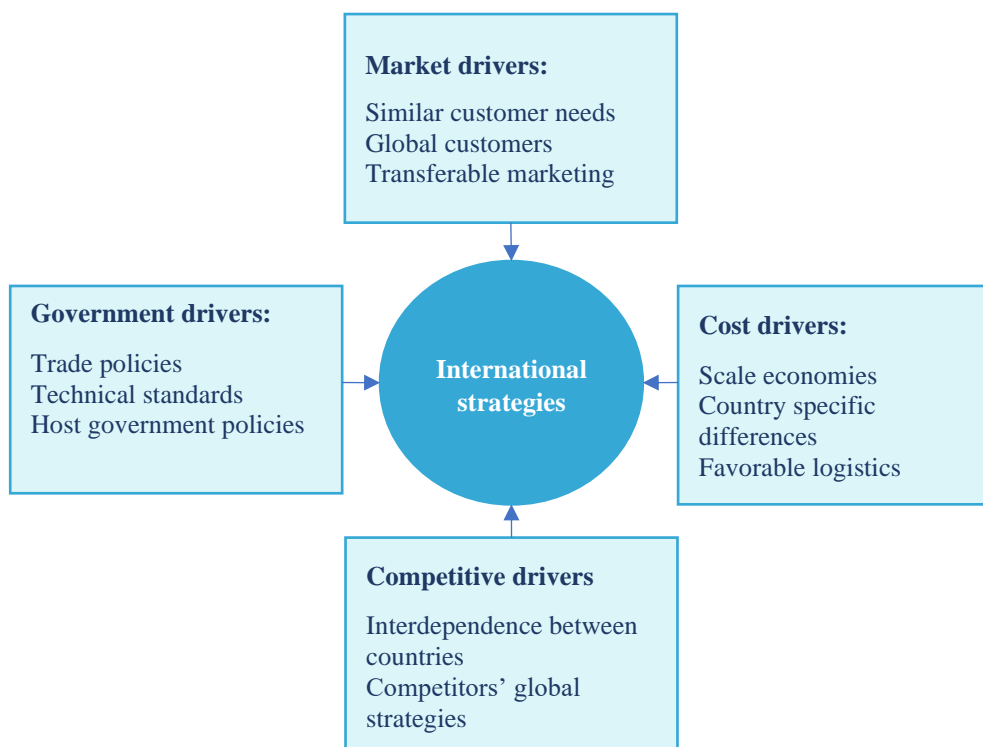
As a result, a company has three diversification strategies available. In the first place, *product development* (zone B), developing new products for its existing markets. In the second place, *market development* (zone C), by bringing its existing products into new markets. Alternatively, it can move in both directions simultaneously (zone D).

The explanation of the four strategies is beyond the point of this work, however, it is important to note that corporate internationalization is a type of *market development strategy*. Such strategy implies increasing the range of geographical markets in which a company operates (Angwin, *et al.*, 2014).

1.2 Internationalization drivers and motives

Corporate internationalization is an important strategic move that has a significant impact on a company's decisions, its operational and financial structure. As a result, it is important to analyze the motives that can lead to this type of strategy, as different companies could be driven by different factors. According to the Yip's driver Framework, there are four types of drivers of internationalization (Yip, 2003):

Figure 4: Yip's Internationalization Driver Framework



Source: Adapted from Yip (2003).

- *Market drivers:* A critical factor that facilitates a process of internationalization is the standardization of market characteristics. Such characteristics could include customer needs and tastes, the presence of global customers and transferable marketing.
- *Cost drivers:* In the first place, internationalization can allow a company to produce and sell more units than those that the sole national market supports or demands. This can generate economies of scale and cost reduction. In the second

place, internationalization allows firms to take advantage of variations in country specific differences. For example, in the fashion industry, manufacturing is often located in countries with lower labor costs such as Bangladesh, but design and commercial activities are placed in areas where expertise is located, such as New York or Milan (Prota & Viesti, 2010). As a result, a company can take advantage of lower-cost opportunities depending on the area where it locates these activities. The third element is favorable logistics, a concept related to the costs of moving products or services across borders, relative to their final value.

- *Government drivers*: This driver is related to the reduction of barriers to trade and investment and has gained notable momentum in recent years. According to the World Trade Organization (2019) trade monitoring report, trade restrictions among the Group of 20 countries (G20) have increased to historic high levels in 2019. G20 economies have implemented 20 new trade-restrictive measures between mid-October 2018 and mid-May 2019. These measures include tariff increases, import bans and new customs procedures for exports (World Trade Organization, 2019). An example of this situation is the new trade US policy and its search for bilateral agreements with China.
- *Competitive drivers*: Countries' economies are becoming more and more interdependent, creating a pressure for global coordination. Consequently, competition has become global as well. For example, the automobile industry no longer competes on a national scale, but worldwide (Jámbor & Nagy, 2018).

Furthermore, a company will become international based on sector, country, and company factors (Sobrino, 2019).

- *Sector factors*: Economic sectors are experiencing a gradual process of overall internationalization, due to the rise of globalization and global competition previously mentioned. An example of this phenomena is standardized worldwide technology: In previous decades, elaborate technological products were developed for defence and government sectors rather than individual consumers. Today, we are seeing an exponential growth of consumer electronics across nations, leading to a global demand and competition.
- *Country factors*: In the first place, a company could be motivated to become international as a response to a saturation or deficiency in the country of origin. For example, due to the saturation in the domestic market of the hotel industry in

Spain in the 90s, many companies started expanding their operations and opening hotels in developing areas such as the Caribbean. In the second place, internationalization can also be motivated by the existence of an opportunity in the country of destination. For instance, migrating to areas with lower regulatory restrictions for a specific sector.

- *Company factors:* One of the main company-related factors is global risk reduction since internationalization allows business to diversify into countries with different demand patterns. In addition, many companies have expanded their operations globally because of strategic dependence. This is the case of many professional service companies, that often follow a client when it moves to another country.

Moreover, many of the previously mentioned drivers and factors revolve around the key point of profitability. In most cases of internationalization, a company starts operating outside its national borders in the search for higher growth and profit opportunities.

Overall, the motives for internationalization can be summarized in the following figure:

Figure 5: Main motives for starting export

Major motives for starting export	
Proactive motives	Reactive motives
<ul style="list-style-type: none"> • Profit & growth goals • Managerial urge • Technology competence/unique product • Foreign market opportunities • Economies of scale • Cost and tax benefits 	<ul style="list-style-type: none"> • Competitive pressures • Domestic market: saturated/ small • Overproduction/ excess capacity • Extend sales of seasonal products • Proximity to international customers/psychological distance

Source: Adapted from Albaum *et al.* (1994).

1.3 Internationalization advantages

There are three types of benefits that an internationalization strategy can generate (Sobrinho, 2019):

- *Market development allows a company to expand its market for current products:* Internationalization implies expanding the business activity from a geographical perspective. In addition, the performance of this strategy is higher if the local competitors of the host markets lack comparable products. However, since the newcomer in the sector can be perceived as a threat, local competitors are likely to react through protectionism or competition.
- *Incorporate and exploit international distinctive capabilities:* Internationalization involves a two-way exchange of information, know-how, etc. between the home and the foreign market. Distinctive capabilities are the source of competitive advantage and a company can export them from its home country to the new markets entered. Alternatively, it can exploit subsidiaries skills in foreign markets, and import them to its traditional markets. For this reason, many internationalization strategies are done through takeovers or M&As (external growth) of local companies: The parent company acquires a local business that has resources or capabilities that are attractive to incorporate.
- *Leverage economies of location of the value chain.* Economies of location consist in placing different activities of a company's value chain in strategic places that provide competitive advantages. This allows the company to reach a higher income, a lower cost, or both at the same time, because of the locations where it places its different operations. This enables value maximization of the company.

1.4 Internationalization barriers and risks

Aside from the previously mentioned internationalization advantages, there are also certain barriers and impediments to internationalization strategies. The main barriers that could negatively influence the initiation of internationalization include (Hollensen, 2011):

- Insufficient knowledge of new markets.
- Lack of foreign market connections and existence of restrictive regulation.
- Lack of capital to finance the expansion into foreign markets.
- Lack of productive capacity and of foreign channels of distribution.
- Management emphasis on developing domestic markets.
- Cost escalation due to high export manufacturing, distribution and financing expenditure.
- Inadequate information on potential foreign customers, competition, and foreign business practices.

Furthermore, critical risks faced in the process of internationalization may generally be divided into three groups. In the first place, *general market risks* include competition from other firms in foreign markets; differences in product usage, language, and culture; complexity of shipping services to overseas buyers, etc. In addition, *commercial risks* refer to exchange rate fluctuations, difficulties in obtaining export financing, delays or damaging in export equipment. Finally, *political and regulatory risks* include foreign and national government restrictions and export policies, lack of government assistance and high foreign tariffs (Hollensen, 2011).

However, it is relevant to consider that not all types of companies are subject to the same barriers or risks, nor in the same intensity. For instance, service providers, specifically technological applications like Bizum, may not have high impact of commercial risks. However, they may be more subject to regulatory risk. An example of this is the recent tumult caused by the disruption of private transport apps such as Uber. These companies have received backlash in certain European cities where they stood in a gray regulatory area and will now face more strict requirements (Lanxon & Thomson, 2019).

2. Analysis of theoretical internationalization models

The process of corporate internationalization is different from one company to another. Depending on its structural, operating, financial, etc. characteristics, a company can follow different models of internationalization (Hollensen, 2011). This section will analyze a set of theoretical frameworks and practical cases that have been considered relevant for the payments industry.

In the first place, after a study of the recommended bibliography, this section will study two theoretical models of internationalization. The first approach studied is the Uppsala framework, a traditional theoretical model based on a set of progressive stages. The second approach studied is the Born-globals internationalization process. This approach could be especially interesting to analyze, since Bizum is a fintech disruptor on board the current tech-movement.

In the second place, a more practical contribution will be made through the analysis of two real company cases of internationalization of the payments industry: Visa and PayPal. The aim is to obtain a deeper insight on the theoretical internationalization models chosen, by studying how they are applied in real-life scenarios.

Finally, this section aims to determine which theoretical model should be applied to Bizum's internationalization strategy and the steps to follow.

2.1 Uppsala internationalization model: Organic approach

The Uppsala model was born when Johanson and Vahlne, two Swedish researchers at the University of Uppsala, started analyzing the method of internationalization of Swedish manufacturing firms in the 1970s. Based on their observations, they established a model that described how these firms chose and entered new markets, in the search for growth and profit at a low risk (Johanson & Vahlne, 1977).

