E- COMMERCE OUTSOURCING SERVICES FOR FINLAND'S SMES

CASE STUDY:

Shoppaamaan.fi

LAHTI UNIVERSITY OF APPLIED SCIENCES
Degree programme in Business Information Technology
Thesis
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ABSTRACT

Apparently, the E-commerce as a representative of the network economy has
become a crucial component in both digital economy and knowledge economy. The
E-commerce can be integrated with other industries and explores new business
areas to the market, such as Mobile Commerce and Social Commerce.

The purpose of this thesis is to demonstrate a new business area which combines
E-commerce and services outsourcing, and to study the current SME's feelings and
experiences of E-commerce outsourcing services so that to improve the services
concept of the case project (Shoppaamaan.fi). According to the study, four aspects
will be answered towards the E-commerce outsourcing, which are the motivation,
expectation, difficulties and satisfaction.

The theoretical basis in this study can be divided into two aspects; one is the
modern era background including the fundamental knowledge base of E-commerce,
services outsourcing and E-commerce outsourcing, and the other is the
pre-conditions for establishing the case project. As for the empirical section, the
data was collected from both demo-version customers in semi-structured interview
and prospective customers in questionnaires.

Base on the analysis, the study figures out that the customers not only focus on
outsourcing activities, but also pay attention to the invisible value and added effects.
For further studies, the case project should explore the services areas and ranges so
that to develop a better-rounded project with good marketing reputation and
influences.

Key words E-commerce, Outsourcing, Services Outsourcing, BPO and
Shoppaamaan.fi

LIST OF ABBREVIATIONS

B-to-B   Business to Business

B-to-C   Business to Customer

BPO   Business Process Outsourcing

EUR   Euro

IT   Information Technology

ITO   Information Technology Outsourcing

ROI   Returns on investments

SME   Small and Medium Enterprise

SV Oy   Konttorikoneliike Sarin - Väisänen Oy

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1   INTRODUCTION

In recent years, the E-commerce in Finland has had explosive growth, and the E-commerce platforms such as eBay and Amazon have gained much attention. Caused by this growth, many traditional products and brand manufacturers and even individuals also attach great importance to the E-commerce area and plan to develop online-sales distribution.

1.1   Research Background

Most organizations have recognized the E-commerce trend, but it is not a simple task for them to take part in E-commerce and fully use it. Usually, two traditional solutions can be proposed to the organization. One is to build an individual website of their own, which means the organizations have to operate the business process and IT process independently. However, due to mass communication and various resource handling, the E-commerce activity has become more extensive and complex. Even for the brand or large companies, it is burdensome to organize miscellaneous tasks and resources.

As a result of these burdens, another solution for marking up the gap is created, which is to hand over some portions of management or the entire E-commerce services to external service providers (Gillai Barchi , Kim Tongil, 2007). The representation of E-commerce outsourcing is diverse, because the form of outsourcing activities can be entire and partial. Even for the partial outsourcing, it still can be divided into different sections. Technical outsourcing is the most common way of partial E-commerce outsourcing which means the external vendor provides or creates the platform for the organizations to present the products and complete the purchase behavior.

However, with the development of the society, the demands of the organization become variable, and many of them are jumping on board for some special factors. They are not only content with the IT outsourcing in the E-commerce, but also want to outsource their business process to the external vendor. Through the author's practical training experiences, it takes closer insight into the E-commerce outsourcing within the project initiating by the case company (SV Oy) which aims

to combine both IT outsourcing and business process outsourcing together in the E-commerce aspect. They will create a comprehensive shopping website (Shoppaamaan.fi) and invite the professionals and small enterprises to take part in, in other words, encouraging the SMEs to outsource the entire E-commerce services to the third party.

1.2   Value of Research

When the case company wants to bring the brand new service concept to the Finland E-commerce market, aiming to provide a better and easier E-commerce solution for customers, the importance of constructing fundamental information background is revealed.

