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**A COMPARISON OF B2C E-COMMERCE IN FINLAND,  
GERMANY AND UNITED KINGDOM**

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## ABSTRACT

<p><b>Authors:</b> Tuomas Nurmela</p> <p><b>Title:</b> A Comparison of B2C E-Commerce in Finland, Germany and United Kingdom</p>	
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<p>Master's Thesis. Lappeenranta University of Technology. School of Business and Management. Degree Program in Industrial Engineering and Management. 98 pages, 31 figures, 16 tables, 4 maps and 1 appendix</p> <p>Supervisor: Professor Juha Väättänen, Teija Sirko</p> <p>Examiners: Professor Juha Väättänen, Daria Podmetina</p>	
<p><b>Keywords:</b> e-commerce, B2C, Finland, Germany United Kingdom</p>	
<p>E-Commerce is not a new phenomenon, but strictly speaking, it has breakthrough during the past 15 years. E-commerce is adopted differently across European countries, even though almost all of them are considered to be advanced industrialized nations. These notions are made at the same time as E-Commerce markets grow year by year. Countries seem to evolve at a different pace.</p> <p>At the same time, customers get more and more experienced with the Internet and perceive online marketplace more critically. Also, companies have their important role in the development of E-Commerce. E-Commerce research has been conducted on three levels of analysis: individual, company, and country.</p> <p>In this thesis, the primary focus is on the differences between B2C retail E-Commerce in Finland, Germany, and the United Kingdom. The research is conducted with an exploratory method by collecting data from secondary sources.</p> <p>The research suggests that there are no significant differences between delivery methods in Finland, Germany, and the United Kingdom. When it comes to payment methods, the results suggests that there is a statistically significant difference between Germany and United Kingdom.</p>	

## TIIVISTELMÄ

<p><b>Tekijä:</b> Tuomas Nurmela</p> <p><b>Työn nimi:</b> Kuluttajaverkkokaupan vertailu Suomessa, Saksassa ja Yhdistyneessä Kuningaskunnassa</p>	
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<p><b>Hakusanat:</b> verkkokauppa, B2C, Suomi, Saksa, Yhdistynyt Kuningaskunta</p> <p><b>Keywords:</b> e-commerce, B2C, Finland, Germany, United Kingdom</p>	
<p>Verkkokauppa ei ole uusi ilmiö, mutta varsinaisesti se on lyönyt itsensä läpi viimeisen viidentoista vuoden ajan. Verkkokauppaa käytetään eri tavoin eripuolilla Eurooppaa vaikka suurin osa maista on kehittyneitä jälkiteollisia talouksia. Nämä huomiot on tehty samaan aikaan, kun verkkokauppariikkinä kasvaa vuosi vuodelta. Maat vaikuttavan kehittyvän eri tahtiin.</p> <p>Samaan aikaan kuluttajat tulevat aikaisempaa kokeneemmiksi Internetin käyttäjinä ja suhtautuvat sähköiseen markkinapaikkaan aiempaa kriittisemmin. Yrityksilläkin on oma tärkeä roolinsa verkkokaupan kehittämisessä. Verkkokauppatutkimusta onkin tehty kolmella tasolla: yksilö, yritys ja valtio.</p> <p>Tässä diplomityössä pääpaino on Suomen, Saksan ja Yhdistyneen Kuningaskunnan fyysisten tuotteiden verkkokaupan eroissa. Tutkimus on tehty kokeellisella menetelmällä ja data on kerätty toissijaisista.</p> <p>Tutkimuksen tulokset viittaavat siihen, että Suomen, Saksan ja Yhdistyneen Kuningaskunnan välillä ei ole tilastollisesti merkitseviä eroja toimitustapojen osalta. Maksutapojen osalta tutkimus osoittaa, että on olemassa tilastollisesti merkitsevä ero Saksan ja Yhdistyneen Kuningaskunnan välillä.</p>	

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My first real touch with a university was in junior high school when I got the opportunity to use my mother's university's Unix account. Therefore, the world of the Internet opened to me already at the beginning of 1990's. My second encounter with a university was in high school. Kastelli high school, Nokia, and the University of Oulu offered students an opportunity to get a summer job at Nokia and take courses at the university.

After high school, I got into two different universities, but the burn for politics got me and studies got side-tracked. Eventually, I got back on track and headed for Master's degree in Industrial Engineering and Management at my third university, the Lappeenranta University of Technology.

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Ybbs an der Donau, Austria, 13th of May, 2016  
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**APPENDICES:**

**APPENDIX 1: Summary of sites included in the study**

## LIST OF SYMBOLS AND ABBREVIATIONS

ANOVA	Analysis of Variance
B2C	Business-to-Consumer
EB	E-Business
EC	E-Commerce
ER	E-Retail
EU	European Union
ICT	Information and communication technology
IT	Information technology
TOC	Terms of contract
UK	United Kingdom
US	United States of America
USA	United States of America
WK	Wunderkraut

## 1 INTRODUCTION

Many may think that European countries are very similar regarding wealth levels and engagement in E-commerce (EC), but this is not the case. E-commerce is adopted differently across European countries, even though almost all of them are considered to be advanced industrialized nations. There are many factors involved: Availability and culture are variables, that determines how the adoption of new technologies are adopted. Availability includes e.g. technological, infrastructural, economic and educational conditions. Cultural variables, on the other hand, include e.g. trends and orientations a society has in the terms of beliefs or values. (Ho et al., 2007; Casaló et al., 2011)

E-Commerce applications based on the Internet have provided benefits for both companies and customers. Companies have gained the possibility to reach the global customer, and vice-versa customers have increased the possibility to buy products and services from the global marketplace. (Hwange et al., 2006) The electronic retail (e-retail or ER) of goods over the Internet has given consumers the possibility to find and buy products which would have been out of their reach before. The new channel is, therefore, open up the opportunities for consumers. (Kshetri et al., 2014)

Alongside a customer and a company, countries have a significant impact on the development and adoption of EC. Countries have a bearing on the culture, which is interpreted by people in the role of customer. Countries also provide legislative and economic frameworks where both customers and companies act. (Ho et al., 2007; Kshetri et al., 2014)

E-Commerce research has conducted on three levels of analysis: individual, company, and country. There are also different methods and various environmental and contextual factors. Many scholars have focused on adoption, growth, and diffusion across countries. Scholars have also looked at the online shopping behaviour and the adoption of e-business by individuals and organisations. (Kshetri et al., 2014; Ho et al., 2007)

When it comes to E-Commerce, culture and trust play a significant role from the point-of-view of a consumer. Culture affects the development of e-commerce and the Internet as it also affects economic and technological factors. (Casaló et al., 2011; Goethals et al., 2009)

Also trust plays a big part in EC, as it has a direct and indirect impact on customers purchasing decision. (Kim et al., 2008)

There is no vast consensus among scholars on customers' acceptance of online shopping. The main reason being, that "most of the findings are mixed and inconclusive"; This is the case especially research made outside the United States of America. (Ashfar et al., 2014)

Online customers perceive convenience as a virtue (Kshetri et al., 2014). One way to examine the convenience of retail B2C E-Commerce is to look at the different delivery and payment methods the online stores offers. The analysis also gives the possibility to find out if there are statistically significant differences between countries in delivery and payment methods.

E-Commerce is growing year by year and different countries evolve at a different pace (Ecommerce Europe, 2015). Also, people get more and more experienced with the Internet and perceive online marketplace more critically (Ashfar et al., 2014). Therefore, it is beneficial for both academic and managerial reasons to explore how E-Commerce is developing in different countries.

## **1.1 Background**

This thesis is part of Master of Science in Industrial Engineering and Management studies at the Lappeenranta University of Technology. The major subject of the studies is Industrial Marketing and International Business, and the minor is Computer Science.

The subject for the thesis was formed in cooperation with Vesa Palmu and Teija Sirko from Wunderkraut Finland Ltd (WK). The original idea was to focus on Wunderkraut's three main geographical business areas: Finland, Germany and the United Kingdom (UK). Furthermore, the idea was to explore the differences between the mentioned countries.

Wunderkraut Finland Ltd is a subsidiary of Wunderkraut Holdings S.A. WK operates from Helsinki, Finland. Company's mission is to improve the business of our customers with digital tools and provide end-to-end digital services from consultancy and training to service design, development and support. The parent company operates in nine different EU countries and employs 170 people. (Wunderkraut, 2016)

## 1.2 Goals, research questions and delimitations

The purpose of this thesis is to find possible differences in the Retail Business to Consumer (B2C) E-Commerce between Finland, Germany, and the United Kingdom (See Figure 1.). To reach the goal issues are examined with an exploratory method, contrary to hypothesis testing. Research questions are in Table 1.



**Figure 1.** Geographical scope of the thesis

For this thesis, there was no real possibility to conduct a survey in all three countries. Therefore, secondary data was used. The chosen way of approaching the data has its vulnerabilities as the availability of data is always a concern for empirical research (Ho et al., 2007). Shiu and Dawson (2004) refers to Hakim (1982) when defining use of secondary data and its analysis: "any further analysis of an existing dataset which presents interpretations, conclusions or knowledge additional to, or different from, those presented in the first report on the inquiry as a whole and its main results".

The use of secondary data is not an automatic deliverance. Data concerning E-Commerce was not available for years, even though in Europe, the growth of EC started before 2000. The national agencies and international organizations were not ready for the study of EC.

(Ho et al., 2007) The described problem was faced while conducting this research, as most of the data originally intended to use were not available in the public domain.

**Table 1.** Research questions

RESEARCH QUESTION	
<b>RQ1.</b>	<p>What are the main differences in customer behaviour in B2C retail E-Commerce between Finland, Germany and the United Kingdom in the light of</p> <ul style="list-style-type: none"> <li>a) Delivery times.</li> <li>b) Payment options.</li> <li>c) Most popular product categories.</li> <li>d) Preferred foreign countries to buy from.</li> </ul>
<b>RQ2.</b>	<p>Are there differences between Finland, Germany, and the United Kingdom when it comes to B2C E-Commerce delivery options?</p>
<b>RQ3.</b>	<p>Are there differences between Finland, Germany, and the United Kingdom when it comes to B2C E-Commerce payment options?</p>

Furthermore, this study is limited to analyze three countries in an exploratory manner; This may lead to limitations when it comes to expanding the conclusions to other nations or regions. Furthermore, the focus is on online retail in consumer markets (B2C) and as a result, the B2B market aspects are not included in the scope of this study.

It should also be acknowledged, as the research is limited to the three countries and no comparison to other countries or regions, advanced or developing, is made. Furthermore, the sample might bring its limitations as Top 10 B2C retail E-Commerce sites from the countries of interest were examined.

### 1.3 Structure of the thesis

There are two main parts in this thesis. The first being the literature review (Chapter 1-4) and the second being the part where qualitative methods are implemented (Chapter 5-9). In the work, E-Commerce is limited to cover business to consumer retail markets.

**In chapter one**, an introduction to the thesis is presented. The introduction, is described why E-Commerce is in the focus of this thesis, research questions are laid out, and also possible limitations are presented. Finally, the structure of the thesis is presented.

**In chapter two**, E-Commerce and E-Business are handled from different perspectives, still bearing mind that the focus of the thesis is on the B2C Retail E-Commerce. In the first two subsections, the general concepts of EC and EB are presented. Next, the evolution of E-Commerce and the meaning of E-Commerce innovations are handled. Logistics, E-Retail spending, and Growth of E-Commerce are covered in the final subsections.

**In chapter three**, the focus turns into E-Commerce and internationalization. A literature review on basic cultural concepts and the meaning of culture for E-Commerce are also presented. Furthermore, the role of trust is assessed in the end of the chapter.

**In chapter four**, the concepts of analysing countries are introduced. The focus is in different environments that have relevance on E-Commerce B2C retail websites. Also, various stages of country development are presented, and the level of regional integration among countries is handled.

**In chapter five**, the methodology of this thesis is presented. There is more detailed view on the study which is being replicated and adapted in this study. The chapter also gives a view of the secondary data sources used in this thesis and the information about the websites that have been under examination.

**Chapter six** presents Finland, Germany, and the United Kingdom. Chapter's structure is based on the PEST-analysis model. Thus, the main areas of interest are political, economic, socio-cultural and technological environments.

**Chapter seven** presents the results and key findings of the research. The chapter has two parts. The *first part* handles the first research question: What are the main differences

between consumers in Finland, Germany and United Kingdom in the light of B2C retail E-Commerce? The *second part* gives answers to the second and third research questions: Are there differences between Finland, Germany, and the United Kingdom when it comes to B2C E-Commerce delivery options?; Are there differences between Finland, Germany and the United Kingdom when it comes to B2C E-Commerce payment options?

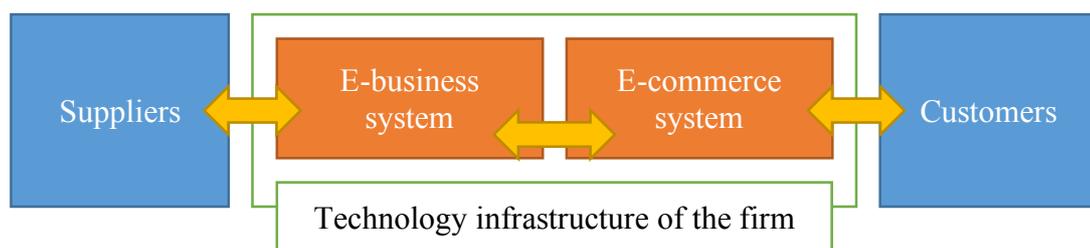
**Eight chapter** covers conclusions, discussion, and handling of possible future research questions. Also, reliability and validity of the research are discussed in this chapter. Also, a comprehensive summary of the entire work is given. The summary presents the starting point of the research, the theoretical and empirical choices, aims, results, conclusions and possible ideas for further studies.

## 2 E-BUSINESS AND E-COMMERCE

Internet and information technology (IT) are shaping the means of international business by giving companies the possibility to conduct E-Commerce on the Internet and to integrate E-Business capabilities to different activities. The development of E-Business methods drives companies to internationalize, as it enables to beat geography and time zones. It is possible to do business all day, every day anywhere in the world. E-Business is also enabling companies of different sizes to get to the game. There is even a breed of businesses called "born global". Born global companies exploit all of the possibilities the Web offers them as a platform e.g. for global selling, procurement and customer service. (Cavusgil et al., 2014)

E-commerce or electronic commerce is "the process of buying, selling, or exchanging products, services, and information via computer networks". E-business (EB) on the other hand, is considered to be a broader definition of EC. EB is considered to include all of the aspects of EC and also servicing customers, co-operation with business partners and conducting electronic transactions within an organisation. (Turban and King, 2003)

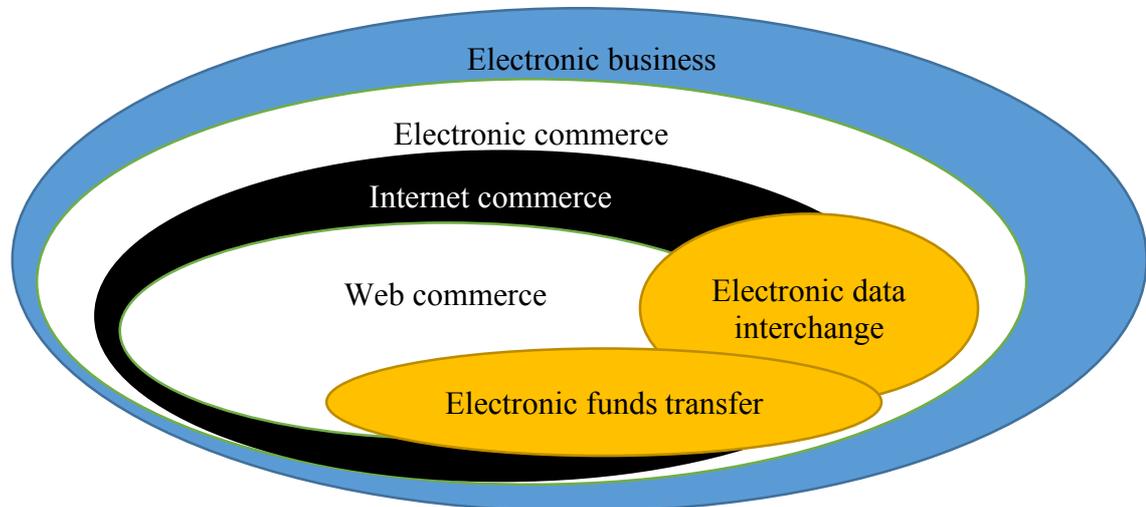
Figure 2 shows a distinction between E-Business -system and E-Commerce -system. E-Business is considered to include the measures of Information and Communication Technology (ICT), which are used to facilitate processes within the company, and also with transactions with suppliers. E-Commerce is the electronically mediated exchanges with customers. (Fletcher et al., 2004)



**Figure 2.** E-business and e-commerce systems (Fletcher et al., 2004)

Then again Figure 3 supports the view of seeing E-Business as a larger phenomenon than E-Commerce. This view promotes that E-Business includes all aspects of E-Commerce, but also electronic advertising; electronic buying and selling; electronic distribution; direct client

interaction for marketing and customer service; groupware, email, and electronic collaboration; workflow, automated forms of distribution; and secure transactions. (Fletcher et al., 2004)



**Figure 3.** Relationship between e-business and e-commerce (Fletcher et al. 2004, original source Huff, Wade and Schnebergers, 2002)

E-Business can also be seen crucial for an organisation's business strategy. It also redefines business models and changes ways of transactions. All of these changes leads to the possibility of increased value for the organisation itself, but even more to its stakeholders. (Fletcher et al., 2004)

As this thesis focuses on B2C E-Commerce, it is appropriate to concentrate on a definition, which emphasises the B2C perspective. It is also appropriate to distinguish E-Commerce from E-Business as E-Business is considered to be a larger concept that E-Commerce or it is deemed to emphasize the B2B side of operations.

In this work, the definition of E-Commerce made by Ho et al. (2007) is adopted: "B2C electronic commerce is the use by business and consumers of the global Internet for the sale and purchase of goods and services, including business services and support after the sale to consumers". The definition includes not only the intangible end-to-end B2C transactions but also the bricks-and-clicks setting. (Ho et al., 2007).

## 2.1 E-Commerce framework

Turban and King (2002) introduced a framework to assess the different aspects of E-Commerce. The framework defines E-Commerce applications, five support areas, and infrastructure.

On the top of the framework are E-Commerce applications. These applications include e.g. job search, online banking, E-Government, E-Purchasing, auctions, travel arrangements, online publishing and consumer services. Right below applications are support areas: people, public policy, marketing and advertisement, support services and business partnerships. (See Figure 4). In this breakdown people refers e.g. to sellers, buyers, intermediaries, and employees; public policy includes legal and other policy issues, that are determined by the government; support services refers to logistics, payments, security systems and development; business partnerships include e.g. affiliate programs and joint ventures. (Turban and King, 2003)



**Figure 4.** E-Commerce support areas (Turban and King, 2003)

At the bottom is infrastructure as the foundation of the framework. It includes five aspects: 1) common business services infrastructure, 2) messaging and information distribution infrastructure, 3) multimedia content and network publishing infrastructure, 4) network infrastructure and 5) interfacing infrastructure. (Turban and King, 2002)

E-Commerce can also be seen from six perspectives: 1) communications, 2) business processes, 3) service perspective and 4) online perspective, 5) collaboration, and 6) community perspective. Table 2 defines the above aspects in more detail. (Kalakota and Whinston, 1997; Turban and King, 2003) These aspects are presented more thoroughly in Table 2.

**Table 2.** Six aspects of EC (adapted from Kalakota and Withinson (1997) and Turban and King (2002))

Aspect of EC	Definition of the aspect
<b>Communications</b>	Delivery of goods, services, information, or payments via computer networks or other electronic means.
<b>Business process</b>	Application of technology pursues the automation of business transactions and workflows.
<b>Service</b>	Tool for cut service costs while improving the quality of customer service and increasing the speed of service delivery.
<b>Online</b>	Capability of selling and buying products and information over the Internet and on other online services.
<b>Collaboration</b>	The facilitation of inter- and intra-organizational collaboration.
<b>Community</b>	Place for community members to learn, transact, and collaborate.