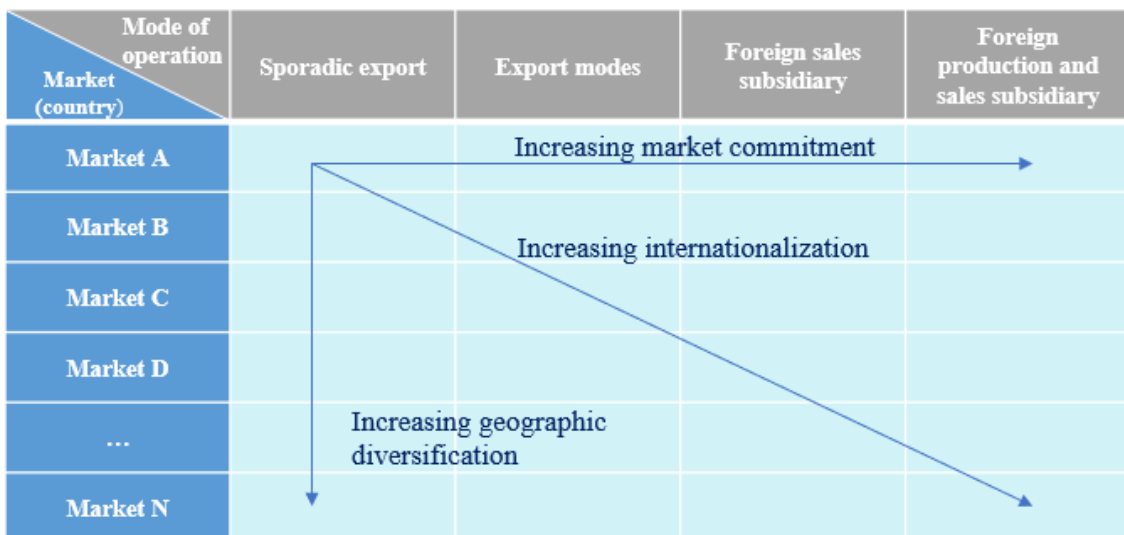
The Uppsala internationalization model follows a set of slow, incremental steps towards internationalization (Hollensen, 2011). This Scandinavian model is structured as a series of 'stages' in which the commitment to each foreign market increases gradually (Johanson & Vahlne, 1977).

Furthermore, companies following this model tend to start their internationalization process by entering markets with which they have a small ‘psych distance’. This term refers to the perceived difference between the home market and the foreign market in terms of language, culture, political system, technological development etc. In other words, it is usual to first enter nearby markets in terms of geography, with the same language, culture, and customer needs, and then progressively penetrate markets that are less correlated (Johanson & Vahlne, 1977).

In terms of the method of entering a new market, the Uppsala model considers that firms should generally start through exports, being unusual to enter a new market through more investment-intense methods such as direct investment. Furthermore, Johanson and Wiedersheim-Paul (1975) determined four entry-methods from less to more commitment to the new market:

1. Sporadic export.
2. Export modes (export through independent intermediaries).
3. Foreign sales subsidiary establishment.
4. Production units established in foreign markets.

Figure 6: Johanson and Wiedersheim-Paul Framework



Source: Adapted from Johanson & Wiedersheim-Paul (1975).

However, the Uppsala model has certain loopholes for which it is not considered the most accurate. Swedish technical consultants determined that many firms participate in a phenomenon called 'leapfrog' (Hollensen, 2011). This meant that they skipped certain stages described by the model: they would enter markets with a high psych distance through direct investment rather than exporting and increasing internationalization commitment gradually. For example, the United Kingdom, Germany, and the United States had become a more common first target for Swedish firms, rather than their Scandinavian neighbors. Such leapfrog scenarios often took place in service firms. As a result, the Uppsala Model is considered flawed for these types of companies (Hollensen, 2011).

Moreover, in the context of the company studied in this final dissertation, Bizum, it is relevant to consider that some authors define models of internationalization exclusive for service-providing companies.

There is a popular classification of strategies for service internationalization proposed by Gönroos (1999): In the first place, the *client-following model* consists in following existing clients when they internationalize. In the second place, the *market-seeking model* actively seeks for new markets. Finally, the *electronic marketing model* was born when the rise of Internet and satellite TV opened new doors in terms of internationalization, allowing firms to reach foreign markets faster and cheaper. Moreover, these strategies are not mutually exclusive but complementary.

Another criticism of the Uppsala model is that it does not consider the interdependence between countries and only studies each of them isolated (Hollensen, 2011). Due to the current globalization scenario, country-interdependence is becoming increasingly significant. It allows companies to obtain knowledge faster and easier, decreasing psych distance between countries. Moreover, Madsen and Servais (1997) analyzed the importance of networks in the internationalization process, concluding that firms should not be evaluated isolated. Instead, established links between other actors within and outside national borders should be considered. The authors regarded that the Uppsala traditional approach fails to consider this aspect.

Overall, the model's criticism claims that "it is no longer necessary to build up knowledge in-house in a slow and gradual trial and error process", like the Uppsala Model does (Hollensen, 2011, p-76).

2.2 Born-global Internationalization model: Challenging the traditional approach

Certain academics mention terms such as “International New Venture” (McDougall & Oviatt, 2004); “Born Global” (Madsen & Servais, 1997) and “Global Start-up” (McDougall & Oviatt, 1995), to refer to technology-oriented firms that become international shortly after their creation. As a result, these firms do not follow the gradual steps of a traditional internationalization model.

Born-globals are those companies that from inception pursue becoming global without any preceding long term domestic or internationalization period, applying their knowledge-based resources (McDougall & Oviatt, 1995). The typical Born-global is an SME with not over 500 employees and annual sales under \$100 million, with a high importance given to an updated and frontline technology (Hollensen, 2011). In addition, one of the most important factors of their organizational culture is that these companies tend to be led by visionary entrepreneurs with a strive for growth and global impact. Moreover, they usually have a background in international ventures and experience in leadership and innovation (Hollensen, 2011).

Another determining characteristic of these types of companies is their network system. As young ventures with a lack of knowledge or resources, Born-global startups establish relationships with other agents in the market in order to accelerate their learning process and growth. In other words, innovation, R&D, knowledge development and capabilities (Cavusgil & Knight, 2004) are determining factors for the success of a born-global company.

A recent study by McKinsey (2019) on next-generation global organizations highlights the growing importance for firms to become global. The article refers to the new wave of globalized companies as Born-globals, noting as an example that it took the early Asian corporate globalizers such as Sony or Honda 15 or more years to become global, but only 5 or so years for Tata and Lenovo to do so.

The study included over 300 interviews to executives at 20 of the worlds leading organizations. It concluded that more than half expected radical changes to their business models over the upcoming decade. Moreover, they considered that an acceleration of their metabolic rate (the pace at which companies change) was going to be essential (McKinsey, 2019).

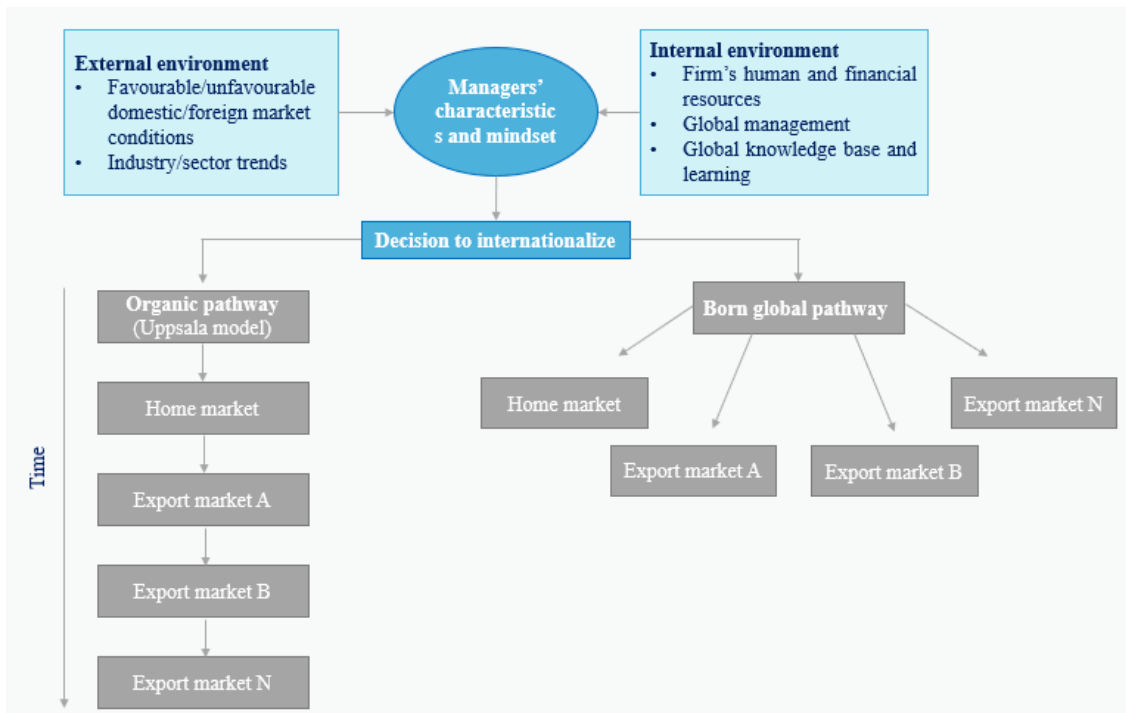
Moreover, there are certain drivers that have increased the presence of Born-globals in the economic scene (Hollensen, 2011):

- *Increasing role of niche markets*: many small firms react to the increasing competition of large multinationals by providing specialized products and serving the needs of very specific niche markets.
- *Advances in process/technology production*: New technology has allowed manufacturing processes that allow smaller players in the market to become relevant in the competitive environment.
- *Flexibility*: small, competitive SMEs are better at adapting to changes in demand and international dynamics than large, traditional multinationals.
- *Global networks*: the growing importance of globalization has allowed the creation of networks between international players, making activities such as distribution, communication, or know-how transfer, faster and easier.
- *Advances in speed and information technology* have allowed faster, cheaper flows of information. Furthermore, the mass spread of Internet platforms and mobile applications allows small firms to reach global markets.

2.3 Comparison of the Uppsala and the Born-global models

The two previous sections introduced the Uppsala and Born-global models from a theoretical perspective. These two models are considered opposites by Hollensen (2011) due to their different approaches to internationalization in terms of momentum, resources, risk, etc. A comparison between them is relevant to fully understand their contrasting characteristics.

Figure 7: Uppsala vs Born Global models



Source: adapted from Åijö *et al.* (2005).

The Uppsala model describes a more conservative approach, since it involves the company entering a new market slowly, only after it has dominated the domestic market. In addition, the new entry is initially made through exporting and to those countries that have a small psych distance with the home market. As a result, one of the main objectives is to mitigate the risk of uncertainty. On the other hand, Born-globals tend to become international faster and in multiple directions. They enter several markets at the same time, with which they do not necessarily have a small psych distance. Moreover, these companies are normally led by a leader that has a lower risk-perception when entering an unknown market.

Furthermore, the Uppsala model follows an organic path, with a use of the company's own resources and an incremental knowledge acquisition. However, Born-globals tend to rely on third-party partnerships and on a cooperative network that allows a faster and simultaneous growth and internationalization (Hollensen, 2011).

The following table summarizes and contrasts the main characteristics of the two models discussed.

