

FGF Studies in Small Business and Entrepreneurship

Ronny Baierl
Judith Behrens
Alexander Brem *Editors*

Digital Entrepreneurship

Interfaces Between Digital Technologies
and Entrepreneurship

 Springer

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Ronny Baierl • Judith Behrens • Alexander Brem
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Editors

Ronny Baiertl
Center for Interdisciplinary Education
Dresden University of Applied Sciences
Dresden, Germany

Judith Behrens
Solvay Business School
Université Libre de Bruxelles
Brussels, Belgium

Alexander Brem
Chair of Technology Management
University of Erlangen-Nuremberg
Nuremberg, Germany

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Preface

Digitalization has been roiling markets and disrupting companies for more than two decades. It drives worldwide networking, innovation phases are being augmented through data operations, and the boundaries between industries are becoming distorted (Bughin and van Zeebroeck 2017). Digitalization is rapidly changing our living and working life. Robots are working together with people, autonomous systems are navigating us safely through traffic, and even the elderly can live a self-determined life with intelligent assistants. From an economic point of view, customized goods and services can now be offered at mass production prices. Despite all the hype, digitalization is not a new trend. The Third Industrial Revolution started as early as the beginning of the 1970s and has been continuing to this day. It is shaped by the use of electronics and information technologies in the economy as well as progressive standardization and automation of business processes. Digitalization is transforming the locus of entrepreneurial opportunities and entrepreneurial practices.

Even though different books and journal publications have already been researching digitalization activities (e.g., Nambisan 2017; Giones and Brem 2017), this book contributes to the current discussion by giving additional insights into the highly relevant area of digital entrepreneurship. Digital entrepreneurship is broadly defined as creating new ventures and transforming existing businesses by developing novel digital technologies or novel usage of such technologies. Digital entrepreneurship has been viewed as a critical pillar for economic growth, job creation, and innovation by many countries. Additionally, digital technologies have become a new economic and social force for reshaping traditional business models, strategies, structures, and processes. Digital technologies have enabled the growth of the sharing economy by linking owners and users and disrupting the previous dualism of businesses and customers. It is evident that digital technologies have a significant impact on the growth of entrepreneurs and their developmental processes. However, only a limited number of studies in entrepreneurship and technology research started to examine the impact of digital technologies on entrepreneurial decision making

(e.g., Fischer and Reuber 2014) and on entrepreneurial activities for venture development (e.g., Allison et al. 2014).

Prompted by the significant growth of digital entrepreneurship and the lack of research in that field, this book studies the impact of digital technologies on entrepreneurial processes and outcomes in several contexts. The following chapters focus on the management of new technology-based firms as well as technology projects initiated in an academic or industrial context. The book is designed to assemble a rich, vibrant, and multifaceted collection of studies to enrich the discussion on and enhance the understanding of the reality and management of technology-based firms and projects. Thus, this book aims to be a standard reference in the field of digital entrepreneurship and to create a scientific basis for entrepreneurs, investors, universities, research organizations, and established corporations. As a result of our highly competitive review process, this book includes five chapters representing several perspectives of digital entrepreneurship. The following paragraphs summarize each chapter's main contributions based on the respective abstracts and introductions. The chapters are arranged alphabetically according to the first author's names.

The chapter entitled "Digital Entrepreneurship and Value Beyond: Why to Not Purely Play Online" written by Alina Arlott, Tassilo Henike, and Katharina Hölzle raises the question of why successful players that operate purely online turn to offline channels and what they can possibly gain from it. Furthermore, the topic of what digital entrepreneurs can learn from these experiences will also be addressed. The authors used four case studies including interviews and observations within the German health, consumer electronics, home furniture, and food industry to address these questions. They show that the addition of a physical offline presence adds value to these new ventures in a functional, emotional/social, economic, and status dimension. The interviewees confirmed that, sooner or later, many ventures must go offline. Only services that have a dominant online position have the chance to survive as pure online players.

The chapter entitled "The Role of Innovation and IP in AI-Based Business Models" written by Martin A. Bader and Christian Stummeyer gives insights into proprietary and open innovation approaches that are applied in artificial intelligence (AI)-based business models. Starting with the historical emergence of AI, the authors present the state of the art of innovation structures in AI applications and AI-based business models. Finally, they elaborate on the role of intellectual property (IP) with a special focus on patents by analyzing patenting data and the top AI patentees: corporations, research organizations, and top patenting AI start-ups. The authors conclude with their own model of formal and informal protection strategies applied in AI-based business models and how to balance open and proprietary innovation with a focus on entrepreneurship and start-ups.