First of all, to research and analyze the feelings and attitudes of potential customers are important to the case company for acquiring the demand of the market and making a plan to promote the project at beginning. Secondly, the study results will not only help case company to observe the marketing and competing strategy, but also can figure out the segments which SMEs care a lot. Thirdly, the study also can discover the invisible segments that the case company did not know. Generally speaking, this research will give an elementary white-book for the case company for both potential and existing customers together.

Along with the significance for the case company, this research is also meaningful and helpful to the E-commerce industry in Finland. Invest in Finland published the latest news that, "*E-commerce enjoyed 15% growth in Finland in 2011 and experts believe the fast growth rate is set to continue in 2012.* (Kauppalehti,Redera,Descom, 2012)*"* With the generally growth of E-commerce, how to prepare for this explosion and adapt to the environment become a vital issue which should be addressed for all the concerning industries. Last but not least, besides the marketing effects, the new E-commerce outsourcing services will also become a business shock for the traditional industry chain.

1.3   Scope of Research

According to the business model in case project (Shoppaamaan.fi), it can be categorized into two business activities. One is B-to-B activity which provides E-commerce outsourcing solution to the SMEs, and helps them to develop the E-marking strategy and integrate business and technical resources. The other is operating the E-commerce platform to do the B-to-C businesses for the end-users.

Based on the motivation and objective of this research, the study will focus on B-to-B activity, because it is the essence of adopting the case project at the present stage. Indeed, the B-to-B activity is also the primary source which could affect the profitability of case company. Furthermore, the customers mentioned in this study refer to the case company's B-to-B customers not the end-users of the case project.

1.4   Structure of study

The thesis can be divided into six chapters, starting from the introduction chapter. The introduction chapter is to address the research background of this study, including the phenomenon of E-commerce outsourcing existence, the value of research and the main focus covered.

After introducing the basic knowledge of the study, the research design is presented in Chapter 2 which is the most basic part before conducting research. The research design is to illustrate all the fundamental information including research question, research approach, research framework as well as the data collection and analysis method.

Theoretical knowledge is essential for the audience to understand the background theory, so the necessity and feasibility of the case project is given in Chapter 3 to present motivation and trend for establishing the case project. Once the audiences comprehend the theory part, it is easier to step into Chapter 4. In Chapter 4, the author introduces case company briefly and stress on case project description including the motivation, objective and process.

Based on the case project, the study analyzes the data collected from interviews and questionnaires to find the answers regard to the research questions. According to

the case analysis chapter above, Chapter 6 is to make a conclusion of all the findings concerning to the research questions. Following the conclusion, the recommendations are provided for the manager to have a broader view, and some questions are proposed for future studies.

2 RESEARCH METHODOLOGY

In this chapter, the author is aiming to give a clear vision of the thesis research design. *"The essence of good qualitative research design turns on the use of a set of procedures that are simultaneously open-ended and rigorous and that do justice to the complexity of the social setting under study.* (Denzin K.Norman and Lincoln S.Yvonna, 2000)*"*

2.1 Research Problem

The main objective of this paper is to study the current SME's feelings and experiences on E-commerce outsourcing in order to improve case project services at prime period.

Based on the objectives, the following essential research questions are proposed:

o **Why do the SMEs choose outsourcing E-commerce?**
o **What are the SME's expectations?**
o **How do SMEs solve difficulties during outsourcing?**
o **Do they satisfy about the outsourcing?**

These four questions link to each other, and they are the sub-questions of the main objectives. Following the questions above, the case company will know how to figure out the strengths, weakness, opportunities and threatens of case project under practically insight rather than the imagination.

2.2 Research Approach

The research approach of this study is inductive and explanative. The qualitative research method is the main research method will be applied in this study. The characters of qualitative research involve developing explanations of social phenomena. In other words, qualitative research has its principles in social science, and is more concerned with understanding why people behave as they do including their knowledge, attitudes, beliefs, and fears.