Table 2: Comparison of Uppsala and Born-global models of internationalization

	U-Model	Born-global Theory
Firm Characteristics	Traditional, incumbent firms mostly large in size	Young firms with small size, hybrid structure and limited tangible assets
Business Strategy	Not referred in the model	Offer innovative, high- quality and cost-effective products to niche markets
Approach to Internationalization	Reactive and opportunistic	Proactive and structured
Speed of Internationalization	Slow and incremental	Rapid internationalization
Domestic market	Strong domestic base before internationalization	Less important: small or non-existent domestic market
Psych Distance	Internationalize to small psych-distance countries	Psych distance is not a constraint for internationalization
Reasons to internationalize	Domestic downturns and search for a more solid market platform	Grow and exploit foreign market opportunities to increase global market share and profit
Market advantage	Various years of operations and loyal customer base	Strong knowledge-base and technology competence
Vision of foreign market	Higher risk-perception due to uncertainty: company keeps risk taking at a lower level	Foreign markets are seen as an opportunity
International knowledge and experience	Expertise in internationalization can only be acquired with experience and is resource-intensive	Entrepreneur is crucial in the internationalization process detains international experience and knowledge on foreign markets
Market commitment decisions	Gradual acquisition, integration and use of knowledge. Due to market uncertainty, commitments are made in small steps	Entrepreneur has experiential knowledge about foreign markets, so market commitments are made faster
Role of Networks	Networks are used in early stages and gradually replaced with firm's own resources	Networks are crucial for the firm expansion, rapid creation and different markets exposure
Special Case	Non-existent	Born-again global firms

Source: Adapted from Carqueja (2005).

2.4 Internationalization model of the payments industry: The Visa vs. PayPal case

After analyzing and comparing two theoretical models, this section will provide a more practical perspective through the analysis of two real company cases of internationalization: Visa and PayPal.

These companies have been chosen due to their relevance in the payments industry. Moreover, each of them illustrates the real-life application of the previously analyzed theoretical modes. Visa followed an Uppsala oriented internationalization process, whilst PayPal is a clear example of a Born-global firm.

2.4.1 Visa

In 1958, Bank of America launched in California the first general-purpose consumer credit card for middle-class consumers and small to medium-sized merchants. The program was so successful that in 1965, Bank of America reached agreements with multiple American banks outside of California, creating Bank Americard in unison (Visa, 2016).

The company started to expand internationally in 1974. In accordance to an Uppsala Model, Bank Americard followed a gradual step-by-step process. It started by entering countries with a small psych distance. First, it expanded to Canada, then Europe, finally moving towards Asia (Visa, 2016). Moreover, it followed a licensing entry-method that was low in terms of risk and investment. The company gave licenses to different national banks to act as partners within each local market, so that all of them issued the credit card. In exchange, the banks had access to the company's information, product platform and brand image. In 1972 there were licenses in around 15 countries. Two years later, IBANCO was created, a multinational corporation that managed the international BankAmericard program. As the company expanded globally, it was no longer logical for it to be named after a single American financial institution. As a result, in 1977 it came to be known as Visa, a word that could be identified homogeneously in all languages without referring to a particular bank (Visa, 2016).

Before its Initial Public Offering (IPO) in October 2007, Visa operated as five corporate entities with the same ownership and membership: Visa USA, Visa International (made

up of the operating regions of Asia Pacific, Latin America, and Central and Eastern Europe, Middle East and Africa), Visa Canada, and Visa Europe. According to the corporate IPO prospectus, each of them operated as different geographic regions, serving its member financial institutions, and administering Visa programs in each region (Visa, 2007).

In 2007, Visa was reorganized in order to become more competitive. Visa U.S.A, Visa International, Visa Canada, and Innovant, a subsidiary owned by Visa U.S.A, became subsidiaries of Visa. As a result, the different regional businesses that before were separately distributed around the world were merged to form the holding: Visa Inc. However, Visa Europe remained set aside and governed by its member European financial institutions until 2016, when it was fully acquired by Visa Inc (Visa, 2007).

Today, Visa is present in over 200 countries and enhances global commerce, acting as an intermediary of value and information between financial institutions, businesses consumers, and government bodies. Moreover, its primary customers are the financial institutions, which are in charge of issuing the Visa-branded cards. Visa Inc. provides them the Visa brand, which they use to offer credit, debit, prepaid and cash access programs to their clients, as well as information, research and development and brand image (Visa, 2020).

2.4.2 PayPal

PayPal is a global mobile payments company, with over 250 million users from more than 200 countries, providing its services in 25 currencies. Users of the app can send money from their bank, debit cards or PayPal balance to almost anybody in the world with just their mobile number or email address. In addition, this service is free of charge if the money is transferred within the region (European Union in the case of Spain), having to pay a fee if the payment requires a currency exchange (PayPal, 2020).

PayPal is intrinsically a Born-global firm. It became a global company since its inception an internationalization was one of its founding goals. The company's internationalization followed a dynamic process, without the need of entering markets with a close psych distance. Moreover, the company automatically became international by offering its downloadable service around the globe, without following strict step-by-step procedures.

In contrast, the company enters new markets with greater speed, through riskier strategies such as direct investment or strategic alliances with existing players.

In 2014, McKinsey interviewed Laurent Le Moal, the company's vice president and general manager for Continental Europe, the Middle East, and Africa. In terms of geographical expansion, he stated that the classic procedure of American companies going to Europe, starting with the UK, and then expanding into Germany and Southern Europe, does not apply anymore. He argued that the entry to fast-growing markets such as Brazil, India, China, Africa, or Central Europe requires a fresh look at the customer base, with a faster and more dynamic entry approach (McKinsey, 2014).

2.5 Bizum's internationalization model and Hollensen's internationalization phases

After presenting two models (Uppsala and Born-global) from a theoretical and practical point of view, this section will study which is a better match for Bizum's internationalization.

An alternative would be to follow a pure Uppsala-oriented approach, taking gradual steps with an incremental commitment to each market. If Bizum applied this model, the company would first consolidate its home market (Spain). It would aim to reach sufficient scalability to become a widespread payment method both for individual transfers and merchant transactions. Only after the home market is dominated would Bizum start to consider international expansion into countries with a short psych distance and low risk. The company would then enter each target market at a time, with the aim of slowly consolidating its international position.

However, Bizum has certain characteristics that resemble technology-driven Born-globals. In the first place, the company is a young, small-sized business with few employees. Moreover, networks are crucial for firm expansion. The company has had an exponential growth in the Spanish market, reaching almost seven million users in only three years (Bizum, 2020). In addition, its business model is based on a strong knowledge-base and technology competence, with a low-cost structure and limited tangible assets (Sociedad Procedimientos de Pago, S.L., 2018). In order to gain a relevant position in

international markets, the company would penetrate multiple markets simultaneously before competition closes its window of opportunity. Moreover, it would enter markets without considering their psych distance and with a high-risk tolerance.

However, Bizum is neither a pure Uppsala traditional company that grows organically, nor an obvious Born-global like PayPal. Even though the company is a fintech with similar characteristics to Born-globals, it is relevant to consider a core aspect of its business model: it is a collaborative project between financial entities. As a result, if its business model is exported to other countries, its internationalization would not be immediate like for Born-globals: There would be regulatory requirements, negotiation processes with local banks, etc. As a result, it is not equivalent to other fintechs since the app depends on other players (financial entities) that have slower metabolic rates. According to a the Born-global model, internationalization should be a founding goal for Bizum (Hollensen, 2011). However, even though the Managing Director of the company does not discard the possibility of becoming international in the future, he admits that it was not a core objective since the company's creation (Nigorra, 2020).

As a result, Bizum should follow a mixed strategy, combining aspects of both models presented: As the firm penetrates the Spanish market further and starts to consolidate its revenue-sources, it should simultaneously start to apply a market development strategy and position itself in key markets were regulatory and strategic aspects are facilitators.

In corporate strategy, each company is different and rarely fits a perfect mold. In other words, it is rare to find companies that perfectly match an Uppsala or Born-global approach. In contrast, it is common to find companies that have characteristics of several models, like Bizum. As a result, Hollensen (2011) provides a general framework based on five phases, that can be applied to any company that aims to become international.

The phases proposed by Hollensen (2011) include:

1. *The decision whether to internationalize*: This first phase consists in studying the current situation of the company, through a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. The aim is to determine if an internationalization strategy is compatible with the company's business model.
2. *Deciding which markets to enter*: The next step is to determine which are the optimal markets to be entered, based on different factors (risk, profitability, cultural affinity, etc.)

3. *Market entry strategies*: Once the target markets have been selected, the company must determine how and when each of them will be entered.
4. *Designing a global marketing plan*: Hollensen considers necessary to establish a global marketing plan through the study of the company's marketing mix.
5. *Implementing and coordinating the global marketing plan*: The last phase consists in coordinating and implementing such plan, monitoring the results of the company after its internationalization, and determining future lines of business. This last phase is out of the scope of analysis of this Final Dissertation.

The previous phases will be applied to the internationalization case of Bizum. Moreover, this general framework allows the company to incorporate characteristics of both Uppsala companies and Born-globals. This enables an internationalization plan that best fits its business model, without restricting it to a single, rigid plan.

PART 2: DESIGN OF AN INTERNATIONALIZATION PLAN FOR BIZUM

1. PHASE 1: The decision whether to internationalize.

Hollensen (2011) highlights the need to perform a SWOT analysis of the company, examining both internal and external characteristic in order to evaluate the feasibility, drivers, and risks of an internationalization plan.

Table 3: Bizum SWOT analysis

STRENGTHS	OPPORTUNITIES
<p>Bizum is a collaborative project of the Spanish banking sector.</p> <p>The company leverages its member banks' reputation, client trust, data, and access.</p> <p>Compliant with European transactions regulation and supported by multiple banking associations.</p> <p>Network effects have enabled exponential growth in its home market (over seven million users in three years).</p> <p>Leading position and low competitive pressure in its home market.</p> <p>Improved customer experience and high level of customer satisfaction.</p> <p>Agile, innovative, automatized technology.</p> <p>Low-cost and low-leveraged structure.</p>	<p>Changing global consumer preferences towards digitalization of the payments industry.</p> <p>Standardized market characteristics in the Eurozone.</p> <p>Homogeneous regulation in the Eurozone for the financial payments industry.</p> <p>Adaptable technology through IBAN-based technology.</p> <p>European banks' initiative to create pan-European payments solution (an opportunity or threat depending on the role that Bizum plays)</p> <p>Strategic alliances with incumbents (i.e local banks) and disruptors (other fintechs) to penetrate new markets.</p> <p>Growth in online shopping and in-store payments.</p> <p>Potential revenue sources (i.e. merchant commissions).</p>
WEAKNESSES	THREATS
<p>Slower and more complex decision-implementation processes due to the collaboration of multiple players (Spanish financial entities).</p> <p>Lack of single collaborative app for all banks (currently a work-in-progress).</p> <p>Negative accounting result for the latest reporting period (2018).</p> <p>Only substantial revenue line: monthly invoice to collaborating banks.</p>	<p>High international competitive pressure.</p> <p>Global competition and increasing number of mobile payment fintechs.</p> <p>Changing regulation on information confidentiality and cybersecurity.</p> <p>The mobile payments industry is relatively young and has certain risk of uncertainty.</p> <p>Operating challenges such as technological adaptation of the software.</p> <p>European banks' initiative to create pan-European payments solution</p>

Source: Own elaboration

Based on the previously presented in the SWOT analysis, this section will determine Bizum's main internationalization drivers and impediments.