## 2.2 Benefits and limitations of E-Business and E-Commerce

E-Commerce has various positive benefits for the consumer. On the other, there are limitations, which needs considering. Table 3. describes both pros and cons of E-Commerce. (Solomon et al., 2013)

**Table 3.** Benefits and limitations of EC (adapted from Solomon et al., 2013, who have adapted from Solomon and Stuart, 2001)

Benefits of EC	Limitations of EC
24 hours shopping	Deficiency of security
Less traveling	Fraud
Possibility to receive relevant information in seconds from virtually any location	Cannot touch items
Vast amount of products	Colours on monitor might not match with colours in real situations
More products available less-developed countries	Expensive to order and then return
Access to price information	Human interaction might be reduced
Lower prices so poor customers can also purchase	
Possibility to participate in virtual auctions	
Fast delivery	
Electronic communities	

As shown in Figure 5 there are at least four benefits to E-Business: 1) Increased productivity and reduced costs as worldwide value-chain activities bring economies of scale. 2) Existing customers benefits as the efficiency and effectiveness of customer and vendors increases. 3) New sales opportunities emerge as marketing capabilities increases and a new way of operating boosts entrepreneurial initiatives. 4) Communication and knowledge sharing improve the interaction with customers, suppliers, and partners are enhanced. (Cavusgil et al., 2014; Turban and King, 2003)

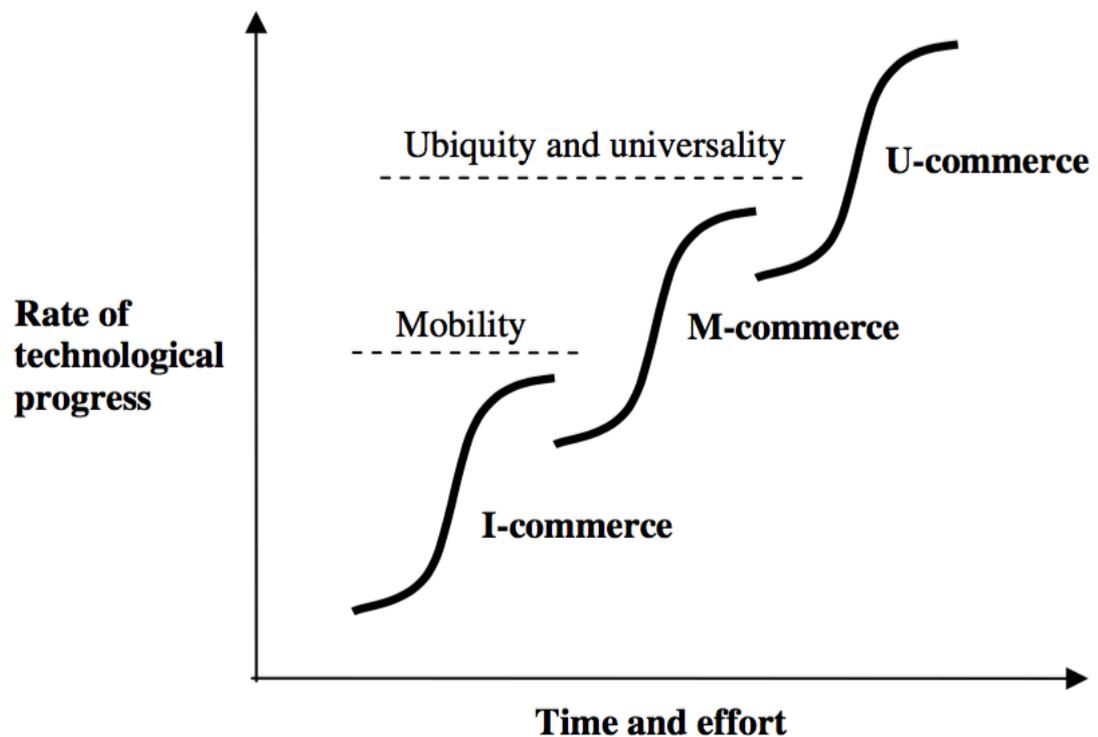


**Figure 5.** four types of benefits of E-Business

### 2.3 Evolution of E-Commerce

Technological development has a significant impact on the evolution of E-commerce. The development illustrated as recurring S-curves, as shown in Figure 6. A new S-curve starts when a novel EC application moves from a stage of evolution to another. The I-commerce stage was a time of fixed wired networks. The foundation of M-commerce is the development of wireless technologies. On its part, the stage of U-commerce will enhance the impacts of wireless communications, nomad culture and personalized technology. (Wu and Hisa, 2008)

I-commerce refers to a phenomenon; which drives physical goods and services exchange from traditional marketplace to a virtual marketplace. M-commerce is an extension to I-commerce, which is enabled by the expansion of wireless technology. In more detail, Wu and Hisa (2008) defines M-commerce as "any transactions with monetary value conducted over a wireless telecommunication network". (Wu and Hisa, 2008)



**Figure 6.** Development of E-Commerce Innovation presented with S Curves (Wu and Hisa, 2008)

U-commerce is a little bit more complicated to define than I- and M-commerce. The U refers to both ubiquitous and universality. Evolving to its U-commerce stage E-commerce has taken dramatic steps, as chips have gotten smaller and smaller and previously separate chips are being embedded. This development has led to a whole new category of devices. U-commerce is the driving force of future E-commerce development. (Wu and Hisa, 2008)

Ubiquity refers to systems, which can support the lifestyle of the generation of people who travel a lot and are not bound to a particular time and space. Universality is present with ubiquity and refers to systems ability to provide ubiquity anywhere, anytime, and with any device imaginable. (Wu and Hisa, 2008)

Wu and Hisa (2008) defined U-commerce to be "a dynamic convergence of physical, digital, and traditional commerce with ubiquitous computing technologies to support personalized, uninterrupted communications and transactions". U-commerce pushes new business models and reshapes the fundamentals of E-business around the world. (Wu and Hisa, 2008)

## **2.4 E-commerce innovations**

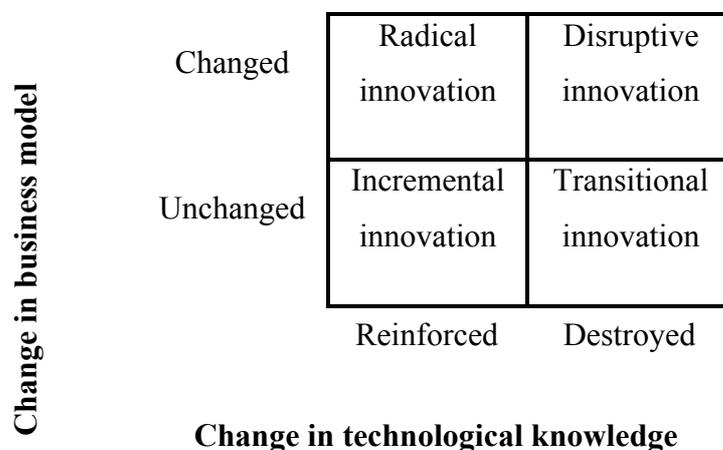
There are quite a few definitions for innovation. The dictionary definition of innovation is following: a new idea or way of doing something that has been introduced or discovered. (Hornby, 2000) Jämsä (1994) makes a distinction between innovation and invention. Innovation is an invention that is broadly used, or it brings a significant profit. An invention, on the other hand, is a technical novelty, which most likely has a patent. (Horby, 2000; Jämsä, 1994)

Kotler et al. (2009) give a broader definition: Innovation as a novel or improved product, service, system, process or method. The main point is that innovation is a commercially successful invention. (Kotler et al., 2009)

On his part Kettunen (2000) underlines that a technological innovation must gain approval on the marketplace, among technical institutions and the society, to become an innovation. Therefore, it can be stated: for an invention to become an innovation it needs 1) technological applicability, 2) economic profitableness, and 3) social acceptability. (Kettunen, 2000)

There are 12 identified dimensions of business innovations. These aspects include *offerings, platform, solutions, customers, customer experience, value capture, process, organisation, supply chain, presence, networking, and brand*. (Sawhney et al., 2006)

As innovation is a novel invention, E-commerce innovation is a new invention, which has its roots in an application of new E-commerce technologies. Thus, it is possible to simplify the domain of E-commerce innovation: technological advancements and business model improvements. Figure 7 shows the two-dimensional E-commerce innovation model. (Wu and Hisa, 2008)



**Figure 7.** The two-dimensional E-commerce innovation model (Wu and Hisa, 2008)

Technological knowledge is the "technological ability to mobilize and deploy the innovation". On its part business model is "a coherent framework that converts the E-commerce technologies through markets into business value". The business model often includes key components of business: value proposition, market segment, cost structure, profit potential, and value network. (Wu and Hisa, 2008)

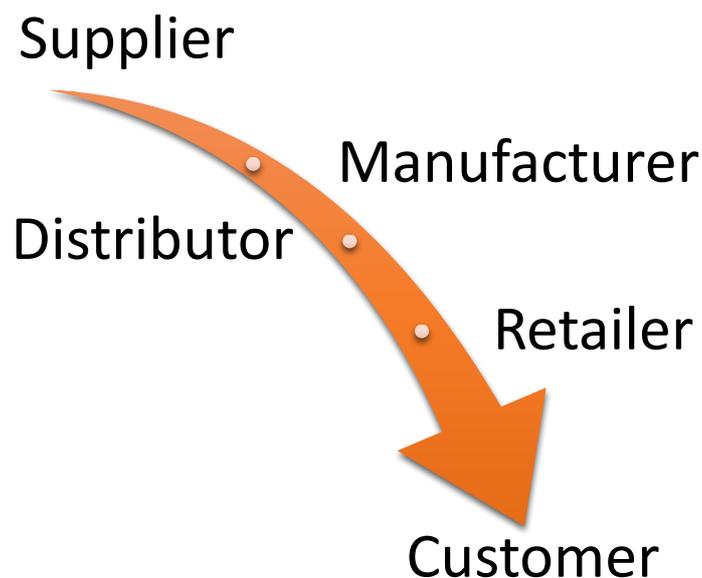
In the model E-Commerce, innovation is seen from the points-of-views of change in business model and change in technological knowledge. Changes can manifest in four ways: incrementally, transitionally, radically and disruptively. The embodiment depends on "the extent which the innovation impacts the existing technological knowledge and business model". (Wu and Hisa, 2008)

Incremental E-commerce innovation is an advancement, which uses the existing technological knowledge and business model as the basis. E-commerce innovation is transitional if it builds on the business model, but at the same time wipes out the previous technological knowledge. E-commerce innovation is radical if the technological knowledge maintains, but the business model is radically changed. Lastly, an E-commerce innovation is considered to be disruptive if both technological and business model are destroyed and therefore, both comes obsolete. To be more precise, technological knowledge can be divided into three areas of understanding: IT-infrastructure, content, and services. (Wu and Hisa, 2008)

## 2.5 Logistics and E-commerce

E-commerce has had a significant impact on the supply chain. Biggest changes have happened with customer relationship process, nested marketing and order placement process. These processes have offered the consumer possibility to make much more purchases over an hour than it is possible for a traditional retail outlet; especially for products that the customer does not have to take a closer look and/or touch. (Krajewski et al., 2007)

The supply chain is a five-step process, where the stocking points of goods determine different phases. Figure 8 gives a simplified view of the process.



**Figure 8.** Main stages of supply chain (adopted from Krajewski et al., 2007)

### **2.5.1 Order placement and fulfillment**

The order placement process is a significant part of the B2C E-Commerce process. The development of technologies has enabled companies to remodel their ordering processes and provide benefits for the customer and the company. From the firm's point of view there are at least four advantages when redesigning the order placement process via the Internet:

- Cost reduction
- Increase in revenue flow
- Global access
- Pricing flexibility. (Krajewski et al., 2007)

The order fulfillment process has links with the customer relationship process. In many cases both processes occur at the same time, it can be seen that the processes happen parallel. In the bricks-and-mortar establishments, both processes usually end at the same time, as the customer get purchased products immediately after the payment. When it comes to E-Commerce, the processes differ at the end, as delivery of the products usually happens later than right after the payment. (Krajewski et al., 2007)

### **2.5.2 Inventory placement**

Decisions made related to inventory placement have a significant impact on the order fulfillment process. Inventory placement has strategic implications as the location of inventory of finished goods has an enormous impact on delivery times. (Krajewski et al., 2007)

There are two larger points-of-views when it comes to approaching inventories of finished goods: centralized placement and forwards placement. Vendor-managed inventories is an "extreme case of forward placement" and continuous replenishment program is a method of vendor-managed inventories. Inventory pooling is an application of centralized placement and refers to a model where the company reduces its inventories and safety stock to meet the variable demands of customers. (Krajewski et al., 2007)

Centralized placement is an approach where all inventories are in a single location. The distribution center can be located e.g. at company's manufacturing plant, or it can be a separate warehouse. All in all, all of the inventories are in one place, and all shipping to customers is done directly from this facility. (Krajewski et al., 2007)

Forward placement is a strategy where the company locates its stocks closer to customers. The inventory can be in a warehouse, distribution center, at wholesalers, or at a retailer. Forward placement can have some advantages over the centralized model. The model can lead to faster delivery times and therefore, it can decrease costs, which may result in increased sales. On the other hand, there might be a need for larger safety stocks as in every of the locations; there is a need to prepare for uncertain demand. (Krajewski et al., 2007)

### **2.5.3 Distribution of products**

The process of getting ordered products to the customer is the last, but certainly not the least part of the order fulfillment. Krajewski et al. (2007) point out three aspects to consider when designing and implementing distribution process:

- 1) Ownership vs. outsourcing
- 2) Mode selection: truck, train, ship, pipeline, airplane
- 3) Cross-Docking

In the ownership-based approach, the company has control over the distribution process. In the case, the company itself becomes a private carrier or in other words private delivery service. Running own delivery service gives the company an advantage as it controls every aspect of distribution; This might give the company competitive advantage over its rivals, but it also might lead to high costs as equipment, labor, facilities and maintenance would be the company's responsibility. (Krajewski et al., 2007)

Another way to approach is to outsource distribution to contract carrier. Different companies offer services for companies in the field of the fulfillment process. (Krajewski et al., 2007)

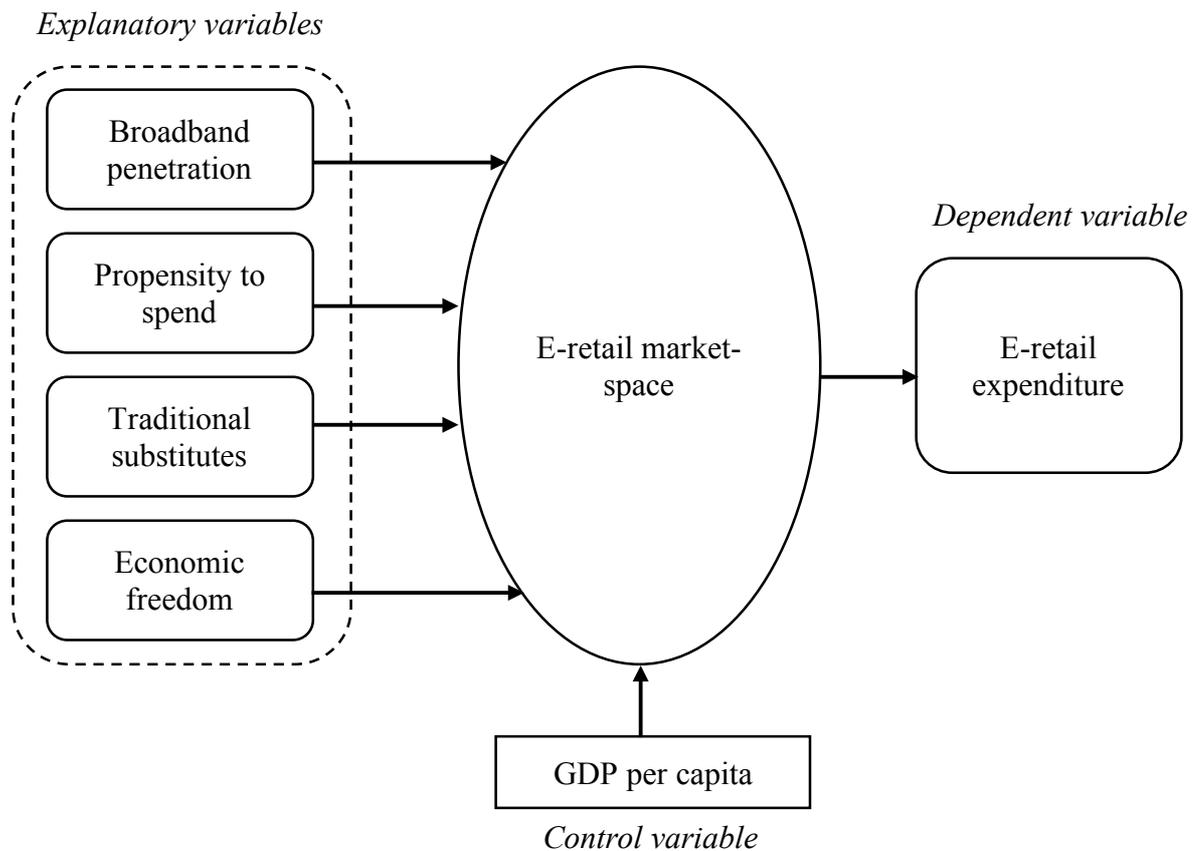
## 2.6 E-retail spending

As the nature of consumer behaviour differs online and offline, there are unique characteristics in the online retailing. Also, the "interplay of technology and culture" have its significant role. (Chau, 2002) Even in countries that have similar cultures, it seems, that there are differences how consumers buy online. Furthermore, there are differences how consumers from seemingly similar cultures use online and offline shops. (Goethals et al., 2009)

One way to analyze countries heterogeneity in EC and especially EC spending is to take a look at the technological, market, industry and institutional forces of selected countries. The analysis of these forces is beneficial for both industry managers and government officials. Managers can analyse the potential of a particular country and governments can analyse, which policy decisions would enhance country's position in EC market-space. (Kshetri et al., 2014)

Kshetri et al. (2014) examined four drivers of EC spending. Figure 9 illustrates their conceptual framework. The framework focuses on the macroeconomic variables, as researchers are widely unanimous that technology and economic determinants lead to higher usage of Internet and mobile services. (Kshetri et al., 2014)

The framework covers four explanatory variables: 1) broadband penetration, 2) propensity to spend, 3) traditional substitutes, and 4) economic freedom. As control variable, the framework uses GDP per capita. Researchers assume that the four variables take into consideration other variables e.g. penetration rate of PC and mobile devices, broadband speed, business adoption of the Internet and computer literacy. (Kshetri et al., 2014)



**Figure 9.** Framework to evaluate e-retail spending (Kshetri et al., 2014)

### 2.6.1 Broadband penetration

Broadband connection gives consumers the possibility to enjoy the potential of EC. Broadband connections are an important factor when scholars have evaluated EC activities and explained variation between countries. From the EC point-of-view, it is notable that, consumers who have a broadband connection are more likely to make purchases online compared to dial-up users. (Kshetri et al., 2014)

For example, in China, the EC retail industry have facilitated broadband connections in the rural areas. New features of online marketplaces also emphasize the meaning of fast connection to the Internet. Also, the use of Software-as-Service and other cloud computing models advocate the importance of broadband connections. (Kshetri et al., 2014)

Last, but not the least, it should be pointed that online customers perceive convenience as a virtue. Broadband connection provides ease of use and convenience, among other benefits.