The chapter entitled "Digital Absorptive Capacity in Blockchain Start-ups" written by Rosaura A. Chacón and André C. Presse targets different audiences such as entrepreneurs, researchers, CEOs, strategic managers, and business owners with necessary information about absorptive capacity (AC) and its relation to firm performance in the context of an increasingly digitalized economy. This topic is of

special relevance since the acquisition of knowledge and its conversion into dynamic capabilities provide enterprises with the possibility to go through digital transition and transform the acquired knowledge into modified business models, innovative products, and upgraded services. Since the first crafting of AC theory, there has been ample research on its application in medium and large companies. The contribution of this study is that it assesses the concept of AC and its impact on firm performance in start-ups. The methodological approach involves quantitative data analysis using a survey applied to a sample of 44 blockchain start-ups. The authors analyze firm performance by applying different measures that were previously tested in other studies: sales growth, profit growth, growth in market share, and growth in return on capital. They find a positive relationship between AC and firm performance in blockchain start-ups.

The chapter entitled “Entrepreneurship in a New Digital Industry: The Emergence and Growth of Mobile Health” written by Lien Denoo and Helena Yli-Renko takes a deep dive into the mobile health industry and examines its origins, evolution, and structure. The authors discuss the unique features of mobile health as an example of a newly emerged digital industry and present a set of interdisciplinary research opportunities for scholars who are interested in digital entrepreneurship. Thus, this chapter contributes to our understanding of industry emergence, in particular the co-evolution of new ventures and a novel digital industry. Thus, the authors offer important insights for researchers, entrepreneurs, and policy makers.

The chapter entitled “Entrepreneurship as an Innovation Driver in an Industrial Ecosystem” written by Markus Hofmann and Ferran Giones considers the case of the leading players in the wind industry in Denmark in order to provide interesting insights on how entrepreneurs contribute to the introduction of new technology innovations in industrial ecosystems. The authors combine archival data and interviews with experts and actors in the industrial ecosystem to see if the characteristics of digital technologies facilitate the participation of new entrants. They also provide a review of the recent discussion on innovation and entrepreneurial ecosystems and a historical account of the wind industry ecosystems. Finally, the authors outline implications and takeaways for readers from the research and industrial area.

The chapter entitled “Virtual Reality as a Digital Learning Tool in Entrepreneurship: How Virtual Environments Help Entrepreneurs Give More Charismatic Investor Pitches” written by Oliver Niebuhr and Silke Tegtmeier deals with the entrepreneurial key element of the investor pitch. It examines if and to what extent the acoustic parameters of a charismatic tone of voice can be improved by rehearsing a pitch in a virtual presentation setting in comparison to a traditional setting in which speakers rehearse their pitch alone in a quiet room. For this purpose, speech-production and perception experiments are combined. About 5000 measurements were taken from the elicited investor pitches and the acoustic results were cross-validated by 31 listeners who judged excerpts of all pitches in terms of perceived speaker charisma. On this basis, the authors provide empirical evidence that the traditional rehearsal setting degrades the charismatic tone of voice of a speaker with each new repetition of the investor pitch. Rehearsing in a virtual reality environment, on the other hand, counteracts this erosion effect and even results in a gradual

improvement of the speaker's charismatic tone of voice. Initial findings also indicate that this positive virtual reality effect persists when speakers return from the virtual to the traditional rehearsal setting.

The chapter entitled "Effects of Internal Corporate Venturing on the Transformation of Established Companies: Tackling the Digitalization Challenge" written by Christoph J. Selig, Tim Gasser, and Guido H. Baltes aims at answering how different corporate venturing forms contribute to the strategic renewal of established companies. For this purpose, qualitative research methods are used to analyze data from 17 interviews conducted in two German high-tech companies. This chapter provides empirical evidence in the field of corporate venturing by uncovering new insights about the different transformational effects of corporate venturing initiatives on the core organization. It further reveals that corporate venturing forms can be classified into two categories according to their respective level of entrepreneurship and frequency of execution. Both categories exhibit different transformational effects and can be considered complementary to each other.