One key driver for Bizum's internationalization is the standardized market characteristics in the Eurozone. In the first place, there are homogeneous consumer demands for instant mobile payment services (Hartmann, Hernandez-van Gijssel, & Vandeweyer, 2019). This trend has been evidenced by the emergence across Europe of multiple mobile payment fintechs. In the second place, a crucial aspect for Bizum's internationalization is the technological homogeneity. Banking-sector-sources claim that there are no technical barriers to prevent the international expansion of Bizum. Its technology has proven to be viable in the Spanish market and a system that allowed instant transactions across borders would require short time to adapt (Sarriés & Stumpf, 2020).

The company has also made sure to have a green light on regulatory requirements on cybersecurity, privacy, consumer protection etc., which is one of the most relevant barriers of entry for its sector. The app is compliant with the PSD2 and supported by multiple banking associations. This allows it to have a solid regulatory base on which to expand its operations. Some competitors are lagging behind in this crucial aspect of the financial sector in which Bizum has a competitive advantage. For example, Apple Pay is under scrutiny by EU antitrust chief Margrethe Vestager and antitrust regulators in the Netherlands, Germany, and France. They demand the company to open up its payment technology to competitors (Waldresee & Yun Chee, 2019).

In the same line, it is important to consider that the financial regulatory system is homogeneous in the Eurozone. The creation of the Economic and Monetary Union and the introduction of euro banknotes in the early 2000s allowed cash payments in the same currency in the Eurozone. This increased the convenience and simplicity in transactions. However, the field of non-cash payments remained in a fragmented situation. To help alleviate this situation, the Single Euro Payments Area (SEPA) was born. This acronym refers to the area in which citizens, companies and other economic agents can make and receive payments in euros. They have homogeneous rules and basic conditions, regardless of their location and whether or not such payments involve cross-border processes. As a result, transactions are processed safely and efficiently, creating a scenario that allows greater innovation, dynamism, and competition (European Central Bank, 2013). The territory covered by the SEPA zone comprises 34 countries: 28 EU member countries

as well as Iceland, Liechtenstein, Monaco, Norway, San Marino, and Switzerland (SEPA, 2020).

This homogeneity implies that all the SEPA member countries follow the IBAN identification system on which Bizum bases its technology. The app's technological development was conceived so that it could include not only Spanish entities, but all types of banks regardless of their nationality (Sarriés & Stumpf, 2020).

In addition, the idea of promoting a pan-European mobile transfer solution has been in European banks' visions for years. The 2019 announcement of the launch of Libra, the cryptocurrency payment technology developed by Facebook, has accelerated this idea. Within this context, Bizum, has been considered as an option. Sources from two of the largest Spanish banks confirm that the app could be extended throughout Europe. Alternatively, a new brand not linked only to Spain could be launched taking advantage of Bizum's technology. However, no definite decision has been made at the moment (Sarriés & Stumpf, 2020).

According to Bizum's Managing Director, the creation of a pan-European payments solution would change the "natural course" of Bizum's evolution. It would be a very relevant event in which the company would have to weigh which role to play. He considers that there is no other European company with Bizum's current success in terms of customer user and transaction volume. As a result, a pan-European solution should consider leveraging Bizum, or its business model (Nigorra, 2020).

One of the key issues in the industry is competitive pressure. Countries' economies are becoming more and more interdependent, leading to global markets. As a result, competition is becoming global in the payments industry. There are already platforms such as PayPal or Apple Pay that provide their services internationally. Consequently, companies aiming to have an international position must do so in the short run before the market becomes too concentrated.

However, Bizum has a head start with regards to European competitors, which have not had such a reception in their home markets. For instance, the French or German alternatives accumulate just a couple million registrations each and record much lower usage data. This is convincing Spanish banks to push in favor the extension of Bizum to the rest of the Eurozone (Sarriés & Stumpf, 2020).

In conclusion, Bizum has certain competitive advantages in the mobile payments industry that it could leverage in its internationalization. The homogenization of demand, regulation and technology in the Eurozone would facilitate this process. Moreover, rising competitive pressure urges the company to act quickly before the market becomes saturated. Internationalization is an attractive opportunity that the company should further analyze.

2. PHASE 2: Deciding which markets to enter.

In order to decide which markets to enter, it is important to analyse their potential benefits versus risks to overcome. Theoretical frameworks are useful since they provide an idea of how attractive a specific environment is by geographic and functional analysis (Sobrino, 2019).

In particular, the *CAGE framework* analyses the differences between the national market and the new market that a company plans to enter. In order to make such analysis there are four key factors considered: cultural, administrative, geographical, and economic (Ghemawat, 2003).

Figure 8: CAGE Framework

CAGE framework			
Cultural	Administrative	Geographic	Economic
<ul style="list-style-type: none"> • Language • Preferences • Needs • Social manners 	<ul style="list-style-type: none"> • Colonial links • Political or economic accords • Political relationships • Law • Corruption 	<ul style="list-style-type: none"> • Distance • Existence of a common border • Country size • Transport systems • Climatic differences 	<ul style="list-style-type: none"> • Average income • Natural resources • Financial resources • Human resources • Infrastructure • Information or knowledge

Source: Adapted from Ghemawat (2003).

This framework has been used to analyse the differences between the national, Spanish market and the new markets that Bizum could consider targets. In order to make such analysis the traditional CAGE framework has been adapted to meet the characteristics of a technological mobile payments company, omitting, and adding certain categories.

All of the countries in the SEPA have been included in the sample. In order to analyse them, the Excel tool has been used. A table has been constructed with all the relevant data, applying filters when appropriate. This process has allowed the reduction of the complete sample (see Annex 1: Unfiltered CAGE framework) to a selective number of target countries.

2.1 Cultural factors

In order to analyse the cross-cultural differences and affinity between countries, the Hofstede cultural dimension theory has been used. This model gives countries a score based on six factors (Hofstede Insights, 2018):

1. *Power distance*: Degree to which the less powerful members of a society accept and expect an unequal distribution of power.
2. *Individualism versus collectivism*: A society's position on this dimension is reflected in whether people's self-image is defined in terms of 'I' (individualism) or 'we' (collectivism).
3. *Masculinity versus femininity*: Masculinity represents task-orientation, preference for achievement and material rewards. Femininity implies a preference for cooperation, quality of life and people-orientation.
4. *Uncertainty avoidance*: Degree to which the members of a society feel uncomfortable with the uncertainty and ambiguity of the future.
5. *Long-term versus short-term orientation*: Honoring traditions and viewing societal change with suspicion versus encouragement to prepare for the future through education.
6. *Indulgence versus self-restraint*: Indulgence is high in a society that encourages free gratification of basic human drives. Restraint refers to a society that suppresses and regulates them with strict social norms.

In the first place, the Hofstede scores have been obtained for each country in the sample (see Annex 2: Hofstede's data per country). In the second place, the differences between Spain's and the target countries' scores in each of the six factors have been calculated and ranked (see Annex 3: Cultural affinity ranking based on Hofstede data). The ranking has been obtained through an Excel conditional formula, assigning a value from least to most culturally compatible on a scale of 1 (least) to 5 (most). This factor has been filtered to only consider those countries that rank equal or above the median (3):

Table 4: Countries considered based on cultural affinity ranking

<i>CAGE</i>	<i>Cultural affinity</i>
Countries	Cultural affinity
<i>Spain</i>	-
Belgium	3
Bulgaria	3
Croatia	5
Czech Republic	5
France	5
Germany	3
Greece	5
Italy	5
Luxembourg	5
Malta	5
Portugal	4
Romania	3
Slovenia	5

Source: Own elaboration based on Hofstede Insights (2018)

2.2 Administrative factors

Administrative factors generally refer to colonial links, political or economic accords, political relationships, legal aspects, etc. (Ghemawat, 2003). This study has particularly focused on the regulative perspective since it is one of the key barriers of entry in the payments industry and crucial for the feasibility of Bizum's internationalization plan.

The countries in the sample are those that form part of the Single Euro Payments Area (SEPA), as previously mentioned. This implies that all of its member countries follow the IBAN identification system on which Bizum bases its technology. This provides a competitive advantages when it comes to expanding the service internationally and allows a faster adaptation of the app.

Figure 9: Member countries of the Single Euro Payments Area



The countries included are Spain, Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Slovakia, Slovenia, Estonia, Finland, France, Greece, Hungary, Ireland, Iceland, Italy, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Norway, Netherlands, Poland, United Kingdom, Czech Republic, Portugal, Romania, San Marino, Sweden and Switzerland.

Source: SEPA (2020).

An additional factor that has been considered is that potential target markets should have a common regulator (European Central Bank) and currency (Euro), in order to facilitate the internationalization process and adaptability of the platform.

This filter has had the implication of eliminating most Scandinavian countries from the sample. These countries presented interesting characteristics from an economic point of view, especially due to their high development of mobile payments. However, in a first step towards internationalization, homogeneous currency and regulator have been considered the priority.

Table 5: Country classification based on Regulator

	Regulator	Countries
Common Regulator	European Central Bank (ECB)	Spain Austria Belgium Cyprus Estonia Finland France Germany Greece Ireland Italy Lithuania Luxembourg Malta Netherlands Portugal Slovakia Slovenia
Other regulators	Bulgarian Financial Supervision Commission Croatian Financial Services Supervisory Agency Czech National Bank Danish Financial Supervisory Authority (Finanstilsynet) Hungarian Financial Supervisory Authority (HFSA) Financial Superior Advisory Financial Market Authority (FMA) Financial activities control commission Norwegian Financial Supervisory Authority (Finanstilsynet) Polish Financial Supervisory Authority (KNF) Romanian Financial Supervisory Authority (ASF) Central Bank of San Marino The Financial Supervisory Authority (Finanstilsynet) Swiss Financial Market Supervisory Authority (FINMA) Financial Conduct Authority	Bulgaria Croatia Czech Republic Denmark Hungary Iceland Liechtenstein Monaco Norway Poland Romania San Marino Sweden Switzerland United Kingdom

Source: Own elaboration

2.3 Geographical factors

Within the theoretical, geographical analysis of the CAGE framework, factors such as physical distance, existence of a common border, transport systems or climatic differences between countries are often considered (Ghemawat, 2003). However, in the context of a fintech like Bizum, such aspects seem less relevant. Bizum is a provider of a technological service whose business model pays little attention to transportation and other export-related factors. However, country size in terms of population and Gross

Domestic Product (GDP) are comparable indicators of the potential market and have been considered in the analysis.

Those countries in the sample with a lower market size (in terms of population and GDP) than Spain's have been eliminated as candidates for internationalization. However, one exception to such rule has been Portugal, maintained in the sample for its cultural affinity, proximity, and potential as a pilot market. Population has been measured in millions and GDP in billion US dollars (The World Bank, 2018).

Table 6: Countries with larger market size than Spain

<i>CAGE</i>	<i>GEOGRAPHICAL</i>		
Countries	Distance (Km)	Population (Mn)	GDP (\$ Bn)
<i>Spain</i>	-	47	1419
France	800	65	2778
Germany	1613	84	3948
Italy	1371	61	2084
United Kingdom	1656	68	2855

Source: Own elaboration based on the World Bank (2018) data.

Following the previously analyzed factors and their filters (cultural, administrative, and geographic), the remaining target markets to be further analyzed are France, Germany, Italy, and Portugal.