What is more, qualitative research allows that *"the subjects being studied to give much 'richer' answers to questions put to them by the researcher, and may give*

valuable insights which might have been missed by any other method. Not only does it provide valuable information to certain research questions in its own right but there is a strong case for using it to complement quantitative research method. (Davies,W.M.and Beaumont,T.J., 2007)*"*

The expectation of managing this research is to study a real-world setting to discover how people handle and succeed in that setting and capture the contextual richness of people's everyday lives (Yin, 2011). Therefore, the qualitative is the most suitable approach. However, a valuable research refuses to use just one approach or one technique. Besides the main qualitative research method, minor quantitative research method is also used in the analysis section and it gives a more synthetically view to the audience.

2.3 Research Framework

A research framework defines the categories of outputs that research can produce, a set of diverse research activities and also what kind of research activities can be used to produce specific outputs (Jokela, 2001).

In this study, it focuses on the case project analysis, so the study starts from the background theories of the case project, which is the applicable knowledge for establishing the case project. The knowledge covers the background, situation and trends nowadays under the E-commerce and E-commerce outsourcing.

Following the fundamental explanation, the next is to make the audience know about the mission, vision, and strategy of case company and case project. Only when the audience understood the theoretical background and the case information, can they know the case analysis and the conclusion better.
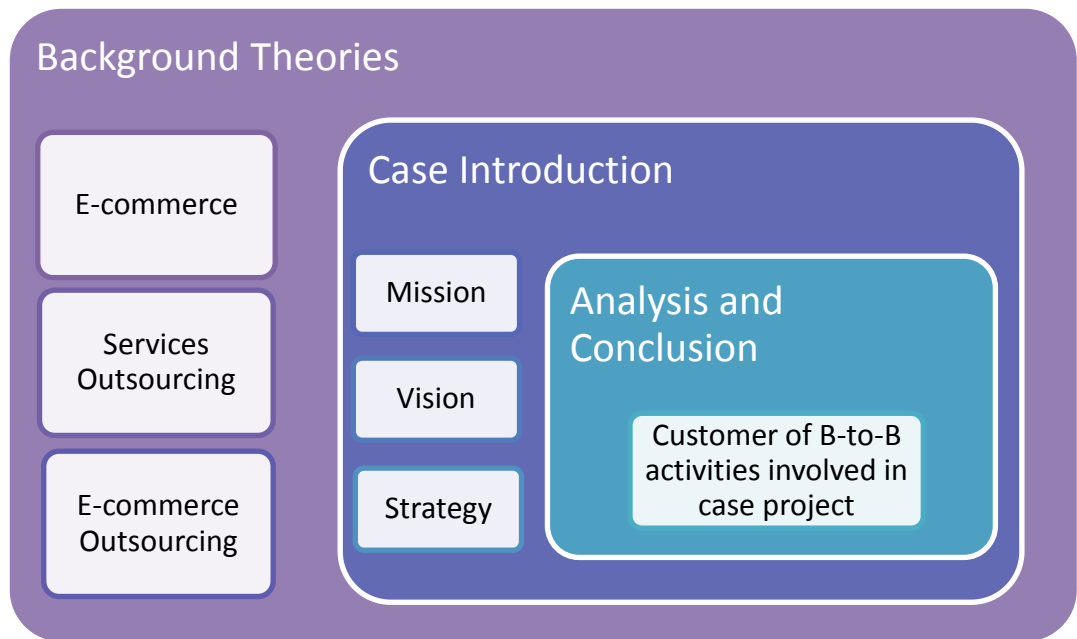
FIGURE 1.Research Framework

2.4 Data Collection

Data collection is a significant aspect of research design and appropriate data collection can bring a positive result to the research study. Data collection refers to aggregate information to address those critical evaluation questions that you have identified earlier in the evaluation process (Buratti, 1999). There are many methods available to collect information, and the most common method including interview, focus group, questionnaires, and observation. Based on the importance of the data collection, two main methods are applied thoughtfully in this paper, which are semi-structured interviews and questionnaires.