The chapter entitled "The Internet of Things in a Business Context: Implications with Respect to Value Creation, Value Drivers, and Value Capturing" written by Victor Wolf, Jutta Stumpf-Wollersheim, and Lukas Schott focuses on the Internet of Things (IoT) as a network that connects devices and everyday objects to exchange data. IoT solutions consist of two elements, namely, the "thing" itself and its digital addition. Thus, these solutions deliver value, by including a physical "thing"-based function and a digital, connected IT-based function. Due to this hybrid nature of the IoT construct, firms have to rethink how to create and capture value. However, we still know very little about the influence of the IoT on value creation, value drivers, and value capturing in a business context. The authors conceptually analyze the potential impacts of the IoT on value creation, value drivers, and value capturing. With regard to value creation, they suggest that the characteristics of IoT solutions (the independence of the information stream and its accessibility) result in new possible ways of creating value and in specific drivers of value creation in IoT environments, namely, efficiency, network effects, customization, servitization and value co-creation, shared value drivers, and novelty. With regard to value capturing, the authors suggest that the hybrid value construct enables the value stream of digital information to be independently marketed, thereby allowing for completely new ways of capturing value in the IoT context.

This book is published as part of the FGF Studies in Small Business and Entrepreneurship. The book series serves as a vehicle to help academics, professionals, researchers, and policy makers working in the fields of small business and entrepreneurship to disseminate and obtain high-quality knowledge. We sincerely thank the editors-in-chief of the book series Jörn H. Block and Andreas Kuckertz for providing academic freedom in elaborating this editorial book's topic. Moreover, our sincere thanks go to the FGF as the leading and most important scientific association for entrepreneurship, innovation, and SMEs in the German-speaking world for supporting our intention to publish an editorial book in many ways. In addition, we are grateful for the highly professional services provided by Springer—namely by Ruth Milewski and Prashanth Mahagaonkar. Finally, we thank all authors of

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Dresden, Germany
Brussels, Belgium
Nuremberg, Germany

Ronny Baierl
Judith Behrens
Alexander Brem

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Contributors

Alina Arlott Audibene, Berlin, Germany

Martin A. Bader THI Business School, Technical University of Ingolstadt, Ingolstadt, Germany

BGW AG Management Advisory Group, St. Gallen, Switzerland

Guido H. Baltes IST Institute for Strategic Innovation and Technology Management, HTWG Konstanz, University of Applied Sciences, Konstanz, Germany

Rosaura Chacón Grenke Centre for Entrepreneurial Studies, SRH Hochschule Berlin, Berlin, Germany

Lien Denoo Department of Management, Tilburg University, Tilburg, The Netherlands

Tim Gasser IST Institute for Strategic Innovation and Technology Management, HTWG Konstanz, University of Applied Sciences, Konstanz, Germany

Ferran Giones Mads Clausen Institute, University of Southern Denmark, Sønderborg, Denmark

Tassilo Henike Innovation Management and Entrepreneurship, University of Potsdam, Potsdam, Germany

Markus Hofmann Mads Clausen Institute, University of Southern Denmark, Sønderborg, Denmark

Katharina Hölzle Innovation Management and Entrepreneurship, University of Potsdam, Potsdam, Germany

Oliver Niebuhr Centre of Industrial Electronics, Mads Clausen Institute, University of Southern Denmark, Sønderborg, Denmark

André Presse Grenke Centre for Entrepreneurial Studies, SRH Hochschule Berlin, Berlin, Germany

Lukas Schott Konica Minolta Business Solutions Deutschland GmbH, Hamburg, Germany

Christoph J. Selig IST Institute for Strategic Innovation and Technology Management, HTWG Konstanz, University of Applied Sciences, Konstanz, Germany

Christian Stummeyer THI Business School, Technical University of Ingolstadt, Ingolstadt, Germany

Stummeyer Consulting, Munich, Germany

Jutta Stumpf-Wollersheim Technische Universität Bergakademie Freiberg, Freiberg, Germany

Silke Tegtmeier Centre of Industrial Electronics, Mads Clausen Institute, University of Southern Denmark, Sønderborg, Denmark

Victor Wolf Technische Universität Bergakademie Freiberg, Freiberg, Germany

Helena Yli-Renko Lloyd Greif Center for Entrepreneurial Studies, Marshall School of Business, University of Southern California, Los Angeles, CA, USA