2.4 Economic factors

Finally, economic aspects have been studied through the analysis of three variables: *mobile penetration*, *payment card penetration*, and *concentration of the banking sector* in each potential market.

Mobile penetration and its link with Internet usage have been studied in the different countries through their Mobile Connectivity Index Score. The GSM Association (GSMA) is an industry organization that represents the interests of mobile network operators worldwide. Its 2019 report studied the mobile-internet-connectivity around the world. It developed a regional analysis to determine each country's Mobile Connectivity Index

Score, which could belong to four clusters: Leader, Advanced, Transitioner, and Emerging. In the SEPA, all countries scored as leaders or advanced: Leaders (score above 75 and marked as green in the Excel sample table) generally had very high levels of mobile internet penetration, almost all above 60% and the majority above 70%. Advanced countries (score above 65 and marked as light yellow) usually had high penetration rates, above 50% (GSMA, 2019).

In our unfiltered sample, Scandinavian countries such as Norway or Denmark showed the highest scores, followed by Ireland and the United Kingdom. Within the filtered sample (France, Germany, Italy, and Portugal), all except Italy were considered leaders.

Table 7: Comparison of Mobile Penetration 2018

<i>CAGE</i>	<i>ECONOMIC</i>
Countries	Mobile Connectivity Index Score
<i>Spain</i>	78
France	79
Germany	80
Italy	74
Portugal	76

Source: Own elaboration based on GSMA Report (2019).

As evidenced in the previous figure, the four chosen European countries have similar ranking. Italy is classified as advanced, and not leader, but does not have a significant numerical difference. Moreover, according to the GSMA Report, it is expected to upgrade into the leader category in the following years (GSMA, 2019).

Payment card penetration has been analysed through two variables (European Central Bank, 2018): ¹

- In the first place, penetration has been measured through the relative importance of payment cards¹ as a payment method. This variable is calculated as the number of payments that were made with a card in 2018, over the total number of payments in 2018 in each country. This number illustrates the proportion of

¹ Includes payment cards issued by resident participating payment service providers (PSPs).

payments were made with cards with respect to alternative methods (cheques, cash, direct debits, credit transfers and others).

- In the second place, another variable studied was the total number of card payments per capita in 2018, in each country.

Those countries with a higher relative card importance and with higher number of per capita payments (both variables are correlated) present a higher card penetration.

Table 8: Comparison of payment card penetration 2018

<i>CAGE</i>	<i>ECONOMIC</i>	
Countries	Relative card importance (%)	Card payments per capita
<i>Spain</i>	58	101
France	57	198
Germany	23	64
Italy	47	53
Portugal	71	172

Source: Own elaboration based on European Central Bank (2018) data.

As a benchmark, Spain had 58% of card relative importance and 100 card payments per capita in 2018. In comparison, France and Portugal stand out, having the highest payment card penetrations when considering both variables. However, Germany and Italy seem to have a lower card penetration.

A European Central Bank (2017) study on the use of cash by households revealed that consumers used cash more frequently than other payment instruments in the Eurozone. However, payment cards were the second most frequently used payment method. Moreover, the study showed that in some countries like Greece and Italy, there were still a considerable number of people below the age of 55 without internet access or who did not use the internet frequently. Thus, these countries were less likely to adopt new means of payment quickly. In fact, these were countries where consumers made the highest number of cash payments per day. Comparing the use of cash per country, the ECB concluded that cash was used most in southern euro area countries, as well as in Germany (Esselink & Hernández, 2017). This information confirms the lower ranking obtained in card penetration in Italy and Germany.

The final variable analyzed in the CAGE framework is the *degree of concentration of the banking sector* in each target country.

A concentrated industry is one in which few firms have the majority of the market share (Sobrino, 2019). Moreover, Bizum provides a value adding service to financial institutions and volume is the key aspect of its business model. The more concentrated the financial sector, the faster and easier it would be to reach network effects: Bizum would gain faster access to clients and need to negotiate with fewer local banks. On the other hand, if the sector is very fragmented, the process would be longer and more tedious.

Two variables have been analyzed based on European Union financial indicators (European Central Bank, 2018):

- The first variable is the Herfindahl index (HI) of the sector. It refers to the concentration of banking business based on total assets. The HI is obtained by summing the squares of the market shares of all the credit institutions in the banking sector. It is measured as an index ranging from 0 to 10,000 (Sobrino, 2019).
- The second variable is the share of total assets of the five largest credit institutions in each country.

Table 9: Comparison of banking sector concentration 2018

<i>CAGE</i>	<i>ECONOMIC</i>	
Countries	Herfindahl index	Assets of 5 largest credit institutions (%)
<i>Spain</i>	1138	69
France	664	48
Germany	245	29
Italy	579	46
Portugal	1202	73

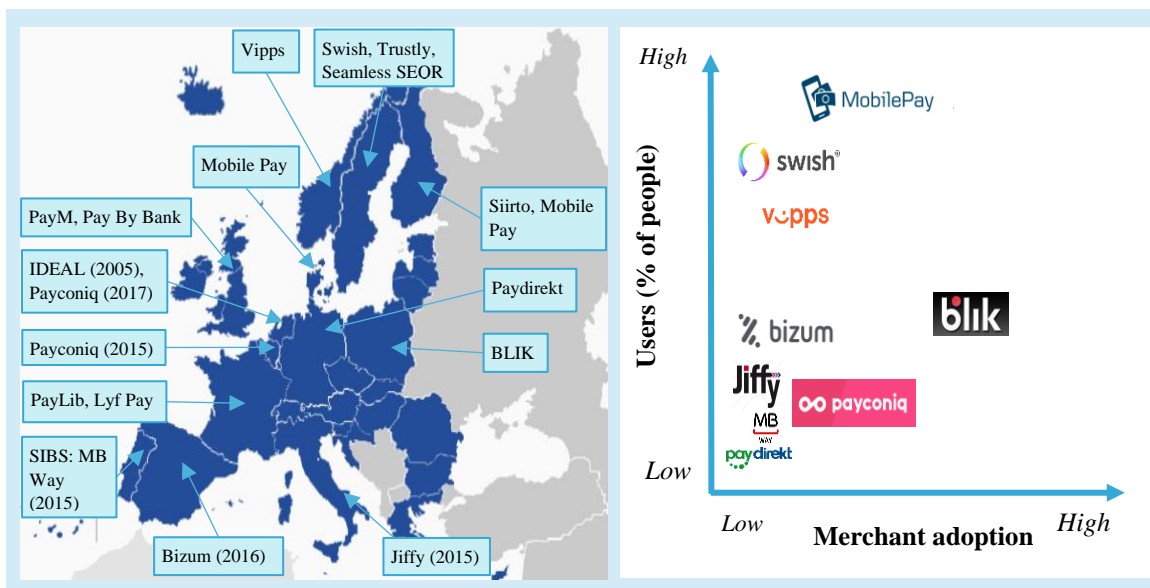
Source: Own elaboration based on European Central Bank, 2018 data.

As seen in the previous figure, Portugal stands out as the country with the highest banking sector concentration. In the other extreme, Germany has a relatively fragmented sector. Moreover, Italy and France have a similar characteristics, with a slightly lower concentration than Spain's.

2.5 Competitive analysis of potential markets

In order to study the alternative markets in more depth, one of the key aspects to analyze is their competitive landscape. In all major countries in the SEPA there is at least one mobile application active for peer-to-peer (P2P) payments. However, adoption is still limited in most cases (Personal communication, 2020).

Figure 10: Map of main mobile peer-to-peer apps and their adoption



Source: Adapted from Personal communication (2020)

2.5.1 Competitive landscape in France

Paylib is one of the most comparable companies to Bizum, as it was born as a collaborative project between French banks. The app was created in 2013 by an initiative of GIE Cartes Bancaires (CB), the national interbank French network. It had the collaboration of three partner banking groups: BNP Paribas, La Banque Postale and Société Générale. Since then, 15 financial entities offer the service in France. The app can be used for P2P transactions and also serves the function of a digital wallet, allowing contactless payments in merchants and online stores. In addition, it currently has over 2 million users and aims to be the mobile payments benchmark in France (Paylib, 2020).

Several leaders in the field of banking, payment, and distribution (BNP Paribas, Carrefour, Crédit Mutuel, Auchan, Mastercard, Oney, Total.), joined forces in 2017 to create *LyfPay*. The mobile payment app allows in-store and online payment, P2P transactions, and donations to NGOs. It is a digital wallet that integrates payment cards, loyalty cards, coupons, etc. Moreover, the app gives the user updates from their favorite shops, offers, and information on their expenditure. It has had approximately over 2,4 million downloads and 1,2 million accounts created (Banques en Ligne, 2020).

Lydia Solutions is a French mobile payments fintech created in 2011. The app allows users to make P2P transactions, create money pots for shared gifts, and serves as a digital wallet to make online purchases. Moreover, Lydia Pro is the company's service for businesses: they just have to download the app or activate Lydia in their system to accept mobile payments (Lydia, 2020). According to its cofounder, Cyril Chiche, the objective of the company is to create a universal payment platform. The company has managed to attract 3 million users in France. Moreover, 25% of French people between 18 and 30 years old have a Lydia account and 5,000 people sign up every day (Dillet, 2020).

2.5.2 Competitive landscape in Germany

Paydirekt is a P2P and digital wallet app launched in 2015 by several major German banks (BW-Bank, Commerzbank, Degussa Bank, Deutsche bank, Postbank, Norisbank, ING, PSD Bank, Sparda-Bankwhich, etc.). It aims to be a competitor to PayPal. Alike Bizum, the app is a response of traditional banks to the threat imposed by fintech disruptors. The only requirement to use the service is to have a bank account in one of the partner financial entities (Commerzbank, 2019). However, criticism of the app claims that the online payment service has failed to meet expectations, with only 2.3 million customers and disappointing transaction volumes in comparison to PayPal (Atzler & Kröner, 2019).

2.5.3 Competitive landscape in Italy

Jiffy was created by SIA S.p.A., an Italian company that provides solutions to the banking and finance sector. Jiffy is the Italian mobile payments solution that allows users to pay,

send and receive money in real time through their phone number. The app also enables payments using the QR Code in contactless points-of-sale (POS). It is already operating with several of the main national banking groups. According to the company, the app reached over 5 million users in Italy in 2018 and will soon be available to around 80% of current account holders in Italy. The service is available to all banks in the SEPA. This means that Jiffy can potentially be used in 34 countries and reach over 400 million current account holders (SIA, 2019).

2.5.4 Competitive landscape in Portugal

MB Way is a Portuguese payments solution created in 2014 by MULTIBANCO, a fully integrated interbank network in Portugal owned and operated by Sociedade Interbancária de Serviços S.A., (SIBS). The app allows users to make immediate P2P transfers. Moreover, they can create a virtual card called MB Net that enables online and in-store purchases in member establishments through a QR code. Furthermore, users can use the app to withdraw cash from any member bank of MULTIBANCO. MB Way ended the year 2019 with over 1,5 million users in Portugal (MB Way, 2019).

It is relevant to point out that none of these mobile apps has reached the penetration that Bizum has achieved in its national market (7 million users since 2016) (Bizum, 2020). As a result, the company seems to have applied its business model more efficiently and has a competitive advantage in the industry in terms of volume and network effects.