Semi-structured Interview

Interviews are used to collect primary data about practices, perceptions, beliefs and attitudes of the individuals, and it can also collect information on past or present behaviors or experiences (Education Development Center, 2005). Interviews can be conducted in person or over the phone (Harrell C.Margaret, Bradley A.Melissa, 2009).

A semi-structured interview which also can be regarded as focused interviews is one category of the formal interview. It is often used when the researcher wants to

probe into a topic deeply and to understand thoroughly the answers provided
(Harrell C.Margaret, Bradley A.Melissa, 2009). A semi-structured interview
involves a number of open-ended questions based on the topic.

*"If the interviewee has difficulty answering a question or provides only a brief
response, the interviewer can use cues or prompts to encourage the interviewee to
consider the question further. In a semi structured interview, the interviewer also
has the freedom to probe the interviewee to elaborate on the original response or to
follow a line of inquiry introduced by the interviewee"* (Hancock, 1998).

The best solution to collect the feelings of experienced demo version customers in
this thesis is the semi-structured interview. The population of the experienced
customer is three and there are around five open-ended questions for each
professionals or key person. The questions focus on several points, consist of user
experiences on the demo version, users' feelings on E-commerce activities, the
users' difficulties in use, the expectation and the suggestions for the case project in
the future.

Questionnaire

Normally, questionnaires consist of closed or opened questions which produce data
that can be analyzed. The questions could be formed in a pattern or be answered in
the respondents' own words.

*"Questionnaires are not among the most prominent methods in qualitative
research, because they commonly require subjects to respond to a stimulus, and
thus they are not acting naturally. However, they have their uses, especially as a
means of collecting information from a wider sample than can be reached by
personal interview. (Woods, 2006)"*

In order to attain the intension of prospective case project users, the questionnaire is
adequate for this thesis purpose. Consider the easy maneuverability, so the
questionnaire will be done through interne. The questionnaire is sent to the
potential customers through the email, and the population of the questionnaires is
50. There are about ten questions per questionnaire including both closed and open
question. The aim of the questionnaire is to analyze the user's objectives and

expectations. Indeed, the questionnaire is also beneficial for the case company to know customers' consumer phycology.

2.5   Data Analysis

The data analysis is to examine and identify the raw data collected by the data collection. The approach adopted includes content analysis, cross-case analysis and so on. In this study, content analysis is the main method applied and cross-case analysis is just applied for the semi-structured interview.

By the definition of content analysis, it is utilized to reduce the originally qualitative information to numerical terms. Content analysis has two stages. The first stage is called sampling which is used to decide what content will be selected from the numbers of materials. The second stage in content analysis is called coding and categorizing which is regarded as the construction of the coding units into the information which is to be categorized. The researcher has his own considerable knowledge of the different material to be used in the content analysis. The coding can take numerous forms. The categories used can be very specific or general (Psychology Press Ltd., 2004).

According to the stages of content analysis, this study samples the useful data from the interview and questionnaire related to research objectives and questions. Then, it categorizes the sampling data into different forms, and processes the deeply analysis in the different categories.

3 THE FEASIBILITY AND NECESSITY OF CASE PROJECT

The concept of creating the case project is influenced by the circumstance of the economics and business. In Chapter 3, the background theories which are supported with the creation and operation of the case project are given.

3.1 Knowledge Base of E-commerce

In simple terms, E-commerce is the trade from the closed networks to the public network, and it always has three layers which are business background, network background and electronic characters (Meng, 2009). In further explanation, E-commerce is the business transactions using electronic communications and digital information processing technology to create, transform, and redefine relationships for the value creation between or among organizations, and between organizations and individuals (Hunt, 2007). In other words, *"Electronic commerce is sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks* (Zwass.V, 2001)*"*

3.1.1 Current Situation and Development of E-commerce

Although E-commerce has not come to existence yet since 1994, it has already been renovated twice until 2011. When the first trade was done by the internet, the customers' behaviors and expectations with regard to shopping were also changed by E-commerce. "In the 21st century, if you do not get known with E-commerce, you cannot do any commerce." Bill Gates said ten years ago, and the situation of the information century has verified his story contemporaries.