Digital Entrepreneurship and Value Beyond: Why to Not Purely Play Online



Alina Arlott, Tassilo Henike, and Katharina Hölzle

Abstract Digitalization has caused one of the most fundamental, behavioral shifts in human history and, in particular, how new as well as established companies operate in marketplaces. A large portion of the most valuable, worldwide companies nowadays concentrate on providing digital services without owning associated products or producing them. Yet, in a surprising change of strategy, an increasing number of these online pure players are now going into the opposite direction and open offline stores. This is surprising because these ventures are turning their disrupting success formula into the reverse. This raises the question why do successful online pure players turn to offline channels and what do they gain from it? Furthermore, what can (digital) entrepreneurs learn from these experiences? We used four case studies including interviews and observations within the German health, consumer electronics, home furniture, and food industry to answer these questions. In this chapter, we show that the addition of a physical, offline presence adds value for these new ventures in a functional, emotional/social, economic, and status dimension. The interviewees confirmed that, sooner or later, many ventures must go offline. Only services that have a dominant online position have the chance to survive as pure online players.

Keywords Digital entrepreneurship · Online pure players · Multi-channeling

A. Arlott
Audibene, Berlin, Germany

Chair for Innovation Management and Entrepreneurship, University of Potsdam, Potsdam, Germany
e-mail: alina.arlott@audibene.de

T. Henike (✉) · K. Hölzle
Chair for Innovation Management and Entrepreneurship, University of Potsdam, Potsdam, Germany
e-mail: tassilo.henike@ime.uni-potsdam.de; katharina.hoelzle@ime.uni-potsdam.de

1 Introduction

Digitalization has caused one of the most fundamental, behavioral shifts in human history and, in particular, how new as well as established companies operate in marketplaces (Teece and Linden 2017). A large portion of the most valuable, worldwide companies nowadays concentrate on providing digital services without owning associated products or producing them. New digital ventures like eBay, Amazon, Facebook, Uber, Alibaba, Airbnb, or Netflix leveraged this massive shift from tangible products to intangible digital services and disrupted entire markets (van Alstyne et al. 2016). All these well-known companies are examples of online/Internet pure players that started their business solely online without having physical stores for interactions (Dholakia et al. 2005; Xing and Grant 2006).

The rise of these online pure players documents a new form of digital entrepreneurship in that technology, i.e., the Internet, is an external factor and provides a platform for business interactions (Giones and Brem 2017). This platform comes along with varying advantages for companies, customers, and other involved actors in business interactions compared to earlier technology entrepreneurship. Lowered information costs with a simultaneous increase in information richness facilitate comparability and understanding of varying offerings for customers (Evans and Wurster 1997; Schoenbachler and Gordon 2002). It also facilitates companies' interactions with customers, value co-creation, and understanding of customers' needs (Demil et al. 2015; Nambisan and Baron 2009). Further, lowered resource requirements and market entry barriers allow new ventures to directly compete with incumbent companies (Autio et al. 2018).

Yet, in a surprising change of strategy, an increasing number of these online pure players—like Amazon, eBay, or PayPal—are now going into the opposite direction and open offline stores (Heinemann 2017). In Germany, digital ventures in various sectors like for mattresses (Emma 2017), glasses (Mister Spex 2017), food (MyMuesli 2017), or fashion (AboutYou 2015; Zalando 2018) are following this trend. This is surprising because these ventures are turning their disrupting success formula into the reverse. This raises the question why do successful online pure players turn to offline channels and what do they gain from it? Furthermore, what can (digital) entrepreneurs learn from these experiences?

Unarguably, competition in e-business is very attractive for varying ventures due to lower transaction costs and unlimited reach of customers (Sampler 1998). This potential raised much interest on how traditional brick-and-mortar companies can face digital transformation (e.g., Benner 2010; Kane et al. 2016; Nambisan et al. 2017). Yet, this attractiveness is sharply intensifying the competition and creates red oceans (Kim and Mauborgne 2005). Therefore, the coupling of digital businesses with physical stores could be considered as a strategy to escape these red oceans or to exploit new opportunities for growth (Reed and Luffman 1986). Yet, the motives why online pure players go offline are so far underexamined. Therefore, we use a series of case studies with well-known German online pure players and aim to understand their motives for opening physical, offline stores.