For example in the UK, a survey pointed out that two-thirds of consumers had broadband access and indicated that the connection had an impact on their online shopping, as they shopped more frequently online. (Kshetri et al., 2014)

### **2.6.2 Customers' willingness to consume on store-based facilities**

A fundamental aspect of Kshetri et al.'s (2014) conceptual framework is that the advancements and innovations in the retail industry are greatly influenced by customers choices and by larger economic transactions and constructs. Consumers' possibilities to consume are dependent on their income and other assets. Some part of the income is saved and invested. The remaining part of the disposable income is spent on retail and non-retail goods, (Kshetri et al., 2014)

As described before advanced economies have substantial purchasing power and there are few barriers to international trade or investment (Cavusgil et al., 2012). These economies also have wealthy households with children, available credit and society's atmosphere is friendly for both store-based and online-based retail. Advanced economies also have a consumer culture, which has a high store-based spending level and store-based facilities may provide factors that "produce complementarity and synergy effects". A strong store-based retail industry may reinforce the expansion of the ER industry. All of the above may lead to strong tendency to use more money on online stores. (Kshetri et al., 2014)

### **2.6.3 Traditional retail stores and possible substitutions**

Based on previous research Kshetri et al. (2014) argues that an immense concentration of physical stores lead to lower cross-elasticity of demand between store-based and ER channels. The cross-channel substitution effects might work against the ER channel. In a more simple way: A large number of physical stores means short distances to a store, and this makes visiting a physical store convenient. Thus, a high concentration of stores may lower customer's interested towards ER. (Kshetri et al., 2014)

There is also another concerning issue related to a high concentration of physical stores; incumbent companies might have excess capacity, which leads to aggressive price competition. Aggressive protective measures could work against new entrants; This leads to a situation where "demand of products sold online tends to be price elastic". (Kshetri et al., 2014)

The convenience of buying is a factor when assessing consumer's buying behaviour. The convenience of online buying is a factor, which drives the growth of online retailing. It is argued that the relative convenience of online shopping is connected to the availability of physical stores. (Kshetri et al., 2014)

On the other hand, scholars have pointed out the importance of possibility to touch and feel products. Furthermore, it is noted that mature and efficient retail networks reduce the need for ER. The Internet is, in many cases, used to investigate and compare products, but the purchase is made in a physical store. (Kshetri et al., 2014)

#### **2.6.4 Economic freedom reflects regulatory restrictions**

Government policies have an impact on the use of ER technologies and applications; This applies to both individuals and organisations. Therefore, it is crucial to assess the issue of regulatory restrictions when considering the consumer spending in ER. (Kshetri et al., 2014)

There are different ways to face the changes brought by E-Commerce and E-Retail. Some countries worry about the outflow of currency. Others might protect domestic companies and/or monopolies with higher tariffs and customs. Some countries, on the other hand, provide tax reliefs or non-tariff policies for businesses, which locate high-tech operations into the country. These ways of dealing with foreign companies hinder the growth of e-commerce. (Kshetri et al., 2014)

Overall, the institutional and policy environment affects greatly to the economic development of a country. This perspective can extend to the retailing industry, and it can be remarked that countries with high level of economic freedom enjoy rapid growth in e-retailing. Furthermore, economic freedom has a significant effect on per capita retail spending. (Kshetri et al., 2014)

All in all, it can be stated that some government policies can potentially have a positive effect on the expansion of ER. Contrary, other government policies can potentially have a negative effect on ER growth. (Kshetri et al., 2014)

### **2.7 Growth theory and e-commerce**

While Kshetri et al. (2014) focused on e-retail spending, Ho et al. (2007) aimed to find drivers that push B2C E-Commerce growth in different countries. It is possible to gain a

broader perspective on nation's progression in the field of EC adoption from an economic point-of-view by expanding the view from country-level to aggregated-level drivers.

In their work Ho et al. (2007) seeks answers for following questions, and the employ a growth strategy perspective as the base of their study:"

- Is growth theory useful for investigating B2C e-commerce growth and diffusion across countries? What does it offer beyond current theories?
- How do endogenous growth theory and exogenous growth theory help to organize our thinking about the mechanism for B2C e-commerce revenue growth? What new explanatory capabilities do the theories offer?
- To what extent do the growth theories explain the extent to which growth is driven internally or externally across countries? Does a mixed model further inform us?"  
(Ho et al., 2007)

EC growth is the online shopping expenditures per capita in a country. Furthermore, a country is an economic system, within which e-commerce growth may be driven by both internal and external factors. Internal factors may include e.g. Internet users, information and telecommunication infrastructure, availability of online payment systems, venture capital, and education level. External factors may include e.g. EC development in other influential countries in the region. (Ho et al., 2007)

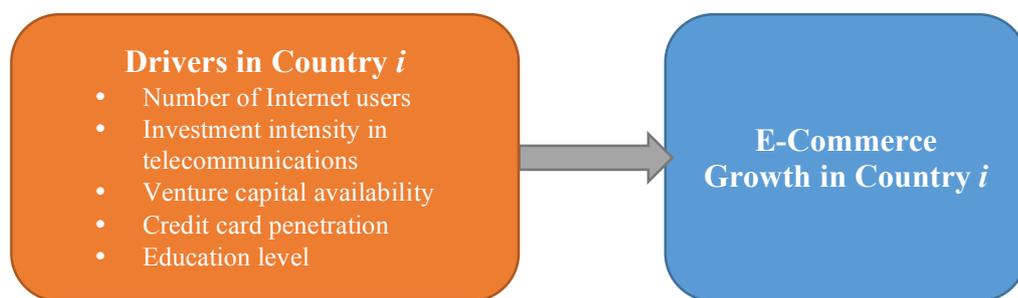
### **2.7.1 Endogenous growth model**

The endogenous growth model, developed in the 1980s, promotes a view, where economic growth is driven by internal factors of a system instead of factors coming outside of the system. The main point of the model is to emphasize the connection between technology and economic life because development of technology has a great impact on the economic system. The model is widely used in cross-national studies. (Ho et al., 2007)

The model promotes a view where the growth of economies, from an international perspective, is driven by innovations made in the advanced economies. Other countries follow these leading technological economies and copy innovations, as it is in most cases cheaper than innovation. The model has its weakness: "endogenous growth theory loses

predictive ability for growth convergence, where there is an allowance made for the heterogeneity of economies and their different growth trajectories toward a steady-state level of growth". (Ho et al., 2007)

In Figure 10 is shown the model of an endogenous growth theory for EC growth. The model emphasises that the drivers of EC growth in country  $i$  originate from country  $i$ . This view is consistent with the view of a contextual production. (Ho et al., 2007)



**Figure 10.** Model of an endogenous growth theory for e-commerce growth (Ho et al., 2007)

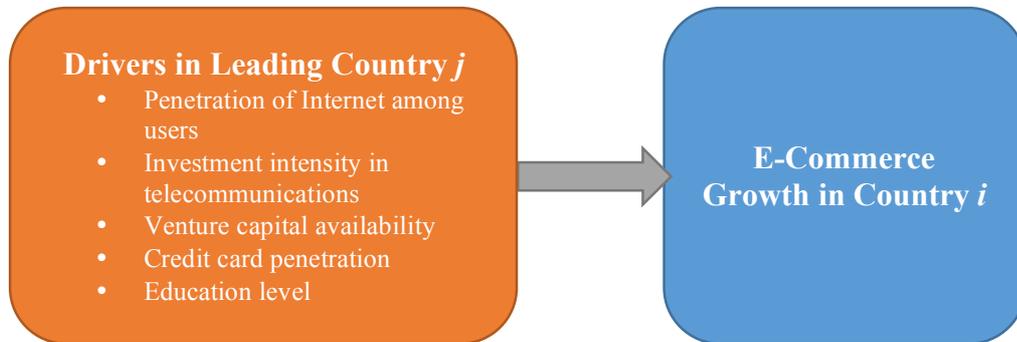
### 2.7.2 Exogenous growth model

Exogenous growth theory, developed in the 1950s, considers technological progress as externally derived component in the production function. It is assumed that without technological developments decreasing capital investment returns will lead to a trembling or stagnated economic development. The model also demonstrates that population and capital growth cannot explain ongoing increases in per capita incomes. Furthermore, government policy does not have an impact on long-term per capita growth. (Ho et al., 2007)

The exogenous growth theory is used in the exogenous growth model. In the model the growth of EC as a result of another influential country in the region (leading country  $j$ ). In this case, the country  $i$  itself does not have an impact on the EC growth. (Ho et al., 2007)

In this model, there is a technological progress present, but it is not dependent on internal factors of country  $i$ . The progress depends only on time and the impact of another country, which is seen as the regional leader in some aspects of EC. It should be noted that human capital and financial capital can flow across borders. (Ho et al., 2007)

In Figure 11 the model of an exogenous growth theory of EC growth is shown. It should be noted that the general case includes a number of countries ( $j=1, \dots, J$ ), that may have some influence on a country's EC growth. (Ho et al., 2007)



**Figure 11.** Model of an exogenous growth theory of e-commerce growth (Ho et al., 2007)

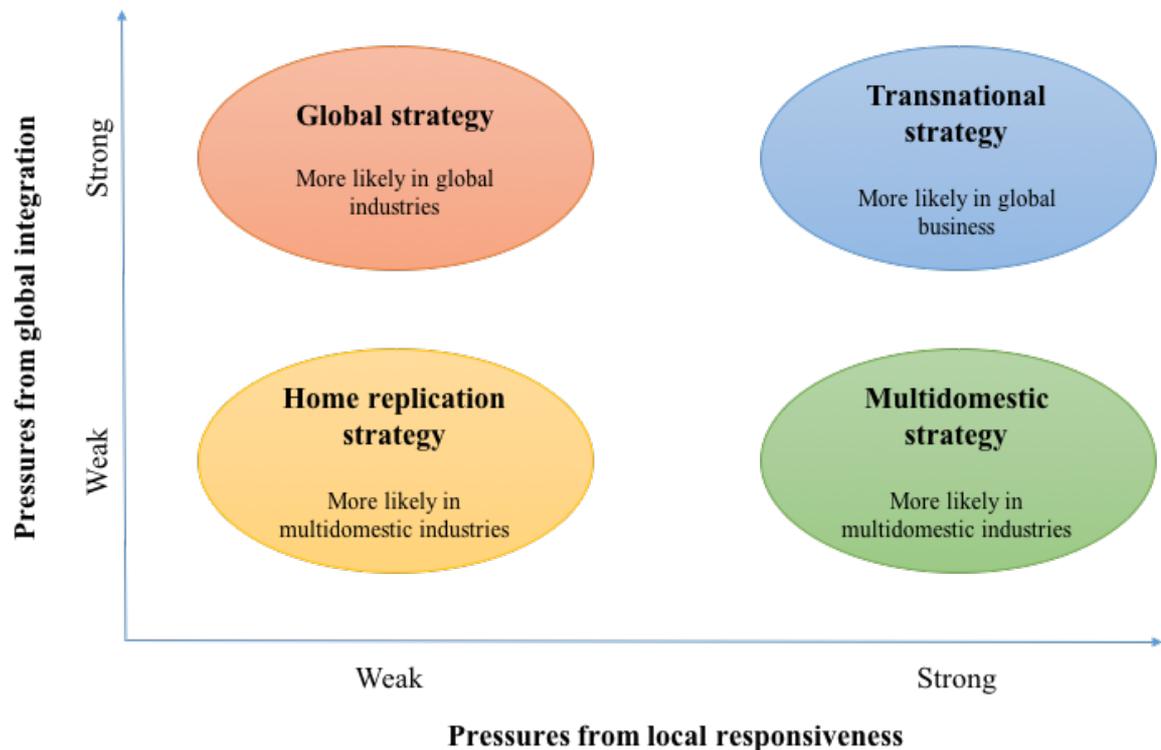
### 3 E-COMMERCE AND INTERNATIONALIZATION

Global integration is one aspect that drives companies to internationalize. There is no clear evidence that E-Commerce would have removed major environmental, technological, economic or cultural pressures companies face in the global environment. (Fletcher et al., 2004) It is, therefore, suitable to consider general theories of internationalization in the context of this thesis.

International business procedures have been under extensive research for decades. Scholars have been interested in understanding what kind of strategies are the most beneficial for a given company when it operates in multiple markets or in a global scale. There is no one solution to manage multinational business environment. Companies are in need to balance between integration and responsiveness, and adaptation and standardization. (Roth and Morrison, 1990; Lim et al., 2006; Jain, 1989)

#### 3.1 Integration-Responsiveness framework

The Integration-Responsiveness framework presents four strategies that businesses are recognized to follow as they are trying to meet dyadic pressures from global integration and local responsiveness. Figure 12 summarizes the four aspects. (Roth and Morrison, 1990; Cavusgil et al., 2014)



**Figure 12.** The Integration-Responsiveness Framework (Roth and Morrison, 1990; Cavusgil et al., 2014)

Companies are in need to balance between competitive pressures caused by global integration and local responsiveness. Usually, there is a need for global integration to e.g. seek cost reduction, provide uniform service to consumers and conduct global sourcing. Local responsiveness refers to the management of company's value-adding processes on a country-by-country basis. The aim is to meet the different possibilities and threats in different countries. Pressures for local responsiveness comes from the need to e.g. adjust to cultural differences, accommodate differences in distribution channels and respond to local competition. (Roth and Morrison, 1990; Cavusgil et al., 2014)

In the framework Home replication refers to a situation where international business is separate from domestic business. In other words, international business is secondary to domestic business, and it is seen only to add sales. Home replication is typical for smaller companies, which use intermediaries to conduct foreign operations and therefore, the company has little control over the marketing abroad. The phase is typically temporary for most internationalizing firms. (Roth and Morrison, 1990; Cavusgil et al., 2014)

Multidomestic strategy refers to a business model where company headquarters delegate reasonable autonomy to each country of operations. The autonomy enables the local management to operate independently and thus pursue local responsiveness. This approach leads to a variation of products and management practices. On the other hand, the multidomestic strategy might not encourage to share knowledge and experiences across the company. (Roth and Morrison, 1990; Cavusgil et al., 2014)

The global strategy can be summarized to a question: "Why not make the same thing, the same way, everywhere?" (Cavusgil et al., 2014) The method highlights the meaning of central coordination and control over international operations. For example, research and development, and manufacturing are centralized. Furthermore, the whole world is seen as one marketplace. This model of operation gives companies capability to react to global opportunities and benefit from economies of scale through lower operational costs. The single biggest downside of global strategy is the possible loss of responsiveness to local markets. (Roth and Morrison, 1990; Cavusgil et al., 2014)

The transnational strategy can be summarized to be global and local at the same time or "standardize where feasible; adapt where appropriate". The approach combines major advantages of multidomestic and global strategies while minimizing downsides. Never the less, the lion's share of multinational enterprises finds it difficult to follow the approach. Most of the companies implement some localized decision making to meet the distinctive characteristics of each country. (Roth and Morrison, 1990; Cavusgil et al., 2014)

All in all, companies are in need to act locally to meet demand-base pressures. As more and more people can access, the Internet and technologies evolve, the demand for local responsiveness is not going to disappear. (Fletcher et al., 2004)

### **3.2 International retailing**

Quite a few retailers have managed to succeed in foreign markets. The major drivers for internationalization of retailers have been saturated home markets, deregulation of international investments, and possibility to benefit from lower costs. Retailers should be considered as a special case of companies that internationalize via foreign direct investment (FDI) and collaborative ventures. The big players tend to expand through FDI, and smaller operators use franchising. (Cavusgil et al., 2014)

Retailers have quite a few challenges as they expand their operations across borders. In retailing the store, online or offline, plays a big part in the hoped success. At least four barriers are to come over:

- 1) Culture and language are of great importance because retailers are in close connection with their customers. Therefore, retailers must respond to local market requirements by customizing their offerings and other aspects of business.
- 2) Loyalty to indigenous retailers and therefore trust to new players might not emerge quickly.
- 3) Legal and regulatory barriers are going to be an obstacle. For example, different European Union member countries have different legislation about opening hours for retail stores.
- 4) Local sources are essential as retailers need to have local suppliers. Complex and costly international supply chains might erode the benefits from expanding operations. (Cavusgil et al., 2014)

There are success factors that should be considered by retailers when internationalizing their operations. The first thing is to research and plan vigorously. Understanding of the market of entry is essential. At the same time, retailers need to build efficient logistics and buying networks for each market they operate. Logistics and inventory management are critical when it comes to minimizing the cost of operations. (Cavusgil et al., 2014)

Furthermore, two additional aspects should be embraced by retailers that are internationalizing operations: have an entrepreneurial means of arriving in the market and be ready to adjust business model to meet local conditions. (Cavusgil et al., 2014)

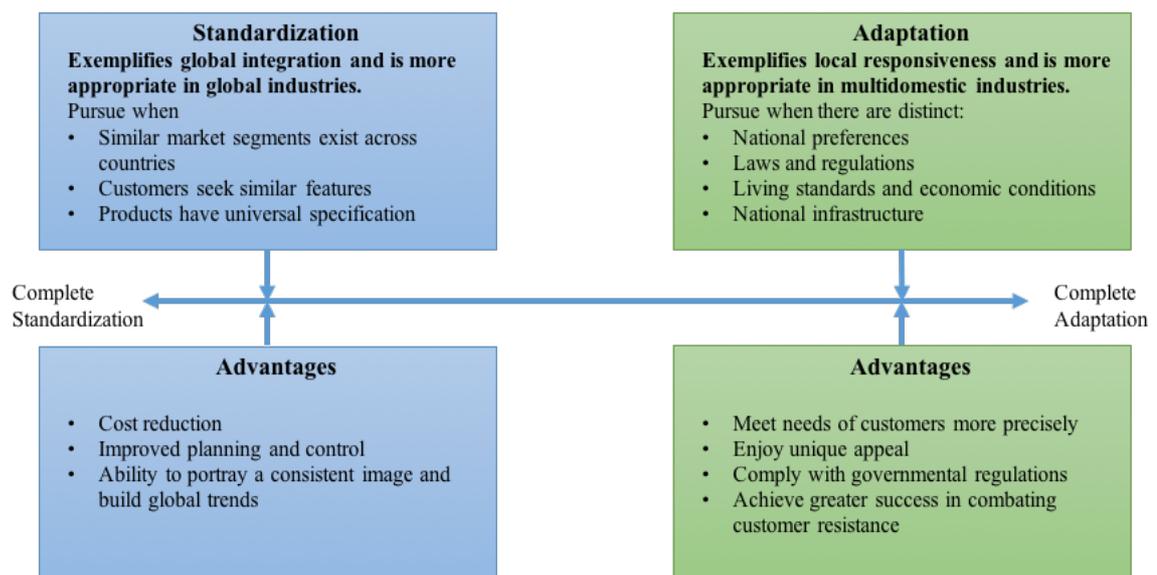
Entrepreneurial means and willingness to adapt business model must be done cautiously. Proceeding with small steps, testing, and adjusting is a way to avoid "diluting or destroying the unique features" that have been differentiating aspects in other markets. (Cavusgil et al., 2014)

### 3.3 Adaption vs. standardization

Innovative technologies have increased rapidly, and the price of innovations is affordable to companies of different sizes. These developments have led to "E-Commerce innovations and created new opportunities and challenges for E-businesses". For example, advancements in wireless technology altered positions of incumbent E-Businesses and gave possibilities for companies with disruptive business models. (Wu and Hisa, 2008)

To benefit from technological advancements, managers ought regularly set up their organizational resources again and refurbish their capabilities instead of protecting them. It is also of great importance to nurture technological and business expertise to sustain competitive advantages in a shifting environment. The assessment of this knowledge and information is critical for E-Commerce managers if they want to adapt successfully from innovation to another. (Wu and Hisa, 2008)

In international business, there is a need for some degree of variation between different markets. Adaptation is the process where company modifies at least one element of its marketing to meet unique customer needs in a given market. The opposite of adaptation is standardization. When company standardizes it unifies its operations for regional or even global marketplace with the same product. Figure 13 gives a more detailed view on the differences between adaptation and standardization. (Lim et al., 2006; Cavusgil et al., 2014)



**Figure 13.** Standardization vs. Adaptation (adapted from Jain, 1989; Cavusgil et al., 2014)

For manager understanding, different markets are crucial. Adaptation gives the possibility to find different ways to market and sell products and services. Through the learning process company can steer its research and development to come up with solutions that benefit both foreign and domestic markets. (Cavusgil et al., 2014)

Even though adaptation is time-consuming, and it can be intensively costly, it gives company possibility to nurture local needs. Because of the resources required for adaptation, managers tend to lean towards standardization; This leads to a situation where companies adapt operations only when it is necessary to respond customer needs or regulation in a foreign market. (Jain, 1989; Cavusgil et al., 2014)

The Internet provides companies the possibility to pursue incremental internationalization. Companies do not inevitably need to internationalize by following traditional steps. Quite a few companies move quickly to new markets. The fast pace and asymmetric internationalization engage businesses in exchanging information in real time. The real-time information flows allow companies to respond rapidly to e.g. customer needs. The multidirectional flow of information and business exchanges facilitates organizational learning. Companies can test and learn a new feature of products and services. (Fletcher et al., 2004)

### **3.4 Internationalization of an E-Commerce company**

Internationalization of traditional business and E-Commerce have different characteristics. Zhao and Du (2000) characterized internationalization of traditional firm with six points 1) inflexible and closed system, 2) physically-bounded, 3) flows of products, services and information must go through the channels, 4) services are provided only in office hours, 5) information flows are not occurring at the same time (asynchronous), and 6) feedback is delayed. (Fletcher et al., 2004)

In comparison, Zhao and Du (2000) characterize the internationalization of E-Businesses as following: 1) The Internet is flexible, open, and always on, 2) flows can go any directions and anywhere through the Internet, 3) synchronized product and information flow, and 4) real-time feedback. As a result, the model leads to high access by a company of any size, reduced costs and organizational learning. Figure 14 illustrates the internationalization of E-Commerce companies. (Fletcher et al., 2004)