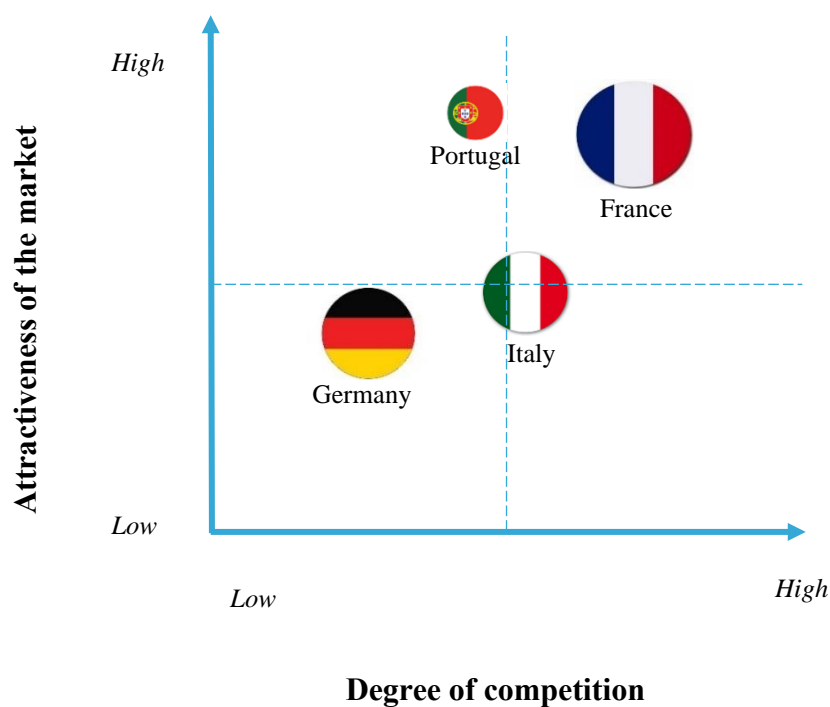
2.6 Potential markets conclusion

After analyzing the multiple variables included in the CAGE framework and the competitive landscape of each country, the potential markets' situation can be summarized graphically in the following figure, where:

- The *degree of competition* has been determined through the previous analysis of the main peer-to-peer mobile payment applications in each country and their penetration.

- The *attractiveness of the market* has been determined on the basis of the previously analyzed variables: mobile penetration (measured through the mobile connectivity index score), payment card penetration (relative card importance and number of card payments per capita) and concentration of the banking sector (Herfindahl index for credit institutions and share of total assets of five largest credit institutions).
- The *size of the sphere* refers to the potential market size. The market size has been expressed in terms of total number of card payments for the period (2018). It has been calculated as the number of card payments per capita times the population and contrasted with ECB data for accuracy.

Figure 11: Potential Markets analysis



Source: Own elaboration

Relying only on market size, the top-ranked country to enter in Figure 11 is France. However, this country is also the one with highest degree of competition. Portugal becomes a better international move as it seems to have the best positioning in terms of attractiveness and degree of competition. However, it also has the smallest potential market size. Moreover, the German and Italian market are similar in terms of

attractiveness and size. Germany has been considered to have a lower degree of competition due to the slow growth and criticism that the main peer-to-peer payment app (Paydirekt) is currently facing (Atzler & Kröner, 2019).

In the first place, Bizum should enter the Portuguese market as a pilot for internationalization: it is an attractive market with low competitive degree. Moreover, it has a small psych distance with the Spanish market. In the second place, the German and Italian market present potential and should be held for negotiation. However, the French market seems to be too competed to be part of the first internationalization approach of Bizum.

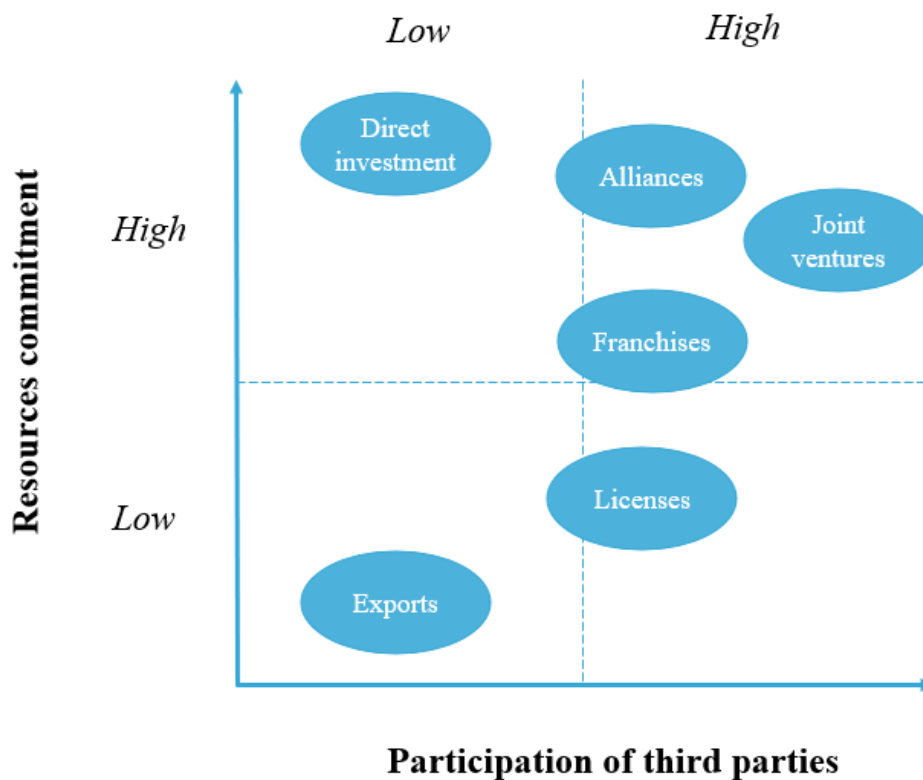
These market-entry decisions illustrate the mix between the Uppsala and the Born-global models: Bizum is open to enter several markets simultaneously but should start its internationalization strategy by entering the market with lowest uncertainty and psych distance (Portugal).

3. PHASE 3: Market entry strategies

Once the target markets have been determined, it is also important to evaluate different entry methods, which will depend on the country and company circumstances. A company can enter new markets through different corporate actions, classified based on two factors (Sobrino, 2019):

1. Level of resources committed, considering that the higher the resources the higher the financial risk.
2. Degree of third-party participation versus individual endeavour.

Figure 12: Market entry strategies



Source: Adapted from Root (1998).

- *Exports*: This method of market entry consists in physically putting the offer at the disposal of clients in third markets. The main advantage is the lower

investment required. In addition, the use of the Internet has allowed small, inexperienced businesses to gain access to international markets, faster and easier. However, this method does not benefit from economies of location in the new country. It also limits the opportunities for gaining knowledge of local markets' needs and competitors. In addition, there is a dependence on the intermediaries, exposure to trade barriers, and limits in the ability to quickly meet consumer demand hikes. This type of entry strategy is often linked to manufacturers and not applicable to service providing companies like Bizum (Sobrino, 2019).

- *Licenses in strategy*: A license provides the right to exploit an asset, considering an asset as a product, brand, know-how, etc. The licensee obtains a contractually agreed revenue by selling rights of production, marketing, and operations. The main advantage is the low level of investment required. In addition, financial exposure is limited. However, there may be a loss of competitive advantage due to imitation (Sobrino, 2019). Bizum could apply a similar approach and follow the steps of Visa, a company that based its internationalization process on licensing its business model. Moreover, this low-risk approach is particular of the Uppsala model, as explained in previous sections.
- *Joint ventures and strategic alliances*: These types of strategies have a higher third-party involvement. They allow two or more companies to collaborate on a joint project, sharing risks and resources. In the case of a joint venture, a new company is created. In addition, a partnership with a local player provides an important access to knowledge, supplier relationships, know-how, positioning... However, it can generate imitation risk and cultural tensions between companies (Sobrino, 2019). This type of higher-risk strategy, based on third party networks, is commonly used by Born-global companies. Moreover, it would be an interesting option for Bizum, as the company could collaborate with the target markets' financial entities or already existing apps. Bizum's Managing Director considers that a potential internationalization of Bizum would aim to reach interoperability in other geographical areas through alliances and negotiations with third parties (Nigorra, 2020).
- *Direct investment*: In this method of market-penetration the company implements its activity in a new market with its own resources. In this case, there is no

dependence on third party alliances. The main advantage is that the company has full control and lower risk of imitation. However, it requires a substantial investment in the host country, leading to a high financial exposure. Furthermore, there is uncertainty risk since there is a lack of knowledge of the new market. This issue is often overcome through acquisition of a local competitor (Sobrino, 2019). The acquisition of an already established payment app could also be considered by the member Spanish banks that have created Bizum.

Overall, the strategy with lowest risk for Bizum would be to enter its target markets through a licensing agreement of its business model, alike Visa, and other Uppsala model firms. The company's offering has proven to add value to financial entities in the Spanish market and could reach interesting agreements with foreign banks in Portugal, Germany, and Italy.

In particular, the German banks' mobile app, Paydirekt, seems to be disappointing at reaching network effects. Bizum could enter the German market by leveraging its business model, which has succeeded at reaching 7 million users in Spain.

Moreover, Bizum faces competition in the Italian market from the mobile payment app, Jiffy, which has been accepted by major Italian banks. However, Bizum could offer its business model and enter the market through a joint venture or an alternative form of strategic alliance between the two companies. They are both compatible with the SEPA regulation and present potential for future collaboration in the creation of a pan-European solution. This would entail a more Born-global oriented approach due to the higher risk involved in third party alliances.

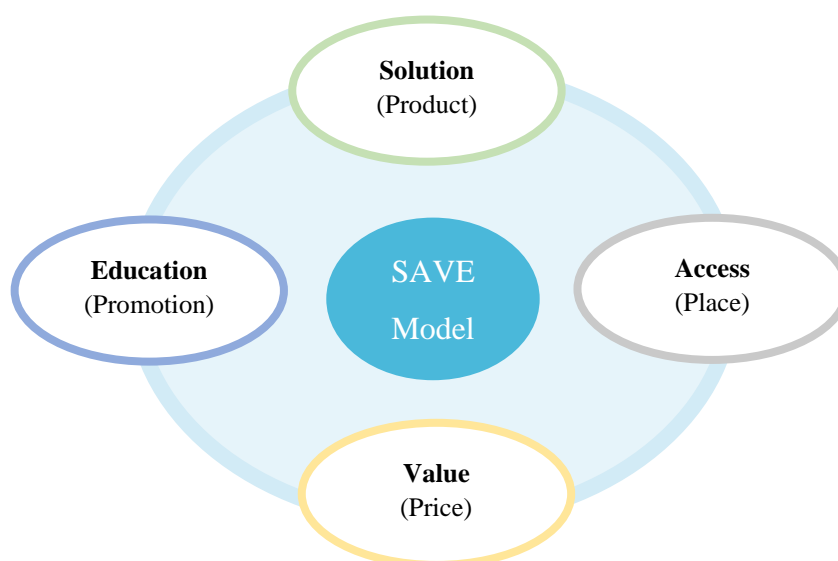
As seen in this section, the Hollensen model allows Bizum to determine its market entry method combining Uppsala and Born-global characteristics. As a result, the design of its internationalization strategy is more accurate and flexible to its business model.