This chapter starts with a literature review to examine the changed conditions for entrepreneurs in the digital world. Second, we outline the effects of three general channeling strategies for entrepreneurs under these conditions: brick-and-mortar, click-and-mortar, and online pure playing. Third, through our case series within the health, consumer electronics, home furniture, and food industry, we add new insights that go beyond existing knowledge of why online pure players add physical stores to their online businesses.

2 Digital Entrepreneurship

The classic differentiation of entrepreneurship from other forms of organizing businesses largely built on differences: in the size of working teams, persons with unique attributes, the handling of risks and uncertainties, exploitation of niche opportunity spaces, constraint resource dispositions, as well as the distinct focus on creating future goods and services. Much attention was devoted to the entrepreneurial person/team as “individual differences (e.g., attitudes, predispositions, traits, skills and abilities, and cognitive differences) influence the development of entrepreneurial intentions, opportunity search and discovery, decision processes and subsequent actions” (Frese and Gielnik 2014; Shook et al. 2003, p. 383). Thus, a first premise for new successful ventures was that the founders’ and teams’ characteristics were the central locus of value creation.

Moreover, the opportunity space of new ventures traditionally focused on rather niche market segments (Bhide 1994; Shah and Tripsas 2007). This focus on niche market segments allowed them to compensate for limited resource dispositions and deterred incumbent companies due to lower economy of scale advantages (Audretsch 1991). Accordingly, a second premise for successful new ventures was to address very specific market segments.

Another focus of entrepreneurship research has been on understanding the nature and sources of uncertainty and the ways by which entrepreneurial actions unfold amidst such uncertainty (e.g., Alvarez and Barney 2005; Busenitz 1996). Uncertainty constitutes a fundamental, conceptual cornerstone in entrepreneurship. It inherently determines entrepreneurs’ beliefs whether personal desires can be fulfilled. Further, uncertainty determines whether the entrepreneur has the means to feasibly enact an opportunity and whether the business idea attracts enough customers as well as investors (McMullen and Shepherd 2006). Therefore, formal business planning was a third premise to describe the current state and future of a business (Honig and Karlsson 2004), to reinforce commitment (Liao and Gartner 2006), to build legitimacy with financiers (Greene and Hopp 2017), and to reduce overall uncertainty (Delmar and Shane 2003).

Based on these central premises, the classical realm of entrepreneurship was separated from other fields and specifically concerned with answering the questions “(1) why, when, and how opportunities for the creation of goods and services come into existence; (2) why, when, and how some people and not others discover and

exploit these opportunities; and (3) why, when, and how different modes of action are used to exploit entrepreneurial opportunities” (Shane and Venkataraman 2000, p. 218).

Digital entrepreneurship is now rewriting these premises (cf. Autio et al. 2018; Giones and Brem 2017; Nambisan 2017; Srinivasan and Venkataraman 2018). Digitalization has rendered entrepreneurial outcomes and processes less bounded (Nambisan 2017) and diminished the aforementioned differences. It was never easier for young ventures to address a broad customer base, find financial support, and grow with an exceptional speed than in the digital world (Kupp et al. 2017). Moreover, incumbent firms aim to partner with and to be more like young ventures by absorbing entrepreneurial culture, agile working mechanisms, or experiment on smaller scales (Kupp et al. 2017).

In the digital world, founders’ and teams’ characteristics are not the central locus of value creation anymore. Uber and Airbnb are prominent examples of digitally driven, entrepreneurial ventures, although they are orchestrating very traditional services like providing transportation or rooms for rent (Sussan and Acs 2017). Thus, the first rewritten premise is that not only specific persons create value, but that value creation happens among persons not employed by entrepreneurial firms. These digital entrepreneurs use the digital infrastructure to make value creation happen, but they are not the owners of this technological infrastructure. That distinguishes digital entrepreneurs from technology or digital technology entrepreneurs (Giones and Brem 2017).

Digitalization is also rewriting the second premise as new ventures are now able to attack incumbents that traditionally had a superior set of resources (Srinivasan and Venkataraman 2018). Due to lower communication and information costs, firms know much more about customers and can provide individual and on-demand solutions for customers (Christensen et al. 2018). Therefore, entrepreneurial ventures do not primarily address a specific group of customers anymore, but instead a dynamic, extensive collection of customers with varying goals, motives, and capabilities (Nambisan 2017; Sussan and Acs 2017).