**E-Commerce company:**

- is anchored on increasing integration of telecommunication and computer technology
- operates in dimensionless space where business, customer and consumers interact
- is involved in a multidirectional flow of products and information
- engages in information exchange that occurs in real time allowing rapid responses
- has multidirectional information and business exchanges that facilitates organizational learning
- varies in size and location but can more easily participate in the learning process via the low-cost gateway to international markets
- seeks to reduce costs by eliminating intermediaries on the one hand and by the optimal scheduling of shipments on the other

**Figure 14.** Characteristics of internationalization of E-Commerce company (adapted from Fletcher et al., 2004; original source Zhao and Du (2000))

### 3.5 The role of trust

Trust has various aspects to it: psychological, sociological, economic and organizational. The widely accepted view is that trust is "a fundamental component of all human social relations, and as such, it has been studied in a number of disciplines, each focusing on different aspects of this remarkably complex concept". (Beatty et al., 2011) Furthermore, trust is considered to be present when one party has confidence in an exchange partner's reliability and integrity. (Morgan and Hunt, 1994)

Afhar et al. (2014) refer Järvenpää et al. study from 1999: "Cross-cultural research has shown that consumers in different cultures have differing expectations of what makes an e-retailer trustworthy." Afhar et al. (2014) continue citing: "Pavlou (2003) and Pavlou and Fygenson (2006) argue that a lack of trust actually reduces both customers' perceptions of control over online transactions and their confidence, thereby creating a barrier to e-

commerce adoption.” It seems that trust is the basis for adoption of online shopping; therefore intention and trust are both important. (Asfhar et al., 2014)

Trust has implications on many aspects of life and business. There are only a few studies combining two or more academic fields in the light of defining trust. (Beatty et al., 2011) Trust plays a big part in EC strategies and business conducted online, as consumer’s trust has a direct and indirect impact on the purchasing decision. (Kim et al., 2008) One of the reasons lays in the fact that consumers need to give sensitive information to the vendor, and this forms a grave risk for the consumer. (Beatty et al., 2011) The meaning is even more drastic, because of the bargaining power of consumer has increased. At the same time, consumers perceive the risk in EC high, and this leads to a higher relevance of consumer trust in the online environment. (Casaló et al., 2011; Harris and Goode, 2004)

For the consumer, the risk does not only limit to submitting confidential economic information to the online vendor. Depending on the terms of the contract (TOC) the user may give the vendor permission to provide his or her data to third parties. As cookies are used to track consumer browsing habits and purchasing history can be connected it is possible that consumer is providing more information than he or she is willing to. (Beatty et al., 2011)

Consumer faces a dilemma on the Internet when he or she wants to buy a certain product or service. He or she needs to decide if he or she is willing to provide personal information to a vendor that are not familiar to beforehand. As described above, after the seller has the provided information, the customer usually does not have no more control over the future use of the data; This leads to distrust of online vendors, and their sites and services. (Beatty et al., 2011)

Consumer’s trust can be enforced. Moreover, higher levels of consumer trust have a positive impact on the purchasing intention. At the same time, the risk consumer perceives decreases dramatically. (Kim et al., 2008)

Security, as well as privacy, has a major role in the process of buying online. It could be thought that security and privacy go hand in hand. There is also scholars who have noticed that security and privacy are valued independently by consumers. Nevertheless, security and

privacy are closely connected to consumer's trust online. (Kim et al., 2008) All of the above is understandable because too often cases of misplaced personal information lead to misuse of the information, e.g. unauthorized purchases; This leads to unwanted problems for the consumer. (Akhter, 2012)

From the point-of-view of the E-Commerce company or a vendor, the economic impact of consumer trust has a drastic impact on their online business. Thus, it is crucial to focus on trust-building characteristics with any given e-commerce solution. Therefore, the characteristics, which increases or decreases customer trust should be closely examined when conducting sales online. (Beatty et al., 2011) Furthermore, trust issues have been shown to be important inhibitors of e-commerce. (Goethals et al., 2009)

The meaning of consumer trust for any EC company is too important to manage it with only based on common sense or rules of thumb. The development of EC is merely impossible without understanding about consumer trust. Therefore, it is important for EC businesses to know and understand the characteristics influencing consumer trust and how those characteristics "establish or increase online trust". (Beatty et al., 2011) For example the user satisfaction of an Internet service and the perceived usability increases customer satisfaction. (Flavían et al., 2006)

### **3.6 The Role of Culture**

It is difficult to give a comprehensive definition of culture because the phenomenon has various explanations and models. Even though it is challenging to identify and analyze culture; it is important to understand it. Culture has profound effects on business and especially international business. The effects vary from value-chain activities to marketing and sales. (Cavusgil et al., 2014)

Renowned anthropologist Geert Hofstede describes culture as the "software of the mind" and as people's "collective mental programming". Culture is described as learned, shared and the lasting orientation patterns in society. Furthermore, members of society, people, implicates cultural values, ideas, attitudes, behaviors and also symbols. Another way to put the same: the beliefs and norms of culture have a powerful effect on people's perception, behavior, and decision-making. (Ashraf et al., 2014; Cavusgil et al., 2014)

Culture grasps the means how people of a certain society lives their lives. Therefore, culture is also viewed as a collective phenomenon. Culture and society define how people adapt their thinking, feelings, and their potential acting. Culture defines the way people perceive the meaning of life. (Cavusgil et al., 2014; Chau et al., 2002)

With typical people, the country of residence is the "defined social environment". This notion means that purchasing patterns and the taste of a given consumer are affected by the collective nature of the society. The cultural context makes consumer's reactions more predictable and understandable. (Chau et al., 2002) Also, researchers found that cultural traits had similar or even greater impact on E-Commerce when comparing to technological, economic, and market determinants. (Casaló et al., 2011)

On the other hand, research suggests that it is a two-way street with culture and The Internet. As culture is "a state of beliefs and practices" and as beliefs and practices are tentative, it is plausible, that as a global phenomenon Internet has its effect on culture. Culture does not only affect the people's behavior on the Internet, but Internet has an effect on the culture. It is possible that culture and behavior on the Internet evolve hand-in-hand. (Goethals et al., 2009)

National culture still has meaning for the online purchasing process. People make online purchases across borders, and therefore, national cultures affect the online business cross-borders. Even though, online websites might be targeted to a certain audience; it is beneficial to have features that also cover possible foreign customers. On the other hand, it is needed to have some features that assure the aimed consumers can trust the site. (Goethals et al., 2009; Chau et al., 2002)

### **3.7 Five dimensions of culture**

Even though culture is a diverse concept; it is possible to identify different dimensions of it. In his research Hofstede (1984) has described five dimensions, which have gained vast accepting among academia. (Cavusgil et al., 2014) The dimensions are following:

- **Power distance:** how society deals with a lack of balance in power that exist among people.

- **Individualism versus collectivism:** whether an individual is functioning primarily as an individual or as part of a group.
- **Masculinity versus femininity:** the differences that society has regarding its orientation on gender issues.
- **Uncertainty avoidance:** how people tolerates risk and uncertainty.
- **Long-term versus short-term orientation:** the differences between societies, which have a tendency to plan things in years and decades rather than in quarters, respectively. (Cavusgil et al., 2014; Hofstede, 1984)

The concept got a sixth dimension after its initial presentation. The sixth dimension is **indulgence vs. restrain**. Indulgence refers to "a society that allows free gratification of basic and natural human drives related to enjoying life and having fun". On its part, restraint refers to "a society that suppresses gratification of needs and regulates it by means of strict social norms". (The Hofstede Center, 2016:2)

Culture is an element, which distinguishes nations from another and it has distinct preferences, attitudes, and values. (Hofstede, 1984) Presented five dimensions are not a comprehensive framework for assessing culture. The framework can be used to gain a general view of society's culture. (Cavusgil et al., 2014)

### **3.8 Culture and the world of online business**

Expansion of the use of the Internet has expanded the amount of products and potential customers of any given business, which adopts online business model is soared. The Internet has challenged, renewed and introduced new beliefs and practices. (Goethals et al., 2009)

The Internet has been a driver for change in culture. In other words, culture has an impact on the use of Internet, but Internet has an impact on culture. On could argue, that culture and Internet evolves together. This evolvement has an impact on EC. (Goethals et al., 2009)

It should not be assumed that consumers from two culturally similar countries behave in a similar way when shopping online. (Goethals et al., 2009) Consumers from different countries also use the Internet for various purposes. These use pattern variations may "lead

them to different impressions” of the site. (Chau et al., 2002) These behavioral variations may be seen in neighboring countries with similar cultures. Therefore, it should be bared in mind that the functionalities of an online business should reflect the desires of the local customer. (Goethals et al., 2009)

Culture also has an impact on the growth possibilities of purchases made online. This aspect of national culture leads to a situation where expansion of information gathering and communications over the Internet grows at a faster pace than online purchases. (Shiu and Dawson, 2004)

In their research concerning online shopping acceptance, Zhou et al. (2007) have summarized previous research. According to the authors, it is more likely for a consumer from an individualistic culture to use The Internet for e-commerce, compared to consumer coming from a collectivistic culture. (Zhou et al., 2007)

As it is important to standardize and internationalize EC websites, it is equally important to reflect the culture of the countries the websites targeted. Global and local needs to be also connected in the area of EC. (Goethals et al., 2009)

## **4 COUNTRY ANALYSIS**

In this part of the thesis is handled different aspects of country analysis. As the focus is not merely on the chosen countries, but in the environment of B2C Retail E-Commerce, this area of analysis is also covered.

There are different ways of analyzing countries in general and from the point-of-view a company operating or entering markets in a given country. A country can be categorized on its economic development and regional integration (Cavusgil et al., 2012). SWOT-analysis can be used to analyze country's strengths, weaknesses, opportunities, and threats. SWOT can also be used to analyze company's strengths, weaknesses, opportunities and threats when entering a new market. (Kotler and Armstrong, 2010) Porter's Five Forces framework can be used to determine if a given industry or country is attractive to a company. (Porter, 2008) PEST-analysis is a way to analyze country's political, economic, socio-cultural and technological environments. PEST can give a comprehensive view of a given country from the point-of-view of operating environment. (Wilson and Gilligan, 2005)

### **4.1 Categorization of countries**

Countries can be labeled in terms of country's stage of economic development. In this analysis, it should be taken into consideration at least the purchasing power of citizens, the sophistication of business sector, and the stage of infrastructure in e.g. communications, and transportation. (Cavusgil et al., 2014)

Countries can be divided into three groups: advanced economies, developing economies, and Emerging Market Economies. Advanced economies are countries which are characterized by high per-capita income, highly competitive industries, and well-developed commercial infrastructure. Advanced economies are also at a stage of post-industrialisation. (Cavusgil et al., 2014)

Developing economies, on the other hand, are countries with low-income, limited industrialization and economy is stagnant. Then again emerging market economies can be characterized as former developing countries, which have substantial industrialization, rapid improving living standards, and the middle class is growing. (Cavusgil et al., 2014)

Advanced economies are the most richest countries of the world, such as Canada, The United States of America and Japan. Also, most of the European countries are considered to be advanced economies. Such countries include Finland, Germany, and The United Kingdom. (Cavusgil et al., 2014)

Typically advanced economies have a multi-party democratic political system, and the economy is based on capitalism. Furthermore, advanced economies have substantial purchasing power, and there are few barriers to international trade or investment. (Cavusgil et al., 2014)

When analyzing country's potential as a market, it is beneficial to analyze the usual suspects gross national income (GNI), gross domestic product (GDP), per-capita GDP and estimates, how the mentioned indicators are about to change over time. When assessing consumer business, it is crucial to understand the relative purchasing power of consumers in a given country. (Cavusgil et al., 2014)

## **4.2 Levels of regional integration among nations**

Regional integration is the result of a regional integration bloc. The bloc is in certain geographical, and it has two or more countries as actors. These countries agree to seek economic integration through lowering tariffs and other limits to the flow of products, services, capital and labor across borders of participating countries. The cooperation leads to greater levels of interdependent and increasing numbers of economic links. (Cavusgil et al., 2014)

There are five different possible levels of regional integration. The most aerial stage is a free trade area in which "member countries agree to eliminate tariffs and other barriers to trade in products and services within the bloc". The next level is a customs union in which the member of the union "agree to adopt common tariff and nontariff barriers on imports from nonmember countries. (Cavusgil et al., 2014)

The third level of regional integration is a common market. It is a phase where "trade barriers are reduced or removed, common external barriers are established, and products, services, and factors of production are allowed to move freely among the member countries. The fourth stage is called Economic union; it can also sometimes referred Economic and Monetary union. Economic union refers to a phase of regional integration in which its

members "enjoy all the advantages of early stages, but also strive to have common fiscal and monetary policies". (Cavusgil et al., 2014)

The fifth stage is a pervasive political union in which there is a "perfect unification of all policies by a common organization" and "a submersion of all separate national institutions". Perhaps the best example of a political union is the United States. (Cavusgil et al., 2014)

### **4.3 SWOT-analysis**

SWOT-analysis is a widely used method to assess the strengths, weaknesses, opportunities and threats of a company. In this subsection is presented a brief summary of the different aspects of SWOT-method.

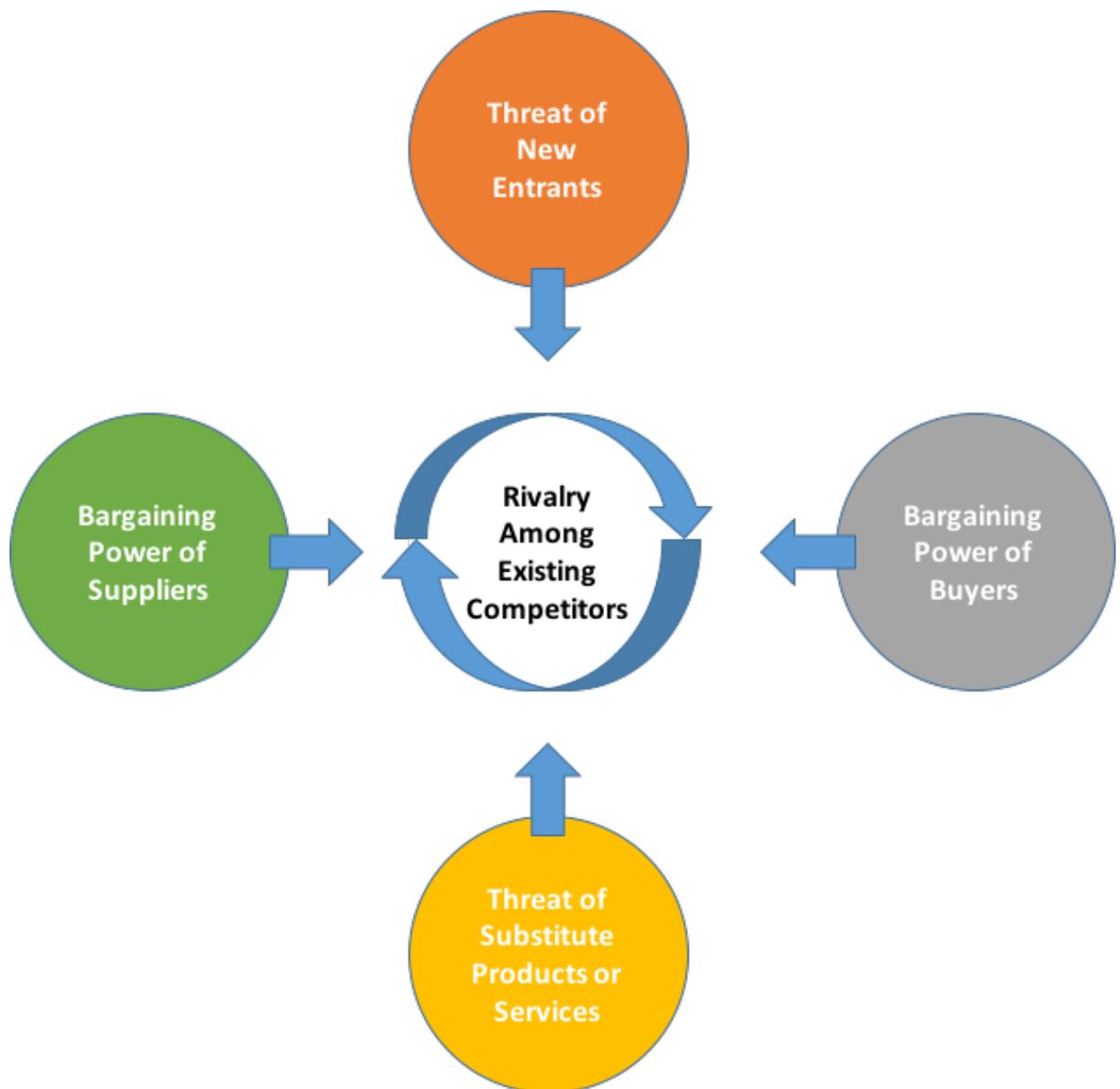
**Strengths** and **weaknesses** are considered to be factors that relate to company's or organizations internal resources and capabilities. Strengths are seen as the resources and abilities to perform that a company may use to deliver products or services to its customers. Strengths are also considered to be positive factors that can be used to achieve other goals. Weaknesses are limitations and other negative internal aspects that can have an impact on company's possibilities to achieve its goals and customer needs. (Kotler and Armstrong, 2010)

**Opportunities** and **threats** are, on the other hand, considered to relate to company's external environment. Opportunities refer to external aspects which can help the company to achieve its goals. Threats are, on the other hand, negative external aspects that may lead to performance challenges. (Kotler and Armstrong, 2010)

### **4.4 Porter's Five Forces**

Michael E. Porter published a Harvard Business Review article in 1979. In the article, Porter laid out a framework which has been known as "Porter's five forces" model. Porter's five forces take into consideration five different aspects of competition a company faces in any given industry, because of competition from other businesses. In his 2008 article Porter underlines that by "using the five forces framework, creative strategists may be able to spot an industry with a good future before this good future is reflected in the prices of acquisition candidates". (Porter, 2008)

Figure 15 lays out Porter's five forces: Threat of new entrants, bargaining power of buyers, a threat of substitute products or services, bargaining power of suppliers and rivalry among existing competitors. These forces are different from industry to industry, but it is important to find the force or forces which determine the profitability of industry. Using the framework helps a company to find these forces as "the most salient force" is not always the one which seems most obvious. (Porter, 2008)



**Figure 15.** The Five Forces That Shape Industry Competition (Porter, 2008)

In a closer look, the **threat of entry** refers to a situation where a new entrant is trying to get market share by bringing new capacity. Therefore, the new entrant will put pressure on costs,

prices and also pressures incumbent players to invest; This must be underlined, especially in situations, where the new entrant has already operations in other markets. The entrant, which diversifies from another market can use existing advantages and capital flows to support its operations in new markets. (Porter, 2008)

It should be noticed that there are obstacles to making an entry to any given industry. Therefore, the threat of entry relies heavily on the entry barriers and also on the reaction the incumbents have. (Porter, 2008)

**The power of suppliers** refers to a situation where suppliers of a company take a bigger part of the value of themselves. The situation might be done by "charging higher prices, limiting quality or services, or shifting costs to industry participants". It is in the hands of powerful suppliers that how the profitability of the industry is formed, as a dominant supplier can choose its share of the profits and leave competing retailers to compete. (Porter, 2008)

**The power of buyers**, on the other hand, refers to customers who have the ability to capture a substantial part of the value. Powerful customers can do this by "forcing down prices, demanding better quality or more service (thereby driving up costs)". In general terms, the powerful buyer sets other players against one another and collects the benefits for itself; This may happen at the expense of the profitability of the whole industry. (Porter, 2008)

**The threat of substitutes** refers to a situation where a product or service "performs the same or a similar function as an industry's product" or service, but "by a different means". It must be acknowledged that there are and will always be substitutes. In many cases, it is too easy to overlook these substitutes, as they might not seem to be a real threat. It should also be noticed, that the substitute can come also be indirect, "when a substitute replaces a buyers industry's product. (Porter, 2008)

The last, but maybe not the least of Porter's forces is **rivalry among existing competitors**. Porter describes the forms of competition "familiar" and lists:

- price discounting,
- new product introductions
- advertising campaigns and

- service improvements. (Porter, 2008)

If the rivalry between existing competitors gets intense, it will limit industry's profitability. So, the intensity of the rivalry sets the potential of how much the competition will drive profits downwards. The second variable is "the basis" on which the companies compete. (Porter, 2008)