With the rapid development of business environment, E-commerce has become a most efficient way for the company to expose their products or services to the world. More and more organizations or companies have the demand to use the E-commerce solution to upgrade their brand image, promote products, outreach customer groups and also grasp the marketing information. *The emergence of E-commerce over the past decade has radically transformed the economic landscape. For developing countries, the digital revolution offers unprecedented*

opportunities for economic growth and development." (UNITED NATIONS, 2001)

In early 2006, the sum of the global E-commerce transactions has already reached twelve billions. Whereafter, according to the report published by the United Nations Conference on Trade and Development, E-commerce will develop rapidly in the next few years continually. Additionally, according to the data analyzed from the iResearch, the number of internet users who have the online shopping behavior has already reached 142 million. More and more customers have the willingness to do the online shopping in recent years. According to research reports published by Forrester Research, the scale of online retail in the US by 2013 would be approx. USD 230 billion and the market are expected to grow at a CAGR of 10% over the five-year (2008-13) forecast periods.(LLC) Indeed, with the perfection of infrastructure construction in E-commerce supplementary industry, the E-commerce has abundant growth possibilities in the next few years.

Apparently, the E-commerce as a representative of the network economy is becoming a crucial component in both digital economy and knowledge economy. E-commerce is the infrastructure of information and is used in most extensive field in the worldwide information technology application. It breaks the regionalization, shortens the information flow, makes the production and consumption closer and greatly reduced the costs of transmission and procession of sales, fund flow and information flow. Additionally, E-commerce provides a platform which is more general and fairer, and also affords an opportunity to everyone which makes more satisfied with consumer preference. In the wake of continuously information construction and perfection of infrastructure for internet sales, the E-commerce market is expanding rapidly. Many developed countries use the E-commerce as an effective means that expanding the global market and these countries take an active part in cooperation and negotiation.

E-commerce represents the direction of development for trading in the future, and it creates great economic efficiency to the society. For example, it promotes the growth of information industry and IT services industry, and it accelerates the process of global economic integration.

3.1.2   E-marketing

Nowadays, the E-commerce has been analyzed many times in all aspects. Therefore, the essential part of E-commerce -- E-marketing has become another new knowledge need to pay attention to.

Same with the traditional marketing, E-commerce marketing or electronic marketing is still the method of creating, communicating and delivering value to the customers. In more specific way, *"the definition of e-marketing includes using the internet and its related technologies and features such as the world wide web, web presences, e-mails, real-time communication, and delayed and mixed time communication to help achieve marketing objectives in conjunction with other marketing communication tools.* (Gilmore Audrey, Gallagher Damian, Scott Henry, 2007)*"*

With the development of the business environment in recent years, the E-marketing has already become mature, and lots of enterprises use the internet to sell the products. Therefore, here is a book points out that *"The emergence of E-commerce has helped foster an environment that promotes the globalization of markets throughout the world.* (Aljifri A.Hassan , Pons Alexander,Colloins Daniel, 2003)*"*

3.1.3   E-commerce Market in Finland

Recent years, the E-commerce in Finland has developed quickly. The extent of Internet access popularity in Finland is reaching the top three worldwide and the internet access is also the "legal right" for everyone in Finland. Therefore, Finland has a good foundation to do the E-commerce and the fact is also positive.