4. PHASE 4: Design of a global marketing plan

Once the decision to become international has been made, it is important to develop a global marketing plan based on the company's marketing mix (Hollensen, 2011). Jerome McCarthy created the 4 P's marketing mix model in 1960. He suggested that every marketing strategy should consist of four key elements: Product, Price, Place, and Promotion (McCarthy, 1960).

Since then, there have been many changes in consumer behavior patterns, especially with the rise of Internet and social media. In 2013, an alternative model was presented: The SAVE framework. It was created after a five-year study by Harvard Business Review involving over 500 managers and customers in multiple countries and industries (Conrado, Etenson, & Knowles, 2013). According to Eduardo Conrado, Chief Marketing Officer for Motorola and one of the co-authors of the study, business owners should start using this framework instead of the 4P's marketing mix. However, this does not mean that the 4P's are irrelevant, just that their approach needs to be reinvented. The SAVE framework has its foundations in the 4P's model but adapts to today's environment to fine-tune the marketing mix. It also consists in four elements: Solution (instead of Product), Access (instead of Place), Value (instead of Price), and Education (instead of Promotion) (Conrado, Etenson, & Knowles, 2013).

Figure 13: From the 4Ps to the SAVE model



Source: Own elaboration based on Conrado, *et al.* (2013).

4.1 Solution instead of Product

Many tech and engineering companies have trouble thinking beyond being technologically superior and do not give enough importance to the customer-centric perspective. These companies should rotate their business model from a product-oriented approach to a service/solution-oriented one (Conrado, *et al.*, 2013). In other words, customers do not pay attention to the product, they pay attention to how it solves their problems. Ultimately, the product features are meaningless if they do not provide value to the customer.

Bizum's business model has placed the user in the center, focusing on their overall experience, and making sure that it is convenient, fast, and easy. For this reason, Bizum provides added value to financial entities and is a source of differentiation for its member banks. In the internationalization plan of the company, the company should leverage this value-adding service when negotiating the interoperability with Portuguese, German and Italian financial entities.

4.2 Access instead of Place

The traditional, static, view of 'Place' is no longer relevant for companies like Bizum that do not even have a physical location where they can contact customers. Place is no longer a deterrent when it comes to reaching a customer. Instead, the main focus today is to be accessible (Conrado, *et al.*, 2013).

One of the main points of access for Bizum is through their member banks. In particular, through their mobile applications. This has implied working on the compatibility with IOS and Android systems. Moreover, the company has worked on maintaining the brand's social media and digital presence through banners in websites and mobile platforms. It has also made a segmentation in terms of age, geographical location, navigation behavior, etc. The result in 2018 was 8 million impressions with a 0,25% estimated click through ratio (CTR) (Sociedad Procedimientos de Pago, S.L., 2018).

The advantage of transitioning from place to access is that the latter is more flexible and globally conceptualized. This makes moving to international markets easier and faster. In Bizum's internationalization strategy, the company would have to adapt its digital

presence to each country's market. The main access to the service would be the local banks' apps and websites in each country.

4.3 Value instead of Price

According to the SAVE framework, the value perceived by the customer is more important than the product's price when it comes to making a purchase decision (Conrado, *et al.*, 2013). With instantaneous access to information and a broader selection from which to choose, the concept of value plays an even more critical role for consumers today.

In particular, the price variable is even more complex in companies like Bizum that offer a technically free service since the app is free to download. As a result, the emphasis should be put on the value that Bizum gives users in their everyday life, in terms of convenience. Moreover, this enhanced customer experience also creates value for Bizum's member financial institutions, differentiating them from competitors. This differentiation is the one that the company should leverage in its international expansion negotiations.

4.4 Education instead of Promotion

The internet and the endless options and information that it provides have made audiences less captive, with shorter attention spans (McClinton, 2019). For this reason, the SAVE Framework suggests moving from a promotional to an educational mindset. As a result, when promoting a brand or product it is crucial to create a bond or connection with the customer. This interaction can lead to a longer-term relationship.

In 2018, Bizum arranged groups of people to test the service (Bizutesters) through social media. Over 30 users formed part of focus groups that gave the company feedback about the service in general, and solutions to particular issues. In addition, the company conducted over 225 online polls and several face-to-face meetings with over 15 participants. The objective was to identify strengths and weaknesses of the current service and to establish a relationship with the client-base (Sociedad Procedimientos de Pago, S.L., 2018). The company has aimed to create a bond with current and potential clients

through social media. For example, the company created a promotional competition in which users could win tickets to an Escape Room activity. The company generated the social media hashtag: ##EscapeRoom_LaCasadePapel. With objective of drawing attention to the brand through a very popular television show at the time (“La casa de papel”). The company was able to create a bond with current and potential clients, considering their insight and creating an experience (Sociedad Procedimientos de Pago, S.L., 2018).

When it comes to internationalization, Bizum should adapt its educative platforms (social media) and programs (competitions, digital marketing campaigns, feedback focus groups, etc.) to the new markets entered. Education is a broader process, fast to adapt to the audience in new target markets.

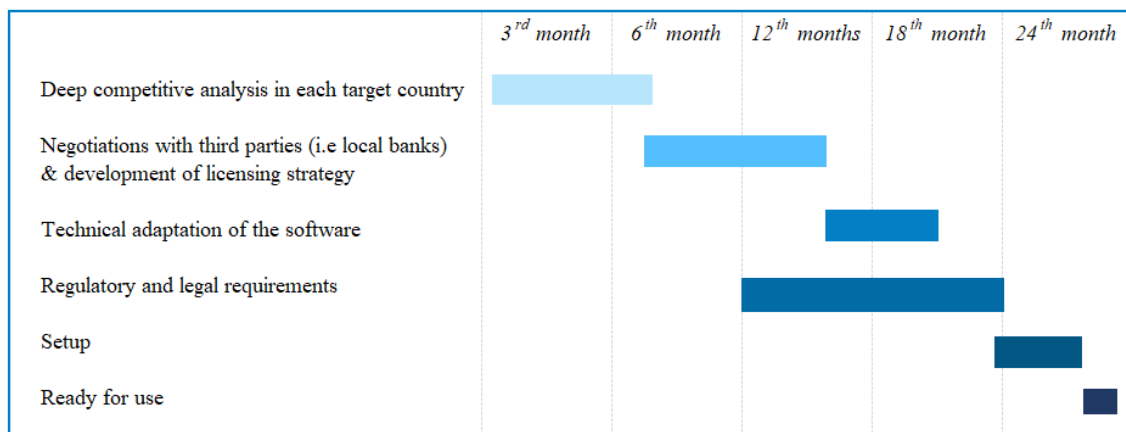
5. PHASE 5: Implementation and control of the internationalization plan

The previous phases described the steps to follow in an internationalization plan. The last phase consists in implementing and coordinating such plan and its different steps.

5.1 Timing of the internationalization plan implementation

The international expansion of any company requires time and resources. An Uppsala oriented approach would have a longer-term duration; whilst Born-globals are more dynamic and have faster internationalization processes (Hollensen, 2011). A tentative timetable has been presented for Bizum's internationalization in the following figure:

Figure 14: Bizum's internationalization tentative timetable



Source: Own elaboration

5.2 Control of the internationalization plan

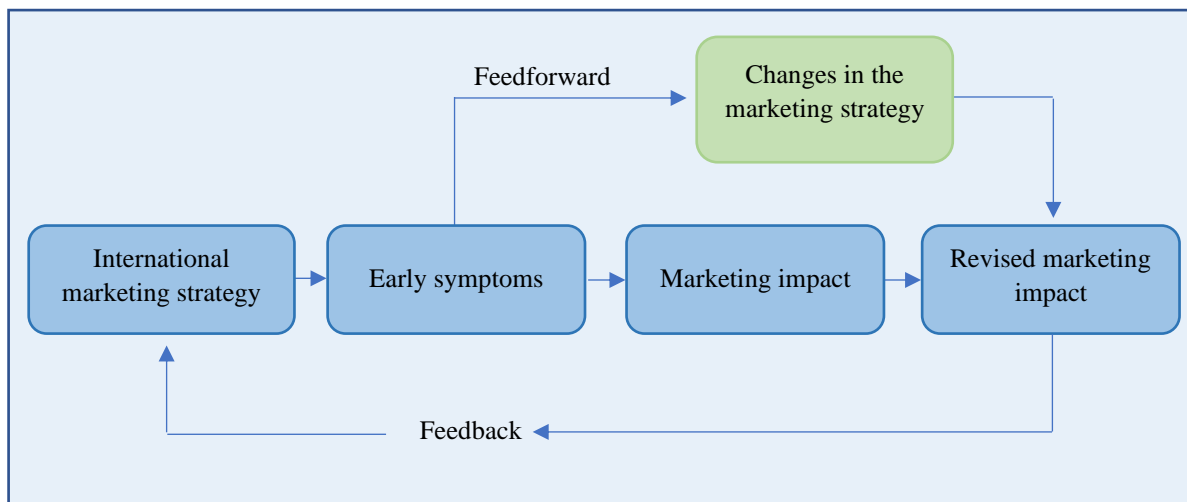
Control is important to evaluate how the company has performed. Moreover, it provides the feedback necessary for the start of the next planning cycle (Hollensen 2011). This section will introduce certain theoretical concepts necessary for the development of the fifth Hollensen phase. However, this last phase is out of the scope of analysis of this Final Dissertation.

The design of the control system can be divided into two groups dependent on the objective of control (Hollensen 2011):

1. *Output control*: Typically based on financial measures. It consists in a regular monitoring of output, like profits, sales figures and expenditure.
2. *Behavioral controls*: Typically based on non-financial measures. It consists in regular monitoring of behavior. In the case of Bizum, the number of users and transactions are key variables to consider.

Hollensen (2011) argues that control systems should be forward-looking and preventive, and that they should start at the same time as the planning process. This type of control is called feedforward control. It consists in continuously evaluating plans, monitoring results, and detecting any challenges that arise. As a result, any plan deviations can be detected before they have an irreversible impact. Using this approach can help make sure that planning and control are treated as “concurrent activities” in a company’s operation (Hollensen, 2011, p-703).

Figure 15: Feedforward control system



Source: Own elaboration based on Samli *et al.*(1993).

CONCLUSIONS

This section will present the main (general and specific) conclusions reached in this Final Dissertation.

First general conclusion: The traditional payments industry that had been stable for decades is currently facing a disruption due to the arrival of mobile payment solutions. There is a latent demand for fast, easy, and convenient financial services.

Second general conclusion: Bizum is a mobile payment solution, created as a collaborative project between Spanish banks. It was a proactive response to unsatisfied demand and a defensive response to the threat of fintech disruption.

Third general conclusion: Bizum is a growing company in a global and very competed industry. As a result, it is at the key moment to enter new markets. After a study of two internationalization models: Uppsala and Born-global, it has been determined that Bizum has characteristics of both and should apply a mixed strategy. The company should follow a general approach based on the Hollensen (2011) internationalization plan. The plan has five phases. Phase 1: Decision on whether to internationalize; Phase 2: Deciding which markets to enter; Phase 3: Market entry; Phase 4: Design of a global marketing plan; Phase 5: Implementation and control of the global marketing plan.