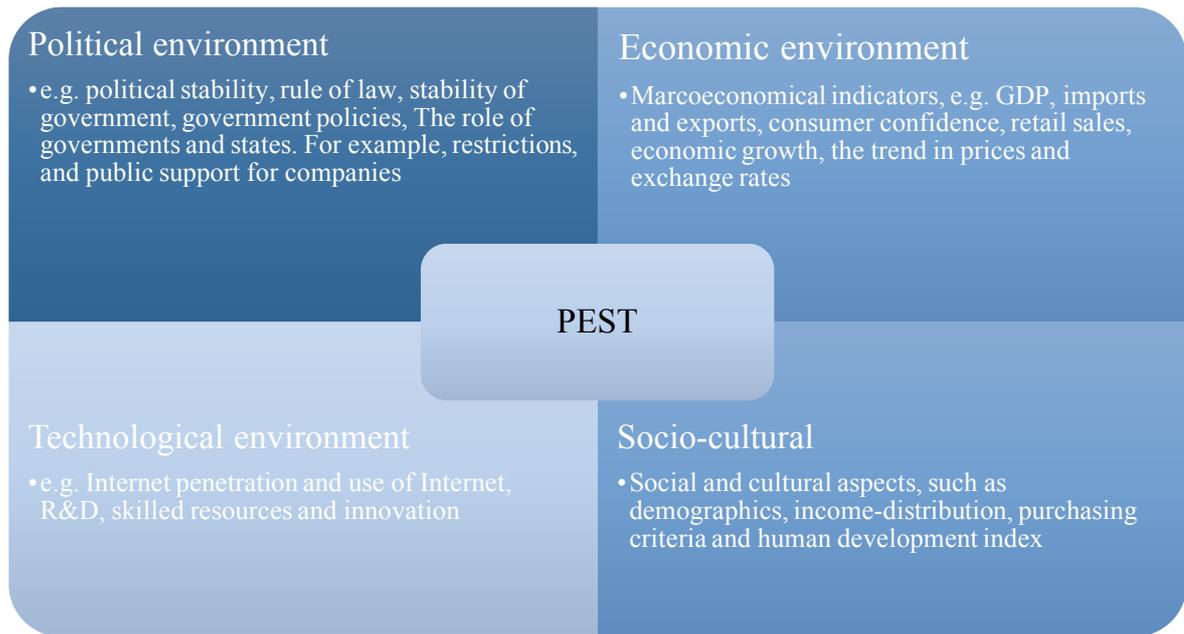
#### **4.5 Political, economical, socio-cultural and technological aspects**

It is essential to understand what are the different environmental perspectives the company must face. (Wilson and Gilligan, 2005) At least political, economical, social and technological aspects are of great important when considering the macro-environment of an organization. (Johnson, Scholes, and Whittington, 2008)

Fortunately, there is a framework, which takes all of the mentioned aspects into consideration. The PEST framework gives a proven way dig deeper into the possible factors of success or deterioration of an organization. (McGee, Thomas and Wilson, 2005) PEST model focuses on the identification of possible trends in the political, economic, social and technological. (Johnson et al., 2008)

Political aspect takes into consideration e.g. political stability, the rule of law, stability of government and government policies. Moreover, as the political situation is subject to change, it has an influence on any given business over time. Companies need to be aware of the possible changes in legislation and will the changes at hand have a positive or negative impact on the company, or is the difference irrelevant from the point-of-view of the enterprise. (Wilson and Gillian, 2005)

As Figure 16 shows, the economic environment includes e.g. gross domestic product, imports and exports, consumer confidence and retail sales. Analysis of the social environment includes e.g. demographics and human development index. The technological environment includes for instance Internet penetration, available skilled resources and R&D investments. (Wilson and Gillian 2005)



**Figure 16.** PEST-analysis framework (adapted from Wilson and Gillian, 2005)

Regarding the economic environment, it is in place to briefly give an overview on purchasing power parity (PPP). PPP is a tool to estimate the market potential of a country accurately. PPP adjusts the price differences countries have. In more detail, PPP is "an adjustment for prices that reflects the amount of goods that consumers can buy in their currency and consistent with their standard of living". (Cavusgil et al., 2012)

Even PPP adjusted GDP gives a better view on the potential of a given market it does not provide a comprehensive picture. Therefore, other measures need to be also considered with advanced economies, and this is the case even though most of the challenges with PPP and market potential are related to developing and emerging markets. (Cavusgil et al., 2012)

## **5 METHODOLOGY**

The fifth chapter consists of the description of used methodology. The chosen method to analyze the Finnish, German and UK's B2C E-Commerce environments in this thesis, is to replicate a study made by Hawk (2004). In the study, a comparison of B2C E-commerce in developing countries was conducted. The researcher found that low credit card penetration and poor delivery systems were widely viewed as a problem for B2C E-Commerce. (Hawk, 2008)

At the same time with the process of replication were secondary sources of information sought to gain a comprehensive picture of operating environments of B2C E-Commerce companies in Finland, Germany, and the United Kingdom.

### **5.1 Replicated study**

In his study Hawk concentrated started with identifying the most used B2C E-Commerce website in each of the regions of interested. The goal was to find an independent source for each area to ensure the integrity of the sample. Hawk identified at least two possible methods to find independently and identify B2C retail EC sites from each area: The first is to define the top sites from each region regarding revenue. The second way is to find a source; that has identified "noteworthy sites" from all countries of interest. The second way was chosen, and therefore, the method of the study. (Hawk, 2004)

Hawk excluded websites which only provided services and products electronically. The decision was made to avoid a situation where lists would be fouled with companies with no problems with poor delivery infrastructure. As Table 4 shows there was no access to the information, how the ranking Latin American and Indian sites were conducted. There is a high probability that methods differ from those which had been used to rank the Russian sites. Hawk (2004) reasons that there would be only a diminishing chance that the lists would include sites which would underuse the possibilities of technology or would not have adapted to local settings. (Hawk, 2004)

**Table 4.** Methods of determine which websites to include in the replicated study

<b>Country</b>	<b>Method</b>
<b>Russia</b>	The Russian "yellow pages" site <a href="http://www.magazin.ru">www.magazin.ru</a> was used to determine the ten sites to represent Russia in the study. The chosen website had conducted a competition to find the top 10 websites, "on ton the basis of design and usability of the website". (Hawk, 2004)
<b>Latin America</b>	Morgan Stanley provided the list of most noteworthy sites in Latin America. The study was called The Latin America Internet Report. The method of determining which sites ended on the list was not specified in the replicated study. (Hawk, 2004)
<b>India</b>	Major business to customer companies were listed at <a href="http://www.inomy.com/webguide/b2c_main1.asp">www.inomy.com/webguide/b2c_main1.asp</a> . The site reports on the events regarding "the Internet Economy in India". The method of determining which sites were selected on the Indian list was not specified in the replicated study. (Hawk, 2004)

Even though there are it is unclear how Indian and Latin American sites have been chosen, The selected method should supply adequate view on the usual procedures within the scope of leading and successful B2C E-Commerce operators in each geographical area. As the study is not trying to test a hypothesis, selected way allows acceptable means to gather a group of sites from each region. (Hawk, 2004)

To assemble the data Hawk (2004) explored each of the websites. A great deal of the information was gathered from frequently asked questions or help pages. Another way, to gain information from the websites, was to take a look at instructions on "the order entry pages". In a quite lot of the cases, it was necessary to open up an account on the website to get the information regarding the payment or the delivery options. (Hawk, 2004)

In most of the cases delivery options were not provided clearly, but payment options, on the other hand, were stated openly. Presentation of delivery options varied between sites; In some cases there was a possibility to choose from "express" or "standard" delivery without any additional information. With unclear situations, an email was sent, or online support was used to clarify the situation. (Hawk, 2004)

As the research covered countries with different languages translation was needed. Online services were used and in some cases, a native speaker was consulted. The author translated text that needed to be translated. (Hawk, 2004)

## **5.2 Method of this study**

Most of the data for this thesis came 1) from a comparison of political, economical, socio-cultural and technological environments of Finland, Germany, and the United Kingdom, and 2) from a comparison of ten most visited B2C retail e-commerce sites in Finland, Germany, and the United Kingdom as the Hawk's (2004) approach was replicated and adapted when research questions 2 and 3 were at hand.

The data was gathered from public domain online sources. Therefore, only secondary sources were used. The public domain approach was selected purposely, and it has given its limitations, as big part of the data concerning E-Commerce is not available free of charge.

Surveys and interviews were not needed, as most of the data were available on the sites themselves. The chosen approach follows the approach of Hawk (2004). The approach is similar to methods carried out in accounting studies, where data is collected by examining public documents, such as annual reports and financial statements. (Hawk, 2004)

### **5.2.1 Data sources for RQ1**

Public domain sources were searched to find secondary sources to answer the research question 1. Surveys were searched using Internet's public search engines. Mainly Google

and Google Scholar. The result is that six different surveys, published by two different organizations, were chosen.

Ecommerce Europe's and Postnord's surveys were available in the public domain. As the data in the public domain was limited surveys published by Ecommerce Europe and Postnord were used in this thesis as secondary sources. All of the six surveys are considered to be reliable enough to analyze situations in Finland, Germany, and the United Kingdom. More detailed view of the methodologies used in the surveys is presented in Table 5.

**Table 5.** Summary of selected surveys to be analyzed

Conductor of the Survey(s) and surveys used	Method
<p><b>Ecommerce Europe</b></p> <ul style="list-style-type: none"> <li>• <b>Central Europe B2C E-commerce Report 2015</b></li> <li>• <b>Northern B2C E-commerce Report 2015</b></li> <li>• <b>Western Europe B2C E-commerce Report 2015</b></li> </ul>	<p>Ecommerce Europe's B2C E-commerce report from 2015 have been conducted in cooperation with multiple stakeholders. Therefore, the organization and its partners have used a vast amount of different sources. Sources include e.g. publications from the public domain, blogs, publications made by industry specialists and annual reports.</p> <p>The publisher points out that some of the gathered data is contradictory and in some cases definitions between countries are different. Even though, the publisher considers the data to be reliable enough to meet ends needs.</p>
<p><b>Postnord</b></p> <ul style="list-style-type: none"> <li>• <b>E-commerce in Europe 2015</b></li> </ul>	<p>All of the surveys were conducted by a research company. There are variations between countries in the amount of</p>

<ul style="list-style-type: none"> <li>• <b>E-commerce in the Nordics 2015</b></li> <li>• <b>E-commerce in the Nordics 2016</b></li> </ul>	<p>respondents. The surveys were conducted as online surveys; This means that most probably the relevant part of the population is presented in the sampling.</p> <p>In both of the Nordics surveys, there were over 1000 respondents in every Nordic country. The same applies to the E-commerce in Europe 2015 survey, expect the Nordic countries where the total amount of respondents was about 600 per country.</p>
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### 5.2.2 Data sources for RQ2 and RQ3

The data to assess RQ2 and RQ3 was gathered via identification of the most noteworthy sites in Finland, Germany, and the United Kingdom. After some Internet searches, it came evident that the best way to assess the most noteworthy sites is either to look at the visits on the site or to look at the sales of the sites. After this realization searches with Google were conducted. The result of the searches is presented in Table 6.

The Finnish and UK lists are based on a number of visitors. On its part, the German list relies on the sales of the sites during a period of time. (IMRG, 2016; ASML, 2015; iBusiness, 2015) Due to limitations of public domain data about the German market, it should be noted that the lists used are built on a different basis, and this might lead to certain limitations regarding conclusions. Though, it should be pointed out that the conversion rate of customers across channels is more important the combined offline and online store traffic (Brewster and Hinderliter, 2016).

Some alternations were made to the lists because the focus of this study is in the retail of physical goods. Therefore, from the UK list, intangible goods and/or service providers AVG, Netflix, thetrainline.com, Expedia, and EasyJet were dropped and replaced with next possible physical goods retailers on the list. Also, eBay was dropped out from the Finnish list and replaced with next possible suitable company. The reason for dropping eBay was

that the company is not a clear B2C retail company as it is somewhat of a combination of flea market and platform for other companies to provide products online.

**Table 6.** Top 10 lists of B2C E-Commerce sites in Finland, Germany and the United Kingdom

<b>Country</b>	<b>Method</b>
<b>Finland</b>	The Finnish Top 10 E-Commerce sites are provided by The Finnish Direct Marketing Association. The Association reports the Top 15 most visited B2C EC sites in Finland. The list covers Finnish and foreign sites but excludes mobile use. The original source for the list is "Comscore MMX Top Retail Sites". (ASML, 2015)
<b>Germany</b>	The German Top 10 E-Commerce sites provided by iBusiness, which is a website operated by HighText Verlag. The site published a list of Top 100 German B2C EC sites in cooperation with EHI Retail Institute, Statista, and Behv. Companies are put in order according to their German sales in 2014. (iBusiness, 2015)
<b>The United Kingdom</b>	Top 10 E-Commerce sites for the United Kingdom provided by Interactive Media in Retail Group (IMRG). IMRG offers the Top 50 list of online retailers in the United Kingdom in cooperation with comScore. The UK list is based on visitors. The data is based on comScore's MMX online audience measurement technology. (IMRG, 2015)

After defining the sites to examine the data gathering was conducted. All of the information about the sites was collected to an excel document. Short descriptions of selected sites are presented in Appendix 1.

The variety of delivery and payment options was collected following the method conducted by Hawk (2004). The data was available openly in all of the sites. The only exception was Amazon's US website which was analyzed for the Finnish list because ASML (2015) did not point out which of the Amazon sites was used by Finns. On the Amazon's US site, it was needed to login on the site to get the information about delivery options.

It should also be noticed, that on German and UK lists sites are either localized foreign operators or domestic players. On the Finnish list, on the other hand, can be found a site, which is not localized or a domestic player: Amazon.

The focus of comparison between Russia, India, and Latin America was on the delivery and payment options. (Hawk, 2004) The same method was used to compare Finland, Germany, and the United Kingdom; this can be seen justified as at least German, and UK online customers prefer online shops because it is more convenient than visiting a bricks-and-mortar establishment. (Brewster and Hinderliter, 2016)

Overall, it is reasonable to conclude that the analysis of the chosen sites will give a reasonable picture of the typical practices among each country. The selected method also follows the study, which the replication is built on (Hawk, 2004).

## 6 FINLAND, GERMANY AND UNITED KINGDOM

In this part of the thesis, the focus turns to the analysis of the three countries of interest from the point of view of PEST-analysis. Before diving deeper into the PEST-analysis, a broader view of the countries is given in. Map 1. shows the geographical positions of Finland, Germany and the United Kingdom among the member countries of the European Union and Euro Area. Table 7 shows the memberships of Finland, Germany, and UK in significant European institutions regarding economic activity and free movement of people, services and products.

**Table 7.** Memberships of Finland, Germany and UK in significant European institutions regarding economical activity and free movement of people, services and products (European Union, 2016)

	European Union	Eurozone	Schengen area
<b>Finland</b>	Yes	Yes	Yes
<b>Germany</b>	Yes	Yes	Yes
<b>United Kingdom</b>	Yes	No	No

From political and economic points-of-views Finland, Germany and United Kingdom have decided to pursue their national interests through The European Union (EU). EU originates from the European Economic Community (EEC) from 1957. EU itself was established in 1992. European integration has brought advantages to investments, people, labor, and goods are not restricted by national borders. EU is the home for some of the world's largest companies. In the long haul, EU is pursuing towards common fiscal, monetary, taxation, and social welfare policies. (Cavusgil et al., 2014)

EU is somewhat a good example of regional integration. In the essence, EU is a project of economic prosperity, but it has also established political institutions to accommodate western democratic procedures and principles. The Council of the European Union is a body that consists of representatives of each EU member country. The Council makes decisions about economic policy, budgets, foreign policy, and admission of new member countries.

The European Commission on its part proposes legislative and policy initiatives and is in charge of putting into action the decisions of the Council of EU and The European Parliament. Parliament is a body of elected representatives, and it develops legislation, oversees EU institutions and makes decision on the budget of EU. Similar to the Council of EU also Commission and Parliament have members from each member country of the EU. (Cavusgil et al., 2014)

EU also has two more institutions, the European Central Bank (ECB) and the European Court of Justice. The ECB is based in Luxembourg. Members of the Euro Area have given it the power to oversee EU monetary functions. These countries follow similar monetary policy set by the ECB. The Court of Justice on its part interprets and enforces legislation and resolves legal arguments between member states. (Cavusgil et al., 2014)



**Map 1.** Map of Europe and members countries of the European union. (European Council, 2011)

Furthermore, EU offers its citizens the freedom of movement inside the EU. People have the possibility to travel, work and live anywhere in the EU without "special formalities". To enhance the freedom of movement, EU has established Schengen cooperation. Member

states of the Schengen area are agreed to let citizens of other Schengen country cross their borders without border checks. (European Commission, 2016)

### 6.1 Brief background on the countries

**Finland** is a country in the North-East part of Europe, and it is bordered by Russia to the east, Norway to the north and Sweden to the west. Estonia is south from Finland across the Baltic Sea. Finland has 5 471 743 inhabitants in 2015. The median age of Finnish population was 42,4 years in 2014. (European Union, 2016; Eurostat, 2016) The map of Finland is in Map 2.

Finland has two official languages: Finnish and Swedish. Finland is a member of the European Union (EU) and the Eurozone; hence, its currency is Euro. Finland is also a member of the Schengen Area. The capital of Finland is Helsinki. (European Union, 2016)



**Map 2.** Map of Finland (European Union, 2016)

**Germany** is, with 81 197 537 inhabitants in 2015, Europe's second largest country after Russia. Thus, Germany has the largest population of any European Union member country. The median age in Germany was 45,6 years in 2014. (European Union, 2016; Eurostat, 2016)

Germany is located in the heart of Europe, and it is bordered by France, Luxemburg, Belgium, The Netherlands to the west, Denmark to the north, Poland and the Czech Republic

to the east, and Austria and Switzerland to the south. Germany has sea line to its northern landline. (European Union, 2016; Eurostat, 2016)

Germany's official language is German. Like Finland, Germany is a member of the European Union, the Eurozone and is part of the Schengen Area. As a member of the Eurozone, Germany uses Euro as its currency. The capital of Germany is Berlin. (European Union, 2016) The map of Germany is presented in Map 3.



**Map 3.** Map of Germany (European Union, 2016)

**The United Kingdom** is a country located in the North-West Europe with an estimated population of 64 875 165 in 2015. The median age in the country in 2014 was 39,9 years. (Eurostat, 2016)

United Kingdom is a union of Great Britain (England, Wales and Scotland) and Northern Ireland. The UK has a border with Ireland as Northern Ireland is located on the same island with Ireland. The capital of United Kingdom is London. (European Union, 2016)

The United Kingdom is not a member of the Euro Area, and therefore, its currency is pound sterling (GBP). Furthermore, UK is not a member of the Schengen Area. (European Union, 2016) The map of United Kingdom is presented in Map 4.



**Map 4.** Map of the United Kingdom (European Union, 2016)

## 6.2 Political environments

Table 8 shows that Finland, Germany, and the United Kingdom all are at the top of the game when it comes to freedom in the world. Finland's score on the Freedom House Freedom in the World 2015 Index is 100, Germany's 96 and the United Kingdom's 97 points. (Freedom House, 2015) It is fair to state that all of the three countries are stable and free. Therefore, in the review will focus on the parts where there are differences between the countries: political pluralism and participation; freedom of expression and belief; the rule of law; and personal autonomy and individual rights. Also, the complex relationship between UK and EU is handled separately.