Third, launching a new enterprise has traditionally involved writing a business plan and pitching it to investors (Blank 2013). Due to rapid possibilities for prototyping, several techniques have been proposed to not focus too much on a desired goal but to start lean by taking action and design them along the process (e.g., Baker and Nelson 2005; Sarasvathy 2001). Additionally, the rise of match-making platforms has lowered the need for business plans as financing possibilities have broadened from individual persons and institutions to the crowd (Schwienbacher and Larralde 2012).

These effects changed the classic nature of entrepreneurship that is summarized in Table 1. These changes are mainly based on advancements in digital technologies that manifest in three elements: *digital artifacts*, *digital infrastructure*, and *digital platforms* (Nambisan 2017). Artifacts are objects created by human interventions that, historically, had an enduring character with clear authorship and a physical nature like books (Allison et al. 2005). In contrast, *digital artifacts* are editable, interactive, and open and can be easily distributed (Kallinikos et al. 2013). These

Table 1 Shifts in the realm of digital entrepreneurship

	Classical entrepreneurship	Digital entrepreneurship
Entity	<ul style="list-style-type: none"> • Small, local ventures 	<ul style="list-style-type: none"> • Rapidly growing international ventures
Locus of value creation	<ul style="list-style-type: none"> • Founder/founder team and personal attributes 	<ul style="list-style-type: none"> • Value co-creation among diverse parties
Financing	<ul style="list-style-type: none"> • Institutions • Business Angels 	<ul style="list-style-type: none"> • Crowd
Opportunity spaces	<ul style="list-style-type: none"> • Market niches • Superior degree of innovativeness 	<ul style="list-style-type: none"> • Digital goods • Digital infrastructure • Digital platforms
Uncertainty handling	<ul style="list-style-type: none"> • Formally planned 	<ul style="list-style-type: none"> • Lean/effectuating • “Fail fast, fail early”
Resource allocation	<ul style="list-style-type: none"> • Difficult 	<ul style="list-style-type: none"> • Simple
Team allocation	<ul style="list-style-type: none"> • Personal peers 	<ul style="list-style-type: none"> • Community of interest

Authors’ own table

characteristics emphasize that *digital artifacts* are far more mutant than physical objects. Thus, digital artifacts offer new functional capabilities and value for archiving, searching, sharing, and collaborative working that provide new opportunities for creating value.

The access to these digital artifacts is controlled by second-order technologies (e.g., 3D printing, processors, servers, memory, operating system) that build the *digital infrastructure*. The digital infrastructure is the enabler to access and to distribute digital artifacts. The extensive efforts to rapidly expand digital infrastructure propelled globalization and the engagement of a greater number and diverse set of people in all stages of the entrepreneurial process—from finding collaborators to serving markets worldwide (Aldrich 2014).

While *digital infrastructure* enables one-to-one interactions, there is a third element of digitalization that today enables young ventures to reach a valuation in four years that Fortune 500 companies reach in an average of 20 years before the digital age (Morvan et al. 2016). *Digital platforms* are shared, digital architectures that enable many-to-many interactions between multiple groups or devices and enable a greater variety of offerings by variably combining standardized core modules (cf. Rochet and Tirole 2003). *Digital platforms* are built upon the *digital infrastructure* and cross-side network effects (Hagiu 2014). Accordingly, multiple parties benefit from the value created on digital platforms and the value on one side of a platform typically increases with the number of participants on another side—and vice versa. Platform-providing ventures do not necessarily create value themselves, yet they are responsible to orchestrate both value creation and value appropriation among the involved parties (Nambisan and Sawhney 2011). This potential to specialize in orchestration and to outsource costly value creation activities leads to a high attractiveness of digital platforms for new ventures (Zahra and Nambisan 2011).

All in all, these developments allow us to differentiate digitally driven ventures into two forms (Giones and Brem 2017). First, *digital technological ventures* concentrate on providing digital infrastructures. Second, *digital ventures* concentrate on producing digital artifacts or on providing digital platforms. Besides this focus on how digital ventures create value, digitalization also influences the interactions between actors involved in business interactions. This influence distinguishes brick-and-mortar businesses from click-and-mortar businesses as well as online pure players.