First specific conclusion: Bizum initially based its business model in the niche sector of peer-to-peer transactions but will potentially expand to in-store and online payments. These operations would increase the value that it adds to member banks and generate new revenue sources.

Second specific conclusion: Based on deep analysis, the company should enter countries within the SEPA, with a common regulator and currency. Within this set, only countries with a relatively high cultural affinity, credit card penetration, financial sector concentration and large market size (with the exception of Portugal) are considered targets. As a result: France, Italy, Germany, and Portugal are the most attractive markets.

Third specific conclusion: Based on the analysis of their competitive landscape and overall attractiveness, the first pilot market for internationalization should be Portugal, followed by Germany and Italy. France has been considered to be too competed.

Fourth specific conclusion: The method of entry will depend on the country entered. The company could potentially license its business strategy. Moreover, it could enter new markets through third party alliances, without discarding the possibility of participating in a pan-European payments solution.

CONTRIBUTIONS

There are two types of contributions: Academic, those that develop and contribute information for future studies; and professional, which could serve the company and its management approach.

First academic contribution: Summary and analysis of the main theoretical concepts related to corporate internationalization, including globalization, the Ansoff Matrix, drivers and motives for internationalization, barriers, and risks, etc.

Second academic contribution: Theoretical and practical analysis, and comparison of two internationalization models: Uppsala and Born-global.

Third academic contribution: The application of Hollensen's (2011) general internationalization model, that has allowed the author to suggest an internationalization plan for Bizum that can incorporate characteristics of an Uppsala and a Born-global firm. Throughout his book, Hollensen determines the steps that companies follow when they become international. This theoretical model has been applied to Bizum, with the necessary adaptations to the payments industry.

Fourth academic contribution: Innovative presentation of the marketing mix as the evolution from the 4P's to the SAVE (Solution, Access, Value, and Education) framework.

Fifth academic contribution: Interview conducted to the Managing Director of the company, Ángel Nigorra. This interview has shed light on certain conclusions of the paper and provided a real-life example of management decision-making.

First professional contribution: Presentation of the evolution of the payments industry since the creation of the credit card until the current fintech disruption. The main players, characteristics, and expectations of the industry have been presented using multiple valuable sources such as consulting firm studies.

Second professional contribution: Analysis of Bizum's current business model, SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), and proposal of new revenue lines and sources of value. Moreover, the competitive landscape of the company has been studied, determining the characteristics of its main national competitors.

Third professional contribution: The analysis of the potential markets has been made in great depth, using real figures to build a functional quantitative model with Excel tools.

Fourth professional contribution: Throughout this paper, a hypothesis has been proposed for Bizum. Although the company is in full growth and contemplating alternative strategies, an extensive hypothetical internationalization plan has been developed. The plan is feasible and realistic for the company within the limitations of this work

LIMITATIONS

Despite having put extensive effort to do a rigorous analysis, academically and professionally, every study has certain limitations that must be recognized. In the case of this Final Dissertation, these include:

First limitation: Access to information about the company and sector has been limited due to its confidential nature.

Second limitation: The time to carry out this academic study has been limited. The preparation of an internationalization plan involves a deeper analysis of both industry and company characteristics. Such depth was not attainable in a short period of time.

Third limitation: The space to carry out a complete academic study has also been limited. The analysis carried out and presentation of its results have been reduced to meet the evaluation criteria and the maximum length.

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The Managing Director of Bizum, Ángel Nigorra, for the opportunity of directly discussing Bizum's case in a personal interview. It has been very insightful to obtain first-hand information on the company studied, its business model, strategy, and future ambitions.

Javier Sobrino, for the learnings obtained from his Business Strategy course at ICADE during the 2018-2019 academic year, which have been used to study Bizum's internationalization plan.

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Annex 1: Unfiltered CAGE framework

CAGE Countries	CULTURAL Ranking	ADMINISTRATIVE				GEOGRAPHICAL			ECONOMIC			
		Regulator	Currency	Legal framework	Distance (km)	Population (Mn)	GDP (\$ Bn)	MCTS	Card importance (%)	Card payments per capita	Hertfindahl index	Concentration
Spain	5	European Central	EUR	SEPA	-	47	1419	78	58	101	1138	69
Austria	2	European Central	EUR	SEPA	1633	9	435	80	44	98	370	36
Belgium	3	European Central	EUR	SEPA	1284	12	543	80	49	184	1218	73
Bulgaria	3	Financial Supervi	BGN	SEPA	2429	7	65	67	28	23	939	60
Croatia	5	Financial Service	HRK	SEPA	1623	4	61	71	43	72	1534	79
Cyprus	-	European Central	EUR	SEPA	3291	1	25	72	61	82	2378	87
Czech Republic	5	Czech National B	CZK	SEPA	1821	11	245	75	55	103	1069	65
Denmark	1	Danish Financial	DKK	SEPA	2001	6	336	83	77	364	1069	65
Estonia	2	European Central	EUR	SEPA	2849	1	31	77	68	258	2698	61
Finland	2	European Central	EUR	SEPA	3091	6	277	82	62	332	-	-
France	5	European Central	EUR	SEPA	800	65	2778	79	57	198	664	48
Germany	3	European Central	EUR	SEPA	1613	84	3948	80	23	64	245	29
Greece	5	European Central	EUR	SEPA	2181	10	218	67	53	59	2304	97
Hungary	2	Hungarian Financ	HUF	SEPA	1997	10	158	75	65	282	801	50
Iceland	2	Financial Superio	ISK	SEPA	2890	0	26	83	-	-	-	-
Ireland	1	European Central	EUR	SEPA	1477	5	382	83	65	189	632	46
Italy	5	European Central	EUR	SEPA	1371	61	2084	74	47	53	579	46
Liechtenstein	1	Financial Market	EUR	SEPA	1297	0	6	-	-	-	-	-
Lithuania	2	European Central	EUR	SEPA	2,600	3	53	75	57	162	2278	91
Luxembourg	5	European Central	EUR	SEPA	1293	1	71	82	5	117	261	26
Malta	5	European Central	EUR	SEPA	1656	0	15	74	53	63	1518	78
Monaco	1	Commission de C	EUR	SEPA	988	0	7	-	-	-	-	-
Netherlands	1	European Central	EUR	SEPA	1467	17	914	82	54	275	2178	85
Norway	2	Norwegian Finan	NOK	SEPA	2375	5	434	84	-	-	-	-
Poland	1	Polish Financial S	PLN	SEPA	2156	38	586	76	62	123	683	50
Portugal	4	European Central	EUR	SEPA	399	10	241	76	71	172	1202	73
Romania	3	Polish Financial S	RON	SEPA	2388	19	240	74	68	33	962	92
San Marino	1	Central Bank of S	EUR	SEPA	1,385	0	2	-	-	-	-	-
Slovakia	1	European Central	EUR	SEPA	2055	5	106	72	47	76	1383	76
Slovenia	5	European Central	EUR	SEPA	1636	2	54	75	47	98	1020	61
Sweden	1	The Financial Sug	SEK	SEPA	2672	10	536	83	66	349	785	54
Switzerland	2	Swiss Financial N	CHF	SEPA	1191	9	705	82	-	-	-	-
United Kingdom	1	Financial Conduc	GBP	SEPA	1656	68	2855	83	82	343	353	332

Source: Own elaboration based on ECB (2018), GSMA (2019).

Annex 2: Hofstede data per country

Countries	Power distance	Individualims	Masculinity	Uncertainty	Time perspective	Indulgence
Spain	57	51	42	86	48	44
Austria	11	55	79	70	60	63
Belgium	65	75	54	94	82	57
Bulgaria	70	30	40	85	69	16
Croatia	73	33	40	80	58	33
Cyprus	-	-	-	-	-	-
Czech Republic	57	58	57	74	70	29
Denmark	18	74	16	23	35	70
Estonia	40	60	30	60	82	16
Finland	33	63	26	59	38	57
France	68	71	43	86	63	48
Germany	45	67	65	67	72	40
Greece	60	35	57	100	45	50
Hungary	46	80	88	82	58	31
Iceland	30	60	10	50	28	67
Ireland	28	70	68	35	24	65
Italy	50	66	60	75	61	30
Liechtenstein	-	-	-	-	-	-
Lithuania	42	60	19	65	82	16
Luxembourg	40	60	50	70	64	56
Malta	56	59	47	96	47	66
Monaco	-	-	-	-	-	-
Netherlands	38	80	14	53	67	68
Norway	31	69	8	50	35	55
Poland						
Portugal	63	27	31	99	28	33
Romania	90	30	42	90	52	20
San Marino	-	-	-	-	-	-
Slovakia	100	52	100	51	77	28
Slovenia	71	27	19	88	49	48
Sweden	31	71	5	29	53	78
Switzerland	34	68	70	58	74	66
United Kingdom	35	89	66	35	51	69

Source: Own elaboration based on Hofstede Insights (2018).

Annex 3: Cultural affinity ranking based on Hofstede data

Countries	Power distance	Individualism	Masculinity	Uncertainty	Time perspective	Indulgence	Sum in absolute values	Cultural affinity
<i>Spain</i>	57	51	42	86	48	44	0	5
Austria	46	-4	-37	16	-12	-19	134	2
Belgium	-8	-24	-12	-8	-34	-13	99	3
Bulgaria	-13	21	2	1	-21	28	86	3
Croatia	-16	18	2	6	-10	11	63	5
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	0	-7	-15	12	-22	15	71	5
Denmark	39	-23	26	63	13	-26	190	1
Estonia	17	-9	12	26	-34	28	126	2
Finland	24	-12	16	27	10	-13	102	2
France	-11	-20	-1	0	-15	-4	51	5
Germany	12	-16	-23	19	-24	4	98	3
Greece	-3	16	-15	-14	3	-6	57	5
Hungary	11	-29	-46	4	-10	13	113	2
Iceland	27	-9	32	36	20	-23	147	2
Ireland	29	-19	-26	51	24	-21	170	1
Italy	7	-15	-18	11	-13	14	78	5
Liechtenstein	-	-	-	-	-	-	-	1
Lithuania	15	-9	23	21	-34	28	130	2
Luxembourg	17	-9	-8	16	-16	-12	78	5
Malta	1	-8	-5	-10	1	-22	47	5
Monaco	-	-	-	-	-	-	-	1
Netherlands	19	-29	28	33	-19	-24	152	1
Norway	26	-18	34	36	13	-11	138	2
Poland	57	51	42	86	48	44	328	1
Portugal	-6	24	11	-13	20	11	85	4
Romania	-33	21	0	-4	-4	24	86	3
San Marino	-	-	-	-	-	-	-	1
Slovakia	-43	-1	-58	35	-29	16	182	1
Slovenia	-14	24	23	-2	-1	-4	68	5
Sweden	26	-20	37	57	-5	-34	179	1
Switzerland	23	-17	-28	28	-26	-22	144	2
United Kingdom	22	-38	-24	51	-3	-25	163	1

Source: Own elaboration based on Hofstede Insights (2018).