**Table 8.** Comparison of Finland, Germany and United Kingdom in the light of Freedom in the World Index (Freedom House, 2015)

Metric (maximum points)	Finland	Germany	United Kingdom
Electoral process (12)	12	12	12
Political pluralism and participation (16)	16	15	16
Functioning of government (12)	12	12	12
Freedom of Expression and Belief (16)	16	15	15
Associational and Organizational Rights (12)	12	12	12
Rule of Law (16)	16	15	15
Personal Autonomy and Individual Rights (16)	16	15	15
<b>Overall score (100)</b>	<b>100</b>	<b>96</b>	<b>97</b>

### **6.2.1 Political pluralism and participation**

Finland is a parliamentary republic with a strong political system and environment, and strong opposition. The 200 members of the parliament are elected for four-year terms, and the Parliament is unicameral. (Freedom House, 2015) Germany, on its part, is a federal parliamentary republic with a bicameral parliament. The lower house (Federal Assembly) has 631 seats, and the upper house (Federal Council) has 16 seats, which are taken by representatives of country's 16 states. (Freedom House, 2015) UK's political system is a parliamentary constitutional monarchy with a bicameral parliament. The lower chamber is called The House of Commons. The upper chamber on its part is called The House of Lords. (European Union, 2016; Freedom House, 2015)

For historical reasons, Germany has restricted possibility to get into the parliament. The threshold is at 5 percent of the national vote. Any given party needs to overcome the threshold or gain a minimum of three directly elected seats to gain seats in the parliament. The legislation has been set to exclude the far right and far left from the parliament. In Finland and United Kingdom, such hard measures are not implemented to the electoral legislation. (Freedom House, 2015)

### **6.2.2 Freedom of Expression and Belief**

In Finland, there is a broad set of independent newspapers, magazines, and other media outlets. The country also widely protects the right to reply to public criticism. Finns also enjoy and nurture the freedom of religion and respects academic freedom. (Freedom House, 2015)

In United Kingdom media is legally protected, media outlets have competition, and different views are widely portrayed in newspapers and other medias. Nevertheless, UK has had problems with private medias as News of the World was accused of eavesdropping hundreds of public figures and victims of crime. This kind of violation of privacy led to a regulatory system to prevent future media misbehaviors. The United Kingdom appreciates religion, but there have been reports about bias and badgering towards the muslim minority. The academic freedom is highly respected in the UK. (Freedom House, 2015)

In the UK, the judiciary system has ruled to narrow down freedom of speech from the press and also from individuals. Furthermore, UK imposed a law which demands

telecommunication companies to store data up to 12 months and bring the data available to law enforcement. There has also been a huge debate about the surveillance practices of government officials. The UK is still considered to be a free country, even though there are concerns over civil liberties and protection of privacy. (Freedom House, 2015)

Germany also appreciates freedom of expression, as the constitution mandates the right. The media is independent and free. Due to historical reasons, it is illegal to pursue nazi-ideology in Germany. Freedom of belief is widely respected in Germany; even some states have banned the use of headscarf from female Muslim teachers. As in Finland the UK, academic freedom is respected. (Freedom House, 2015)

In Germany, there has been the same kind of discussion as in the UK about surveillance practices of governmental authorities and law enforcement. Even though the access to the Internet is generally free, papers made known in 2013 revealed that the National Security Agency of the USA had collaborated with German intelligence agencies to collect an extensive amount of communications data in Germany. Furthermore, the NSA had eavesdropped German Chancellor Angela Merkel. This kind of incidents lay a shadow over the civil liberties and privacy protection in Germany. It should be noted, that the German government has started processes to enhance the privacy of its citizens. (Freedom House, 2015)

### **6.2.3 The Rule of Law**

Finland, Germany, and the United Kingdom have a strong rule of law and countries have independent judiciaries. In Finland's biggest problem is prolonged trial procedures. In Germany, the practice of preventive detention has been criticized by the Council of Europe. The UK, on its part, has not given inmates the right to vote, even it has been notified about the problem. (Freedom House, 2015)

In Germany and UK, the situation of asylum seekers and immigrants is considered to be difficult in some places. There have been reported incidents of anti-immigrant sentiment in both countries. Germany's government has tried to embrace the situation by speaking aggressively against violence and hatred. In the UK, the government has announced plans to tighten the immigrants possibilities to e.g. gain social benefits. (Freedom House, 2015) Situations are quite a similar, but approaches are different.

In the UK, the government has found itself in a position where it is accused of being involved torturing of terrorism suspects. The government has persistently denied these allegations. (Freedom House, 2015)

#### **6.2.4 Personal Autonomy and Individual Rights**

All of the three countries have strong rights of intellectual and physical property. Also, freedom of movement is greatly appreciated. In Finland, the legal definition of "freedom to roam" is seen to be the most comprehensive in the world. (Freedom House, 2015)

Also, all in the countries women enjoy equal rights. The problem seems to be that women are earning significantly less than their male counterparts. In Germany, the parliament has passed a law that requires large companies to reserve a minimum of 30 percent of the seats on corporate boards for women. Finland is at the peak position of the three when it comes to women as members of the parliament. (Freedom House, 2015)

Finland and the UK have passed laws that legalize same-sex marriages. In Germany limited same-sex rights are respected. (Freedom House, 2015)

#### **6.2.5 United Kingdom and European Union**

The European Union and the United Kingdom have had a complex relationship. UK is a member of the EU but is not part of the two other major European projects: Euro Area and Schengen Area. UK is not willing to give its sovereign rights to the EU. (Cavusgil et al., 2014)

In practice, UK's political stance means e.g. that it has its central bank and is not under the rule of ECB. This decision could be seen as a wise choice for the UK as the financial, and economic crisis that started in 2007-2008 has shown. (Cavusgil et al., 2014)

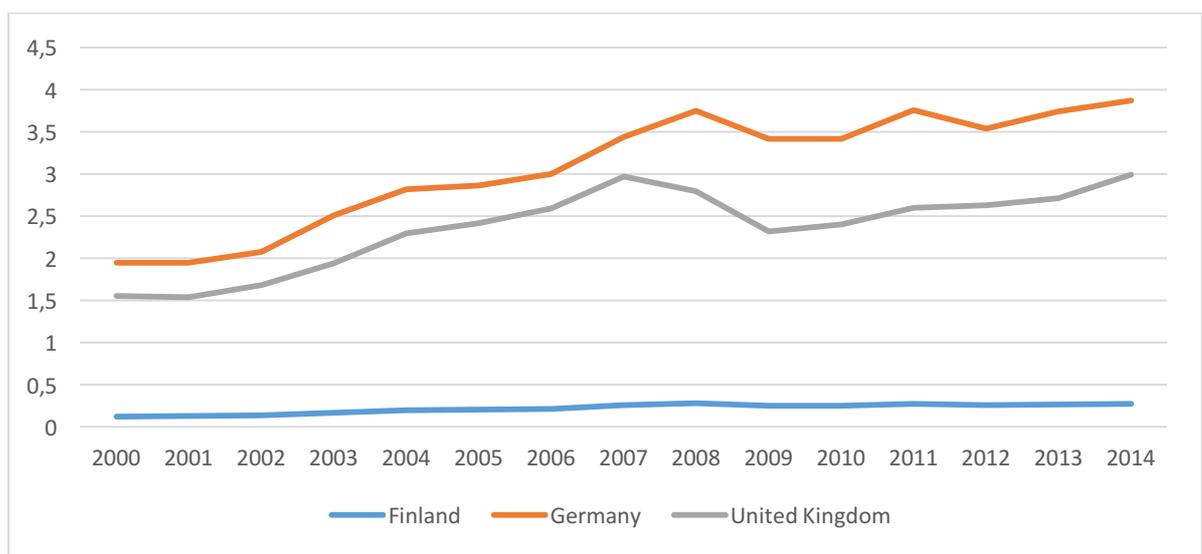
The complex relationship and UK's domestic politics have led to a situation where UK will conduct a referendum on its EU membership on Thursday, June 23, 2016. Thus, it is possible that UK will rejoin the EU as a result of the referendum. (Dombey and Kwong, 2016) Possible adverse and positive effects of UK's possible exit from EU is under intense public discussion.

### 6.3 Economic environments

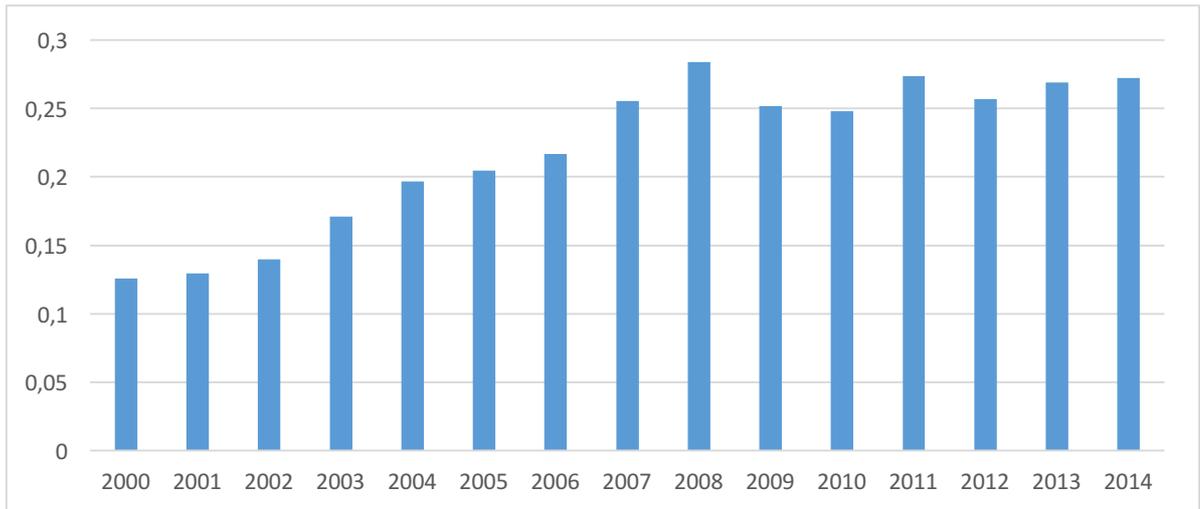
The Euro Area and its positive and adverse effects have a great impact on the economies of Finland and Germany. Both countries are members of the Euro Area and therefore uses Euro as currency. The United Kingdom is not part of the Euro Area and uses pound sterling as its currency. All of the three countries are members of the European Union; even though UK is going to have a referendum on exiting the EU. (European Union, 2016)

As Figure 17 shows Germany is clearly the largest economy, in the means of gross domestic product (GDP) at market prices, of the three countries. Germany's GDP at market prices was 3,87 trillion US dollars in 2014. To put it into perspective, UK's GDP at the same measures was 880 billion US dollars smaller at 2,99 trillion US dollars. Finland, for its part, was behind Germany with staggering 3 600 billion US dollars, with GDP at 0,27 trillion US dollars. (World Bank, 2016)

It is also notable that both Germany and the UK had clearly stepped up their game when it comes to GDP growth after the severe financial crisis and recession, which started in 2008. (Cavusgil et al., 2014) Figure 18 Shows that Finland's GDP at market prices was lower in 2014 than it was in 2008 before the crash. On the other hand, the Figure 16. Shows that both Germany and the UK have managed to grow their GDP after 2008. (World Bank, 2016)



**Figure 17.** Gross Domestic Product at market prices (trillion USD) 2000-2014 (World Bank, 2016)



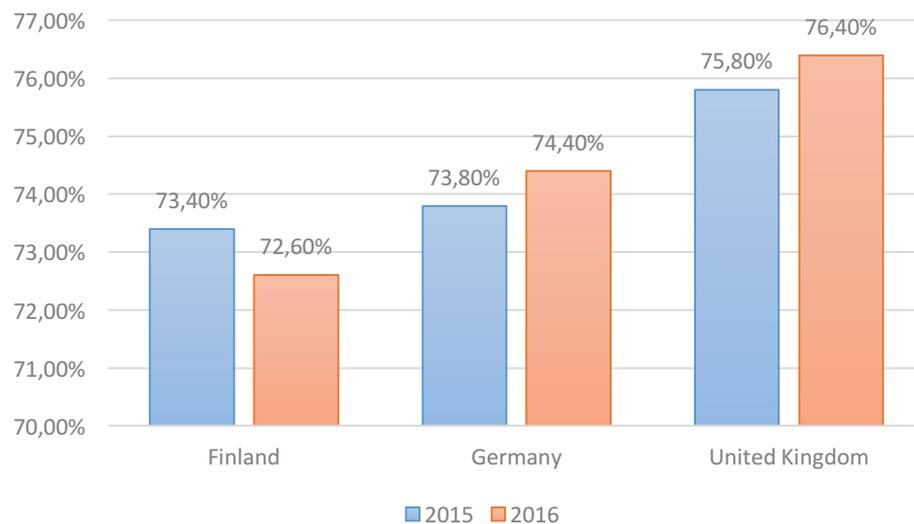
**Figure 18.** Finland's GDP at market prices (trillion USD) 2000-2014 (World Bank, 2016)

Heritage Foundation publishes annually Economic Freedom Index. The index covers ten quantitative and qualitative factors and covers 186 countries around the globe. Factors divided into four categories:

- Rule of Law
- Limited government
- Regulatory efficiency
- Open markets. (Heritage Foundation, 2016)

The Rule of Law factor considers e.g. property rights and freedom from corruption. Limited government factor takes into consideration e.g. fiscal liberty and government spending. Regulatory efficiency, on its part, focuses on monetary, business and labor freedoms. Open markets category covers trade, investment and financial freedoms. (Heritage Foundation, 2016)

Figure 19 shows that Germany and the United Kingdom have increased their scores from 2015 to 2016. Finland's score decreased from 73,40 percent to 72,60 percent. (Heritage Foundation, 2016)



**Figure 19.** Economic Freedom Score 2015-2016 of Finland, Germany and United Kingdom (Heritage Foundation, 2016)

Consumer confidence in Germany has clearly increased since significant drops in 2007 and 2008. Figure 20 shows that the trend has been quite steady. (Tradingeconomies.com, 2016)



**Figure 20.** Consumer confidence in Germany 2006-2015 (Tradingeconomies.com, 2016)

In Finland consumer confidence went up quite rapidly after a significant drop between 2008 and 2009. As Figure 21 shows the index dropped again in 2011 and since then the index has

followed a sawtooth pattern without a growing or diminishing trend. (Tradingeconomies.com, 2016)



**Figure 21.** Consumer confidence in Finland 2006-2015 (Tradingeconomies.com, 2016)

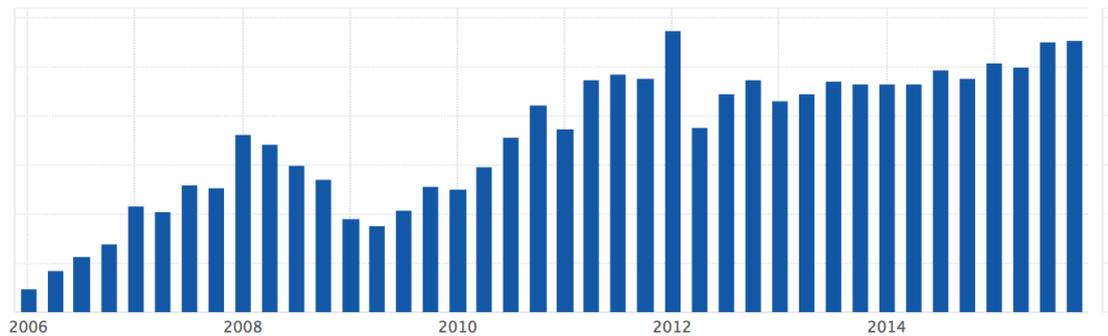
In the United Kingdom, the first drop in consumer confidence came already in 2007. The second drop came in between 2010 and 2012. As Figure 22 shows since 2013, the index has shown a clear trend of growth. It is notable that the United Kingdom is the only country of the three in the focus of this study, where the consumer confidence was negative before the first drop. (Tradingeconomies.com, 2016)



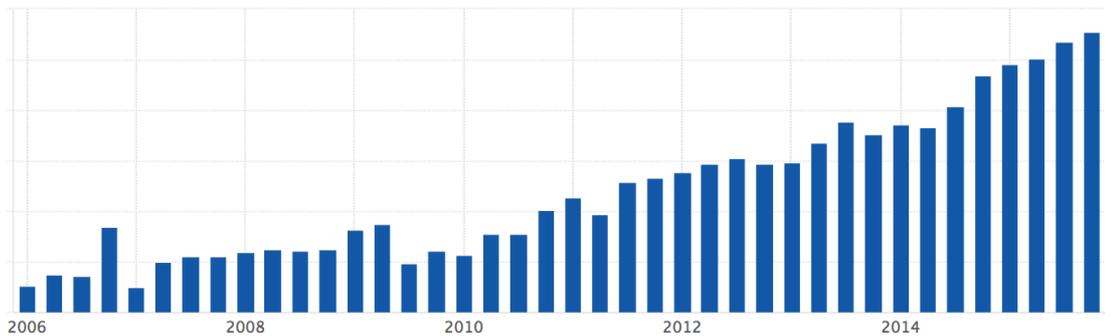
**Figure 22.** Consumer confidence in United Kingdom between 2006-2015  
(Tradingeconomies.com, 2016)

Taking a look at the consumer spending in the three countries of interest shows that in Germany and United Kingdom consumer spending has been on the rise. In Finland, again,

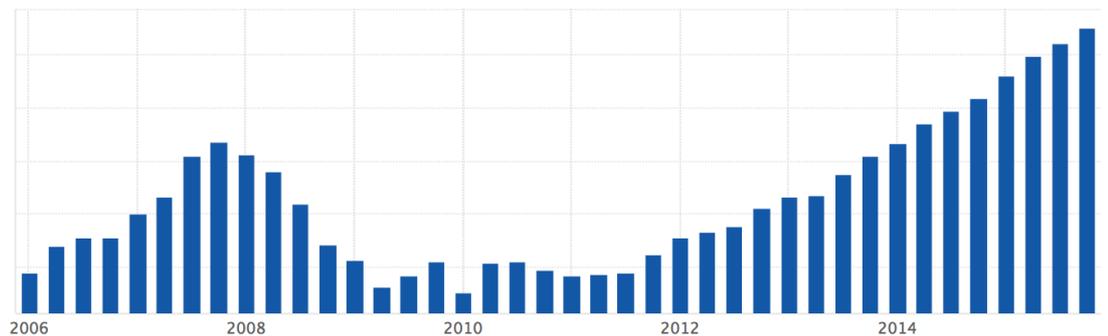
the story is different. Figures 23, 24 and 25 shows how consumer spending has developed in Finland, Germany and United Kingdom from the beginning of 2006 to the end of 2015, respectively. (Tradingeconomies.com, 2016)



**Figure 23.** Consumer spending in Finland in million euros, scale from 22 900 to 26 500 (Tradingeconomies.com, 2016)



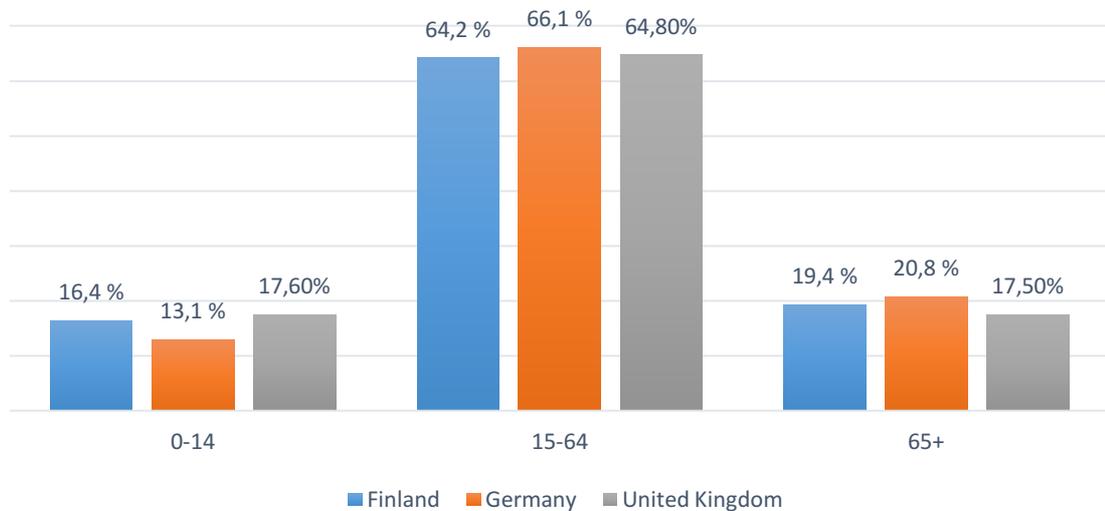
**Figure 24.** Consumer spending in Germany in billion euros, scale from 352 to 388 (Tradingeconomies.com, 2016)



**Figure 25.** Consumer spending in United Kingdom in million pounds, scale from 260 000 to 290 000 (Tradingeconomies.com, 2016)

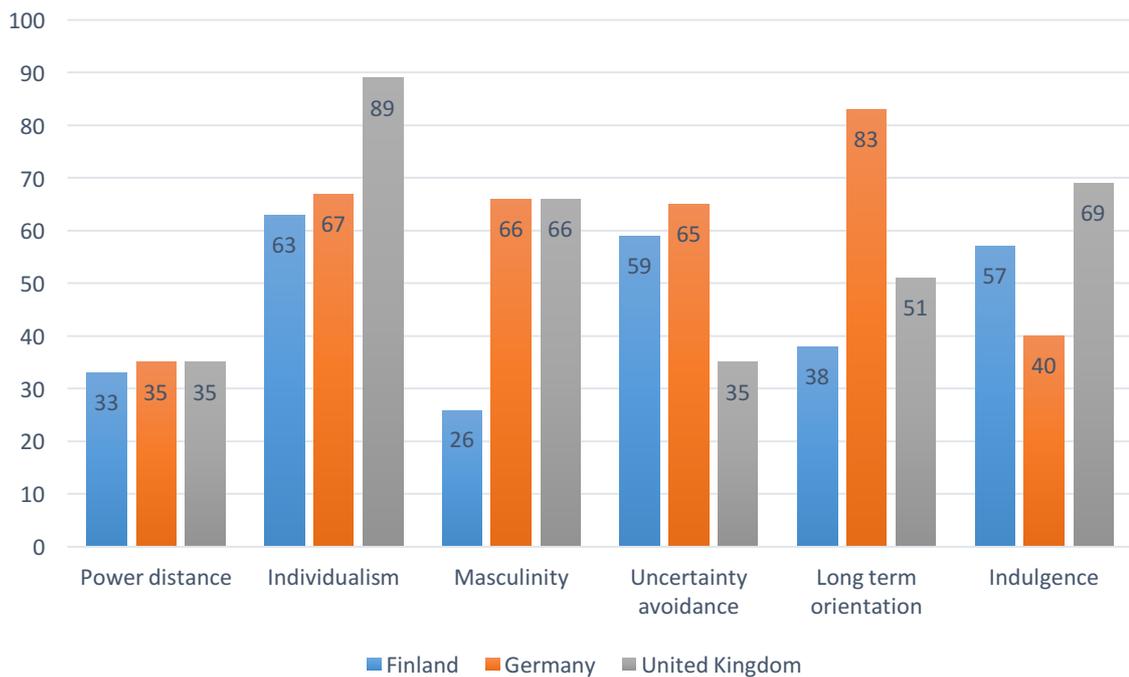
## 6.4 Socio-cultural environments

Finland is clearly the smallest country of the three in focus of interest. Germany's has population of 81 197 537 and UK is at 64 875 165. Finland's population is 6,7 percent of Germany's and 8,4 percent of UK's. (Eurostat, 2016) When it comes to age structures, Finland and UK seem to be more alike with each other. Germany appears to have relatively less people between 0 and 14 years-old and more of people 65+ years-old people. Figure 26 gives a better view on the age structures. (Ecommerce Europe, 2015)



**Figure 26.** Age structures of Finland, Germany and United Kingdom  
(adapted from Ecommerce Europe, 2015; original source World Factbook, 2015)

When it comes to cultural aspects Finland, Germany and United Kingdom are quite different countries. According to Hofstede's six cultural dimensions (See Figure 27) the three countries are all at the same ballpark with power distance. (Hofstede, 2016)



**Figure 27.** Hofstede's cultural dimensions: a comparison between Finland, Germany and United Kingdom (The Hofstede Center, 2016)

Germany and UK are clearly more masculine cultures than Finland. Then again, Finland and Germany beats the UK in uncertainty avoidance, but the UK tops both Finland and Germany when it comes to individualism. Germany steals the pole position when it comes to long-term orientation (Hofstede, 2016)

## 6.5 Technological environments

In the scope of this thesis, it is reasonable to narrow down the scope of interest, concerning technological environments, on issues related to the development of E-Commerce. Therefore, the following is an adaptation of the approach Hawk (2004) chose for the study, replicated in this thesis.