3 Brick-and-Mortar, Click-and-Mortar, and Online Pure Playing

Online pure players focus solely on operating their business online and derive all their revenue from e-business activities (Amit and Zott 2001; Wolfinbarger and Gilly 2001; Yoo and Lee 2011). These activities include services like providing digital artifacts or acting as a digital platform. Compared to the offline world, these digital platforms connect more efficiently and less costly varying parties (Dholakia et al. 2005). Additionally, costs for digital content reproduction are substantially lower. Thus, digital ventures can realize economies of scale easily and quickly due to the ease of information reproduction (Richter et al. 2017). These effects strongly pressure traditional firms operating in business-to-consumer segments like retailing, insurance, or consumer financial services (Grossman 2016).

Online pure players are distinct from brick-and-mortar companies as well as click-and-mortar companies (Steinfeld et al. 2002). While brick-and-mortar companies do not operate online at all, click-and-mortar companies use a multichannel strategy by coupling online and offline stores. A look at the sales volume of the German retail industry reveals that online sales have increased in the past years and continue to increase. Yet, it is only responsible for 7.8% of the total sales volume (Heinemann 2015). There are multiple reasons behind that fact, such as slow and expensive shipping, the challenge of returning products, and the difficulty of inspecting non-digital products (Forman et al. 2009). Moreover, some customer groups enjoy the offline shopping experience, preselection of offerings, and personal contact in offline stores (Dholakia et al. 2005). This seems to be especially important for experience goods because only direct experience allows customers to fully understand essential product attributes (Chiang and Dholakia 2003). These physical experiences are critical for a long-term customer loyalty as attention is driven more toward the brand (Crockford et al. 2013) and as creating loyalty is a severe problem for online pure players (Ghazali et al. 2016).

However, a specific look at the German retail industry shows that soon nearly 50% of all non-food purchase decisions are prepared online (Heinemann 2015; Stojković et al. 2016). Additionally, the rise of digital ventures is propelled by reduced information search costs and limitless information availability that was

historically a trade-off (Sampler 1998). In consequence, brick-and-mortar companies for search goods face considerable disadvantages compared to digital ventures (Chiang and Dholakia 2003). In the digital world, information reaches numerous target groups without losing the richness of the content and with significantly lower transaction costs (Lee 2001). Steinfield et al. (2002, p. 94) outlined the following advantages of digital ventures:

[...] access to wider markets, lower inventory and building costs, flexibility in sourcing inputs, improved transaction automation and data-mining capabilities, ability to bypass intermediaries, lower menu costs enabling more rapid response to market changes, ease of bundling complementary products, ease of offering 24/7 access, and no limitation on depth of information provided to potential customers.

In general, digitally driven ventures are distinct from brick-and-mortar companies by the breakdown of time and location constraints. Therefore, increased convenience and greater time, effort, and price savings are major reasons for customers to interact online with providers (Chiang and Dholakia 2003). Yet, due to the nearly limitless, costless, and timeless reach of information, customers have a higher market power and can easily compare multiple offerings (Teece 2010). At the same time, due to lower operational costs, digital ventures can provide discounts on market prices resulting in the expectation that digital content is available for free (Richter et al. 2017). Firms also benefit from the extensive, digital footprints of customers and can collect an enormous variety and volume of customer information to better understand their expectations. Yet, Christensen et al. (2016) conclude that knowing more and more about customers does not take firms to adequately understand what the customer hopes to accomplish in a given circumstance. Data protection and copyright issues pose additional challenges to business owners (Fodor and Brem 2015).

To sum up, although digitalization fundamentally changes the way of doing business, each of the three channeling strategies involves positive and negative effects (Table 2). Therefore, young ventures must carefully weight these effects and may change the strategic direction if circumstances have changed or if the strategy does not unlock the full potential.

4 Method

Given the phenomenon that more and more online pure players are surprisingly turning their disrupting success formula into reverse, we aimed to understand the circumstances and the online pure players' motives to open physical stores. We used a qualitative multiple-case study approach, primarily based on semi-structured interviews (Eisenhardt 1989; Yin 2013). A case study approach seems appropriate as it allows the study of personal, actual renditions and the deduction of general explanations (Yin 1981). A multiple-case study approach was chosen to improve the generalizability across different industries as well as ventures and to allow cross-case analysis (Yin 2013). In this way, the results inform about the existence of a singular