The United Kingdom and Germany are large countries and characterized by a high level of Internet penetration. Finland is not as large of a country, but it also has a high degree of Internet penetration. It should be noticed that more Internet users in Germany and UK shop online compared to Finland, as numbers are 80,03 percent, 85,01 percent, and 73,81 percent, respectively. (World Bank, 2016; Postnord, 2015)

Finland is ahead of both Germany and the UK when it comes to mobile cellular subscriptions. At the same time, it should be noticed that Finland has clearly less fixed telephone lines per 100 persons than Germany and UK. (World Bank, 2016) Table 9 gives a more detailed look at factors, which are considered to favor E-Commerce development.

**Table 9.** Factors considered to favor EC development: comparison of Finland, Germany and United Kingdom (\*World Bank, 2016; \*\*Ecommerce Europe, 2015)

	Finland	Germany	United Kingdom
Telephone lines per 100 persons*	11,74	56,89	52,35
Mobile cellular subscriptions (per 100 people)*	139,66	120,42	123,58
Broadband Internet subscribers per 100 people*	32,30	35,78	37,38
Internet users per 100 persons*	92,38	86,19	91,61
Percent of Internet users that shop online**	73,81 %	80,03 %	85,01 %
Per capita income (PPP in USD)*	40675,91	46400,62	39762,13
E-Commerce % of GDP (eGDP)**	3,23 %	2,46 %	5,74 %

## 7 RESULTS AND KEY FINDINGS

In this chapter are presented the key findings and results for all of the three research questions. There are limitations to the chosen methods of approaches; these constraints are handled in more detail in Chapters 1, 5 and 8.

### 7.1 RQ1: Main differences in customer behaviour

Online consumers in Finland are really patient compared to Germany and the United Kingdom. As the Table 10 shows, 19 percent of online shoppers in Finland are willing to wait for six days or more for deliveries. In Germany and UK only 9 percent of online shoppers thinks that six days or more is an acceptable time for delivery. At the same time Germans and Britons considers twice as often 1-2 days delivery to be acceptable than their Finnish peers. (Postnord 2015; Postnord 2016)

**Table 10.** How long a delivery time is acceptable (adapted from Postnord 2015 and Postnord 2016; Finland's results from Q1/2015, Germany and UK from 2014)

	Finland	Germany	United Kingdom
1-2 days	7 %	14 %	15 %
3-5 days	67 %	75 %	74 %
6 days or more	19 %	9 %	9 %
Don't know	8 %	2 %	3 %

When it comes to payment methods, online shoppers in the United Kingdom seem to prefer card payment and PayPal or similar intermediaries. In Finland and Germany invoices are maybe surprisingly preferred with 29 percent of online shoppers. More detailed view of preferred payment methods presented in Table 11. (Postnord 2015; Postnord 2016)

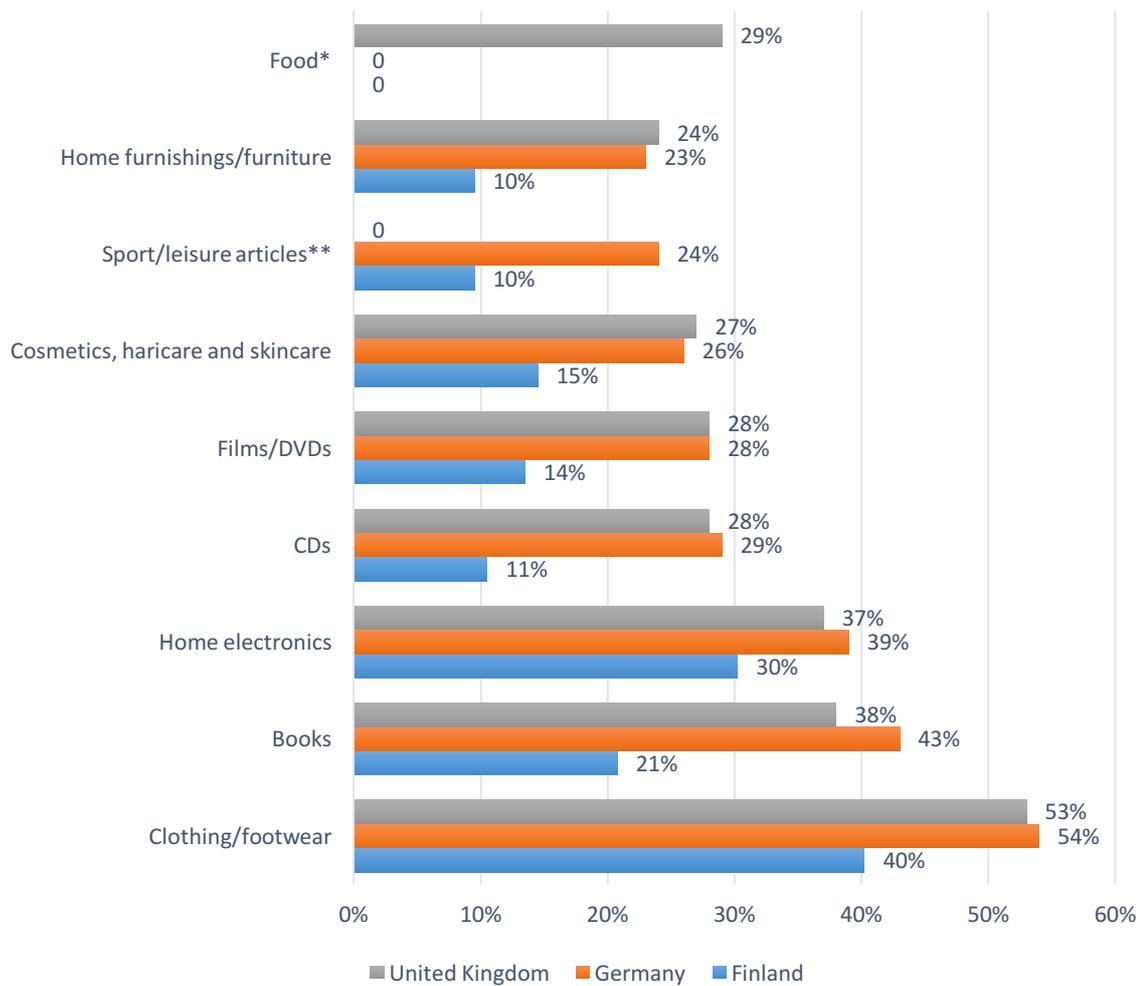
The UK is the largest e-commerce nation in Europe. A special aspect of the country is that online shoppers have learned to order food online. Almost every third of consumers have bought food online. Expansion of e-groceries has been possible, because of successful offerings made by online supermarkets. Companies have invested heavily in logistics to be able to deliver orders the day after ordered. (Postnord, 2015)

**Table 11.** Preferred payment methods of online shoppers (adapted from Postnord 2015 and Postnord 2016; Finland's results from Q4/2015, Germany and UK from 2014)

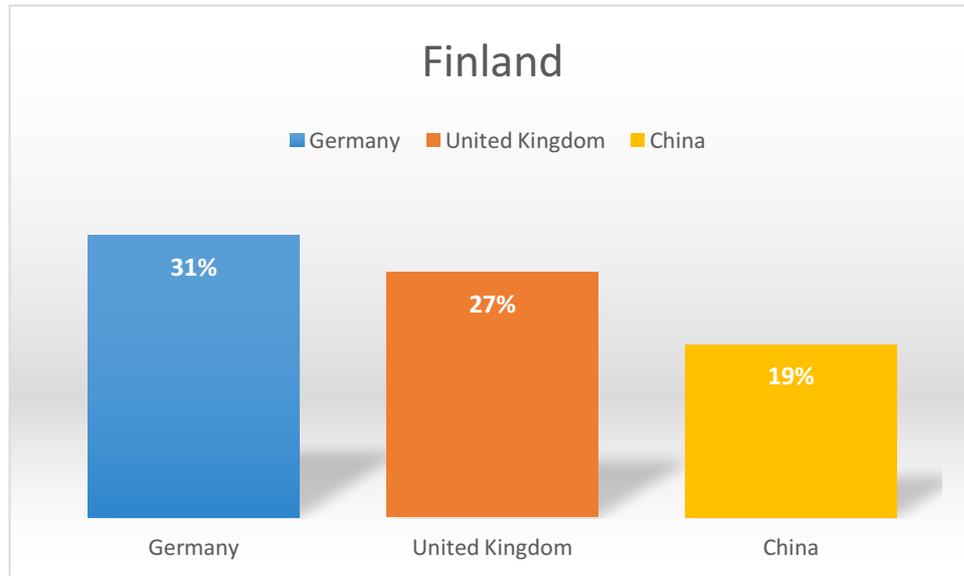
	Finland	Germany	United Kingdom
Debit or credit card	36 %	17 %	49 %
Invoice	29 %	29 %	2 %
Direct payment via bank	19 %	17 %	5 %
PayPal or similar	10 %	32 %	40 %
Cash on delivery	3 %	3 %	4 %
Other, unsure, don't know	3 %	2 %	2 %

Otherwise, online shoppers in the UK and Germany tend to buy products from similar categories. Figure 28 shows clothing and footwear, books and home electronics were the most popular product categories in both countries in 2014. In Finland, the same categories rise on top of the list, but with a clearly smaller portion of respondents. Figure 27 shows the proportion in each country who bought products from any given category. (Postnord, 2015:1 and 2)

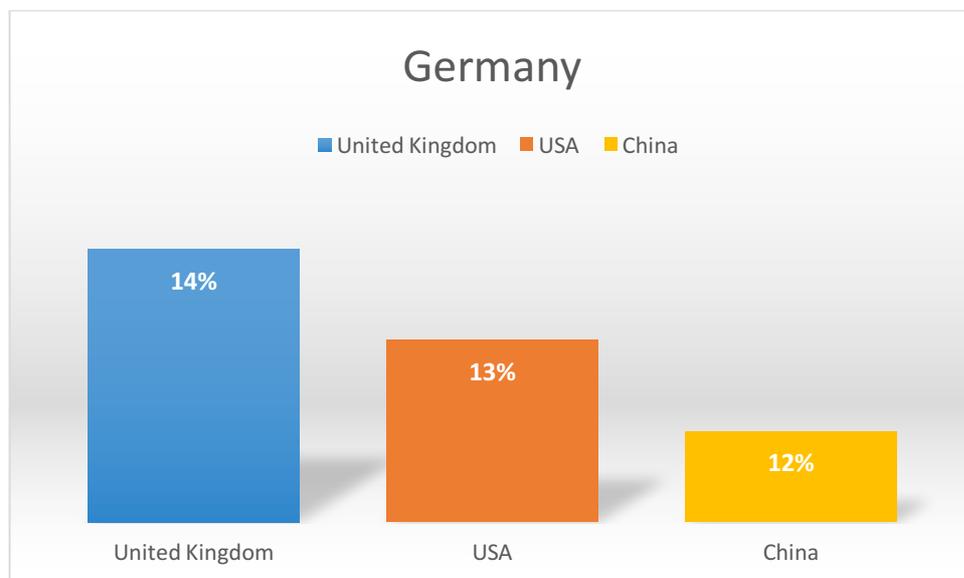
A majority of Finnish, German and UK online shoppers have bought from foreign stores. When Germans turn to overseas markets, they prefer to buy from the UK, USA, and China. For UK online shoppers the most popular foreign countries to buy from are the USA, China, and Germany. The Finnish online shopper buys from Germany, UK, and the USA, when purchasing abroad. (Postnord, 2015; Postnord, 2016) Figures 29, 30 and 31 gives a more detailed view of the Top 3 foreign countries of shopping.



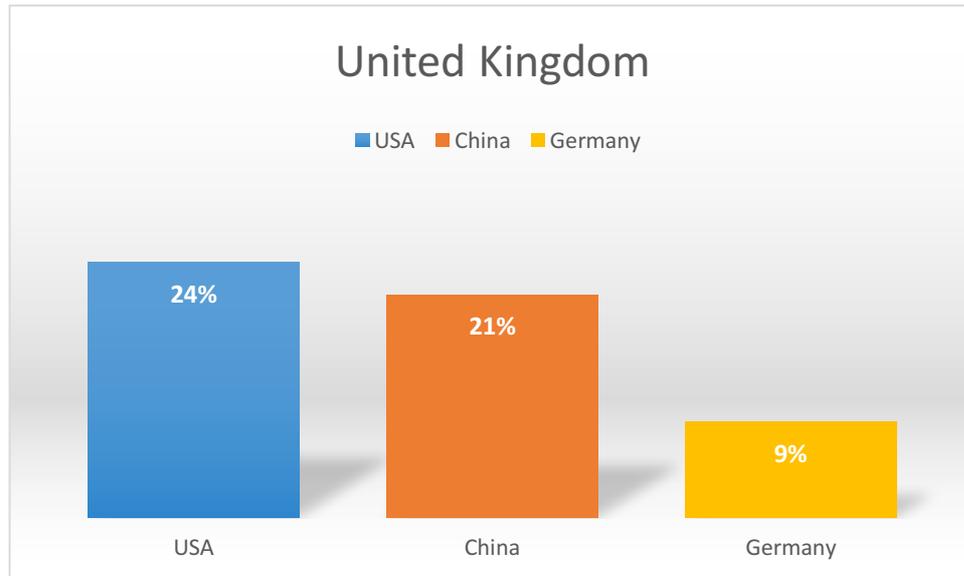
**Figure 28.** Favourite product categories among Finnish, German and UK online shoppers (adapted from Postnord, 2015:1 and 2; \*no data for Finland and German; \*\*no data for UK)



**Figure 29.** Top 3 most popular countries from which Finns buy (adapted from Postnord, 2016)



**Figure 30.** Top 3 most popular countries from which Germans buy (adapted from Postnord, 2015)



**Figure 31.** Top 3 most popular countries from which Brits buy (adapted from Postnord, 2015)

To conclude the findings regarding RQ1, Table 12 gives a view of the key E-Commerce facts of Finland, Germany, and the United Kingdom. E-Commerce GDP is defined by Ecommerce Europe (2015) to be "total amount of goods and services online divided by the total Gross Domestic Product".

**Table 12.** Summary of key E-Commerce facts (adapted from Ecommerce Europe, 2015)

	Finland	Germany	United Kingdom
E-Commerce GDP	3,23 %	2,46 %	5,74 %
Total B2C sales of E-Commerce in 2014 (goods and services)	6,6 billion €	71,2 billion €	127,2 billion €
Share of goods of total B2C E-Commerce turnover	46 %	59,70 %	55 %
Estimated share of online retail goods in total retail of goods	9,80 %	7,30 %	13,00 %
Average spending per e-shopper	2 145 €	1 468 €	3 073 €
Share of e-shoppers among Internet users (excluding people aged 0-14)	73,8 %	80,0 %	85,0 %

## 7.2 RQ2 and RQ3: Differences in delivery and payment method offerings

The results for research questions 2 and 3 are shown in Tables 13-16. Tables 14, 15 and 16 lists the details of the sites from Finland, Germany, and the United Kingdom, respectively. Every one of these tables shows both delivery and payment options for each site examined. Table 13 summarizes the information about all the sites from all the countries. Furthermore, Table 13 provides how many sites in each country and how many sites overall provided each delivery or payment options. Before going further into the results a review of delivery and payment options is needed.

### Delivery options

- Mail: The country's postal system.
- Private delivery service: Operated by the website. Usually operates in limited amount of cities.
- Courier: An independent delivery service similar to FedEx, GLS or UPS. This includes both express (0-2 day) services and slower on-ground delivery methods.

- Pick-up / Collect:
- Other: There were no other delivery methods found among the websites in the focus of examination.

### **Payment options**

- COD: Cash paid on delivery to the courier, postal system, or private delivery service.
- Credit/debit cards: Credit and debit cards.
- Bank/wire transfer: This typically entitles customers printing out or by other means acquire order and bank routing information.
- E-money: In this case E-money was considered to be PayPal-like intermediary services, which act in a sense as a e-wallet for the customers of B2C online stores.
- Direct payment:
- Financing: Some of the online B2C retailers offered their customers possibility to finance purchases with different schemes, e.g. delayed paying or by paying in installments.
- Other: Some of the B2C online retailers offered their customers the possibility to use a membership reward points as a method of payment. Also, some of the etailers had the possibility to pay with gift cards. It was in some cases also possible to pay with cash, if purchases were picked up from a store of the outlet chain.

**Table 13.** Summary of delivery and payment methods - number of sites providing one or more options for the method

	Finland	Germany	United Kingdom	Overall
<b>Delivery methods</b>				
National Mail	8	6	4	18
Private delivery service	0	1	2	3
Courier	6	9	8	23
Pickup/Collect	6	10	10	26
Other	0	0	0	0
<b>Number of delivery options</b>				
Average	2,0	2,6	2,4	2,3
Range	1-3	2-3	2-3	1-3
<b>Payment methods</b>				
COD	5	5	0	10
Credit/debit cards	10	10	10	30
Bank/Wire transfer	4	10	2	16
E-Money	3	9	5	17
Direct payment	7	6	1	14
Financing	7	5	6	18
Other	3	6	7	16
<b>Number of payment options</b>				
Average	3,9	5,1	3,1	4,0
Range	2-5	3-7	2-5	2-7

**Table 14.** Delivery and payment options for Finnish E-Commerce sites

	Delivery options				Payment options						
	Mail	Private delivery service	Courier	Pick-up / Collect	COD deliver.	Credit/debit cards	Bank/wire transfer	E-money	Direct payment	Financing	Other
Verkkokauppa.com	Yes	No	Yes	Yes	Yes	6 cards	No	No	Yes	Yes	
Gigantti.fi	Yes	No	Yes	Yes	No	3 cards	No	PayPal	Yes	No	
Zalando	No	No	Yes	No	No	4 cards	Invoice	PayPal	Yes	No	Possibility to use Zalando-points to pay
Netanttila.com	Yes	No	No	Yes	Yes	3 cards	No	No	Yes	Yes	
Amazon	No	No	Yes	No	No	Yes	No	No	No	No	Gift card
HM.com	Yes	No	No	No	Yes	2 cards	No	No	No	Yes	
Cdon Sites	Yes	No	Yes	No	No	2 cards	Yes	PayPal	Yes	Yes	
Hobbyhalli.fi	Yes	No	No	Yes	Yes	5 cards	No	No	Yes	Yes	
Ellos	Yes	No	Yes	Yes	Yes	2 cards	Invoice	No	No	Yes	Possibility to pay with S-Bonus scheme points
Prisma	Yes	No	No	Yes	No	3 cards	Invoice	No	Yes	Yes	

**Table 15.** Delivery and payment options for German E-Commerce sites.

	Delivery options				Payment options						
	Mail	Private delivery service	Courier	Pick-up / Collect	COD delivery	Credit cards	Bank/wire transfer	E-money	Direct payment	Financing	Other
Amazon.de	Yes	No	Yes	Yes	No	5 cards	Invoice	PayPal	German and Austrian banks	No	Gift cards
Otto.de	Yes	No	Yes	Yes	No	3 cards	Invoice and payment in advance	No	No	Yes	Bonus card
Zalando.de	No	No	Yes	Yes	No	3 cards	Invoice	PayPal	No	No	
Notebooksbilliger.de	No	Yes, near facilities	Yes	Yes	Yes	2 cards	Payment in advance	PayPal	Yes, 5 banks and Masterpass Konto	Yes	Leasing
Cyberport.at	No	No	Yes	Yes	Yes	3 cards	Payment in advance	PayPal	Yes, 13 banks	No	Cash and debit cards on pickups
Tchibo.de	Yes	No	No	Yes	No	2 cards	Payment in advance	PayPal	No	No	Gift cards
Bonprix.de	Yes	No	Yes	Yes	Yes	2 cards	Invoice	PayPal	Yes, 5 banks (Sofort)	No	
Conrad.de	Yes	No	Yes	Yes	Yes	4 cards	Invoice and payment in advance	PayPal	Yes (Sofort)	Yes	
Alternate.de	Yes	No	Yes	Yes	Yes	2 cards	Payment in advance	PayPal, PayPal Express	German and Austrian banks	Yes	Pay at the store, Gift cards
Apple.com/de	No	No	Yes	Yes	No	3 cards	Payment in advance (WorldPay)	PayPal	No	Yes	

**Table 16.** Delivery and payment options for British E-Commerce sites.

	Delivery options					Payment options					
	Mail	Private delivery service	Courier	Pick-up / Collect	COD deliver.	Credit/debit cards	Bank/wire transfer	E-money	Direct payment	Financing	Other
Amazon.co.uk	No	Yes	Yes	Yes	No	8 cards	No	No	No	Yes	Cash payment possible when pickup from store
Argos	Yes	No	No	Yes	No	7 cards	No	No	No	Yes	Gift card
Apple	Yes	No	Yes	Yes	No	5 cards	Yes	PayPal	No	Yes	Cash payment possible when pickup from store
Tesco	Yes	Yes	No	Yes	No	8 cards	No	No	No	Yes, Tesco Banking	Gift card
Marks & Spencer	Yes	No	Yes	Yes	No	7 cards	No	No	No	Yes, M&S Charge Card and M&S Budget Card	Cash payment possible when pickup from store, vouchers
Asda	No	No	Yes	Yes	No	8 cards	No	Yes	No	No	Leasing, Gift card and cash when pickup from store
Currys	No	No	Yes	Yes	No	5 cards	No	No	No	Yes, 3 different schemes	Gift card, eVoucher, PayZone
Next	No	No	Yes	Yes	No	Yes	Yes	PayPal	No	No	Gift card, eVoucher, PayZone
John Lewis	No	No	Yes	Yes	No	4 cards	No	PayPal	No	No	Gift card
ASOS	No	No	Yes	Yes	No	7 cards	No	PayPal	Yes (iDeal)	No	Gift card

### 7.2.1 Summaries of individual countries

The following summaries dig deeper into the results for research questions two and three and gives a look at the findings from individual countries. All of the three countries are handled under this section. In general, it is good to bear in mind that in Germany and the United Kingdom all of the Top 10 sites were adapted to the local language. In Finland, one of the sites (Amazon) was not localized as Finnish online shoppers can use Amazon.com, Amazon.de, and Amazon.co.uk.

**Finland** was the only country where there was no private delivery system in place. Finland was also the last in the amount of different delivery options, and at the same time, the national postal system had the strongest position of the three countries. In Finland, there was only one site (Verkkokauppa.com) that provided same day delivery, and the possibility was available in selected cities. Most of the sites provided standard delivery and express delivery. It was notable that some of the sites were adopted to Finland and provided all the information in Finnish. At least one (Zalando) stated that it did not have storage facilities in Finland, and therefore, costs and price weighted more than delivery time.

All of the websites accepted credit or debit cards as payment method. There was a difference between the variety of cards stores accepted; most usual was that Visa and Mastercard were accepted and in some cases also American Express. Direct payment and financing options were the second most widely used payment methods. Financing was provided by Finnish and foreign sites. Most of the sites used the common platform of Finnish banks to facilitate direct payment method. Half of the sites offered cash on delivery as an option to pay and four of the sites accepted bank/wire transfers, of which three used invoices. When it comes to E-money in Finland, only three sites offered the method and all of the three used PayPal.

In **Germany**, all of the German B2C E-Commerce sites offered Pick-up / Collect possibility and nine out of ten used Courier to deliver orders. Six sites used the national postal system as one option for deliveries. Two of the sites (Conrad.de and Cyberport.at) had the option to get orders in three hours in selected cities. All most all of the sites offered 24 hours or next day delivery. One of the German websites (Notebooksbilliger.de) had a private delivery service near its facilities.

In Germany, the most offered payment methods were Credit and debit cards, and Bank/wire transfer, as all of the ten E-Commerce stores offered the option to customers. Almost as popular was E-money as 9 of the sites offered the possibility; PayPal was the used operator. Six of the sites offered the possibility for direct payment. Direct payment methods varied depending on the operator; some of the sites offered the possibility to pay from an account at a German or an Austrian bank. Cash on delivery option was offered by five sites. Also, Financing was offered by five sites. One of the stores offered leasing for private customers as a payment method. In some of the website, there was a possibility to use gift cards as a payment method.

In the **United Kingdom**, all of the sites gave customers the opportunity to choose Pick-up / Collect method of delivery. The second popular option was the use of Courier. Four of the sites used country's postal system. Two (Amazon.co.uk and Tesco) had a private delivery service at their disposal.

The most popular payment option was Credit/debit card, as all of the UK B2C E-Commerce sites offered the option. The second most popular option was Other as seven of the sites offered their customers the possibility to pay e.g. with cash when picking up purchases from the store, with a gift card, eVoucher and a service called PayZone. E-money was offered by half of the UK sites, and three out of the five stated that PayPal was their chose of preference for E-money. Six of the UK sites offered financing as a possibility.

### **7.2.2 Over all summary for RQ2 and RQ3**

For each delivery or payment method, Table 13 summarizes how many sites employs it in each country and the overall sample. If multiple options were present for any given method, it was counted once as being a site offering the option. The goal of Table 13 is to present a summary of the basic types of options available in the sample. Some patterns emerge when B2C E-Commerce is compared in the three countries.

The Table 13 indicates that on average, there are fewer delivery options in Finland compared to Germany and the UK. ANOVA was performed to determine if there was at least one significant difference between the three countries. In the case of delivery methods, ANOVA suggests that differences between the countries stay at a level of a trend, but the trend is real ( $F(2,XX) = 2,333$ ;  $p = .116$ ). This trend is best explained by the difference between Germany

and Finland. In Germany, there are the most options in delivery methods (Mean = 2,6). In Finland, there are the least amount of options (Mean = 2,0). A post-hoc test using Tukey supports this conclusion as the mean difference between Finland and Germany was .600 with the p-value of .104, and between Finland and UK, the mean difference was .400 with the p-value of .348. On its part, the mean difference between Germany and UK was .200 with the p-value of .761.

Table 13 furthermore suggests that there is a big difference in the means of payment options compare between Finland and Germany, and UK and Germany. Germany's mean for payment options is 5,1 and Finland and UK's 3,9 and 3,1, respectively. ANOVA was performed to find out if the observation was statistically significant, in other words, is there at least one significant difference between the three countries when it comes to payment methods.

ANOVA indicated that differences were statistically significant ( $F(2,27) = 7,885$ ;  $p = .002$  and partial eta square = .369). A post-hoc test (Tukey) was conducted to assess the significance of individual pair-wise mean differences. The difference between Finland and Germany was almost significant (Mean Difference = 1,2 and  $p = .063$ ), between Finland and UK, there was no significant difference (Mean Difference = .800 and  $p = .272$ ). The again, Germany differs significantly from the UK (Mean difference = 2.000 and  $p = .001$ ).

## **8 DISCUSSION AND CONCLUSIONS**

Finland, Germany, and the United Kingdom are all advanced economies with a high number of Internet users and high penetration of online shoppers among Internet users (See Table 12). There is also high penetration of broadband Internet connections. All three countries can be considered to be free when it comes to economic freedom (Freedom House, 2015; Heritage Foundation, 2016). All of the mentioned aspects are considered to drive E-Commerce growth or E-Retail spending. It was found that the overall spending on E-Commerce (services and products) is estimated to increase in the future in all of the three countries (Ecommerce Europe, 2015). It also seems that there is room for growth on the retail side as the share of online retail goods in Finland and Germany was under 10 percent of total retail of goods in 2014, and in the UK, the share was 13 percent (Ecommerce Europe, 2015). These findings support the Kshetri et al. (2014) finding that economic freedom and broadband penetration are drivers for growth in E-retail spending.

It was found that many of the Top 10 online stores in Finland, Germany, and the United Kingdom had adapted their businesses to meet national preferences. For example, Amazon had different sites for German and UK markets, and Zalando had different sites for Finnish and German customers. Findings are supported by the dyadic model of internationalization where companies are in need to balance between standardization and adaptation (Cavusgil et al., 2014). The notion is also supported by Goethals et al. (2009) finding of understanding the need to connect global and local aspects in the field of E-Commerce. Furthermore, the finding supports Hwange et al. (2006) notion that companies have gained the possibility to reach the global customer and benefitted from the development of E-Commerce.

Even though Finland, Germany, and the United Kingdom are all members of the European Union, countries are very different in many ways. All are located in different parts of Europe with unique geographical aspects. Germany is in the heart of Europe. The United Kingdom is an island, but still very close to the mainland of Europe. Finland on its part is in the far north-east corner of Europe.

Finland is not as rich in population than Germany and the UK and therefore, the nominal GDP of Finland is clearly smaller than of Germany's or UK's. Then again, Finland is doing quite well when it comes to GDP at purchasing power parity. Finland is behind Germany,

but ahead of the UK. The problematic aspects are the trend of Finland's GDP. Compared to Germany and the UK Finland's economy has stagnated after the global recession started in

Also, Finland's consumer spending reflects the stagnated economy. While in Germany and UK consumers have steadily increased spending, in Finland the rate of consumer spending has been much lower. Consumer spending has its implications to the growth of retail business and overall it is a factor in the growth of gross domestic product of any given nation.

Furthermore, consumer confidence indexes seem to support the notion of Finland's trembling economy. Germany and the United Kingdom have reached a higher level of consumer confidence at the end of 2015 than before the drop caused by the global credit crunch in 2007-2008. Finland, on its part, is lagging behind also in this field.

Findings support the notions of Ho et al. (2007) and Casaló et al. (2011) regarding different levels of E-Commerce adoption across European countries. The purchasing power of consumers most probably has an effect on online sales. If companies are not investing in online sales platforms, potential customers might turn to foreign online stores. At least surveys suggest that a majority of online shoppers in Finland have bought from foreign outlets; though, this has been the case as well in Germany and the UK (Postnord 2015; Postnord 2016).

In this thesis, it was taken assumed, following Hawk (2004), that the ease of buying and number of delivery methods are perceived by customers as inhibitors of convenience. This view is supported by findings made by Kshetri et al. (2014). Results show that there are differences between business to customer online shops in Finland, Germany and the United Kingdom regarding payment options. When it comes to delivery options, there are no significant differences between Finland, Germany, and the UK. With payment methods, the statistically significant difference was between Germany and the United Kingdom.

There are weaknesses to the selected research approach. The data set was mostly from secondary sources, and the researcher could not access the raw data of those secondary data sources. The data that was collected for the comparison of B2C retail websites in Finland, Germany, and the United Kingdom was limited to the Top 10 websites; this approach might have its limitations when it comes to generalizing the findings. On the other hand, the method

has also been used in other cases (e.g. Hawk (2004)). Furthermore, it needs to be pointed out that the sites were not randomly chosen. The chosen method of selecting the sites might not bring out a representative sample of B2C retail sites in each country. The chosen method might emphasize, as Hawk (2004) puts it, "the state of the art of e-commerce".

Another aspect of possible limitation is that the data was collected from the sites. Even there is no apparent reason to believe that the companies would provide false information to their customers about delivery and/or payment methods, it is still possible; This also leads to yet another limitation; the sites did not provide how often each method was used.

There are possible future research questions that arise from this thesis. It would be interesting to have a closer view on consumer preferences differences between Finland, Germany, and the United Kingdom. Furthermore, taking a closer look at the difference between delivery times in Finland, Germany, and the United Kingdom.

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## APPENDIX

### Appendix 1. Summary of sites included in the study

#### *Finnish sites*

Company	Address of the website	Short description
<b>Verkkokauppa.com</b>	<a href="http://www.verkkokauppa.com">www.verkkokauppa.com</a>	Finland's and maybe most known and the most visited domestic online retailer. Company offers over 50 000 different products under 26 main categories. (Verkkokauppa.com, 2016)
<b>Gigantti Oy Ab</b>	<a href="http://www.gigantti.fi">www.gigantti.fi</a>	Gigantti is a company which offers home electronics, "white appliances" and telecommunications and data products. (Gigantti, 2016)
<b>Zalando</b>	<a href="http://www.zalando.fi">www.zalando.fi</a>	Zalando offers e.g. clothes, accessories and sports items. Company has expanded heavily from its beginning, when it offered only shoes. (Zalando, 2016)
<b>Anttila</b>	<a href="http://www.netanttila.com">www.netanttila.com</a>	Netanttila.com is the online store of department store chain of Anttila. The site offers same products as the physical stores. (Anttila, 2016)

<b>Amazon</b>	<a href="http://www.amazon.com">www.amazon.com</a> <a href="http://www.amazon.co.uk">www.amazon.co.uk</a> <a href="http://www.amazon.de">www.amazon.de</a>	<p>Amazon.com is one of the worlds largest retail websites which offers a variety of product categories. (Amazon, 2016)</p>
<b>H&amp;M</b>	<a href="http://www.hm.com">www.hm.com</a>	<p>H&amp;M offers affordable fashion for men and women. The company operates in 61 markets and provides the possiblity for online shopping in 32 countries. (H&amp;M, 2016)</p>
<b>Qliro Group</b>	<a href="http://www.cdon.com">www.cdon.com</a>	<p>Cdon.com has operated since 1999 and it is part of the E-Commerce company Qliro Group. Cdon.com offers e.g. CD's and DVD's for its customers. (Qliro Group, 2016)</p>
<b>Stockmann Oyj Abp</b>	<a href="http://www.hobbyhall.fi">www.hobbyhall.fi</a>	<p>Hobbyhall offers its customers products and services via mail order, E-Commerce and physical store. Hobbyhall is part of Stockmann Group. (Stockmann, 2016)</p>
<b>Ellos</b>	<a href="http://www.ellos.fi">www.ellos.fi</a>	<p>Ellos is a company which offers clothes for women, men and children. Besides clothes the company offers</p>

		its customers electronics. (Ellos, 2016)
<b>S-Verkkopalvelut Oy</b>	<a href="http://www.prisma.fi">www.prisma.fi</a>	Prisma.fi is an E-Commerce store of the Finnish retail magnate S-group. Prisma.fi offers a variety of product lines. (S-Verkkopalvelut, 2016)

*German sites*

Company	Address of the website	Short description
<b>Amazon</b>	<a href="http://www.amazon.de">www.amazon.de</a>	Amazon.com is one of the worlds largest retail websites which offers a variety of product categories. (Amazon, 2016)
<b>Otto GmbH &amp; Co KG</b>	<a href="http://www.otto.de">www.otto.de</a>	Otto has a vast amount of product lines and otto.de is one of the profitable E-Commerce companies in Germany. (Otto, 2016)
<b>Zalando</b>	<a href="http://www.zalando.de">www.zalando.de</a>	Zalando offers e.g. clothes, accessories and sports items. Company has expanded heavily from its beginning, when it offered only shoes. (Zalando, 2016)
<b>Notebooksbilliger.de AG</b>	<a href="http://www.notebooksbilliger.de">www.notebooksbilliger.de</a>	The company has operated since 2002 and it offers a variety of electronics to its customers.

		(Notebooksbilliger.de, 2016)
<b>Cyberport GmbH</b>	<a href="http://www.cyberport.at">www.cyberport.at</a>	Cyberport claims to be one of the largest consumer electronics E-Commerce companies in Europe. (Cyberport, 2016)
<b>Tchibo</b>	<a href="http://www.tchibo.de">www.tchibo.de</a>	Tchibo is a coffee maker which has expanded its operations into many more businesses than coffee; retail E-Commerce being one of the new areas of business. (Tchibo, 2016)
<b>Otto GmbH &amp; Co KG</b>	<a href="http://www.bonprix.de">www.bonprix.de</a>	Bonprix is a subsidiary of Otto. Bonprix offers fashion for its customers over the Internet. (Bonprix, 2016)
<b>Conrad Electronic SE</b>	<a href="http://www.conrad.de">www.conrad.de</a>	Conrad has offered technology innovation for its customers for 90 years. (Conrad, 2016)
<b>Alternate GmbH</b>	<a href="http://www.alternate.de">www.alternate.de</a>	Alternate claims to be one of the most known electronics mail order company. Nowadays it offers over 50 000 products for its online customers.
<b>Apple Inc.</b>	<a href="http://www.apple.com/de">www.apple.com/de</a>	Apple offers computer, phones and tablets for its

		customers worldwide. (Apple, 2016)
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*Sites from the United Kingdom*

<b>Company</b>	<b>Address of the website</b>	<b>Short description</b>
<b>Amazon</b>	<a href="http://www.amazon.co.uk">www.amazon.co.uk</a>	Amazon.com is one of the worlds largest retail websites which offers a variety of product categories. (Amazon, 2016)
<b>Argos</b>	<a href="http://www.argos.co.uk">www.argos.co.uk</a>	Argos is part of the Home Retail Group. Argos is claims to be the leading digital retailer in the UK. (Argos, 2016)
<b>Apple Inc.</b>	<a href="http://www.apple.co.uk">www.apple.co.uk</a>	Apple offers computer, phones and tablets for its customers worldwide. (Apple, 2016)
<b>Tesco</b>	<a href="http://www.tesco.com">www.tesco.com</a>	Tesco is one of the world's largest retailers and it operates in 11 countries. The company servers it customers both in stores and online. (Tesco, 2016)
<b>Marks and Spencer plc</b>	<a href="http://www.marksandspencer.com">www.marksandspencer.com</a>	Marks and Spencer is a retailer group which turnover is split between food and general merchandise. (Marks and Spencer, 2016)

<b>Asda</b>	<a href="http://www.asda.com">www.asda.com</a>	Asda is a group of companies that also offers B2C E-Commerce e.g. in the fields of groceries, tyres and wines.
<b>DSG Retail Ltd</b>	<a href="http://www.currys.co.uk">www.currys.co.uk</a>	Currys is yet another electronics online store. (Currys, 2016)
<b>Next plc</b>	<a href="http://www.next.co.uk">www.next.co.uk</a>	A retail company established in the beginning of 1980's. Nowadays it has hundreds of stores in over 40 countries and also online. (Next, 2016)
<b>John Lewis Partnership plc</b>	<a href="http://www.johnlewis.com">www.johnlewis.com</a>	John Lewis is a partnership company owned by its permanent staff members. The company operates also online. (John Lewis Partnership, 2016)
<b>Asos</b>	<a href="http://www.asos.com">www.asos.com</a>	ASOS claims to be the biggest independent fashion and beauty retailer in the UK's online marketplace. (ASOS, 2016)