On the basis of the Postnord research, *"The percentage of people in Finland who have shopped from home at least once has risen from 63 percent in 2008 to 72 percent in 2010. The share of consumers who shop from home each month rose from four to ten percent during the same period. Even so, the percentage of people who shop from home frequently is significantly lower in Finland."* (Postnord, 2011)

Moreover, the total expenditure on e-commerce by Finnish consumers was 5.2 billion during the first half of 2011. Compared to the same period in 2010, it

increased 15% according to a report published by the Finnish Direct Marketing Association, the Federation of Finnish Commerce and TNS Gallup. E-commerce now constitutes about 7-8% of total retail sales in Finland. In specialty goods, e-commerce already made up almost a quarter of the total sales. (Consumer spending on e-commerce increased by 15% in Finland, 2011)

However, the increasing of E-commerce will not stop in Finland, 2012, according to Hannu Lindell from the Finnish management consultancy company Redera. He said *"the E-commerce in Finland is still on the threshold of major growth and he forecasts that online shopping will grow by 15% in 2012, with online stores becoming more and more commonplace as mobile devices and mobile e-commerce applications increase."* In addition, according to Tero Junttila, Director of E-commerce and Product Information Management at Descom, e-commerce in Finland will grow by 20% in 2012. The major e-commerce trends in Finland predicted by Junttila include the introduction of social media in E-commerce, standalone e-commerce applications for mobile devices, and online stores becoming cloud services. (Kauppalehti,Redera,Descom, 2012)

3.2   Services Outsourcing

According to the dentition of outsourcing, it refers to the act to carry out business under a contract with an external vendor (Zhou Yong-Pin, Reny Z. Justin, 2010). With the division of the work in society finer and finer today, the services outsourcing is becoming the new bright spot with the second promotion of economic globalization. Based on the digital information technology, the services outsourcing drives force to the economic globalization as well.

Services outsourcing is an economic activity which refers to the organizing the operation flow to the professional providers. Generally speaking, the operation flow should be infrastructure, generic and non-core IT business.

Normally, services outsourcing could be divided into two streams; one is ITO (Information Technology Outsourcing), and other one is BPO (Business Process Outsourcing. ITO refers to the organization exploring and acquiring the entire or partial IT services from the externalities. The services include information systems

operation services, information systems application and fundamental technical services.

Compared to the ITO, the BPO is regarded as "Managed Services" (Kerry, 2009) and it manages the process based on defined and measurable performance criteria. (E-Austenite) BPO is concentrating on the management, operation and maintenance services, and it includes the internal management services, business operation services and supply chain management services.

3.3   E-commerce Outsourcing

According to the general definition, outsourcing refers to the acquisition of products or services from sources which are external to an organization (Karyda Maria, Mitrou Evangelia, Quirchmayr Gerald, 2006). Therefore, handling over the E-commerce services solutions to the external vendor is called the E-commerce outsourcing. Further explanation could be driven from the fundamental explanation above in this chapter which is the study of E-commerce and services outsourcing. Through this perspective, E-commerce outsourcing is integrated both E-commerce and services outsourcing, and it is a business service which aims at the desired E-commerce development

Besides the theoretical definition, the E-commerce outsourcing also can be represented practically, which is that the organization authorizes the professional E-commerce service to external vendor to support partial or entire services aspect by a contract including technical support and various business services management. The main contents of Ecommerce outsourcing business services consist of strategy consulting, channel planning, promotion, marketing managing. What is more, supply chain services also include product management, logistics management, operational risk reduction and inventory control.

As a result of emergence of E-commerce outsourcing, the E-commerce itself not only need a complicated process, but also need both technical and marketing sales supported. Network increasingly becomes important in today's society, on one hand, small and medium-sized enterprises are eager to carry out E-commerce through the internet. On one hand, on the other hand, they are restricted by high cost and

lacking of professionals and experiences. To better focus on their core competencies, more and more organizations recognize that outsourcing is an effective and economical way to manage their E-commerce channel. A recent survey demonstrates that 90% of those companies that are currently engaged in E-business initiatives are planning on sustaining or increasing their investments in the coming year (Arabe,
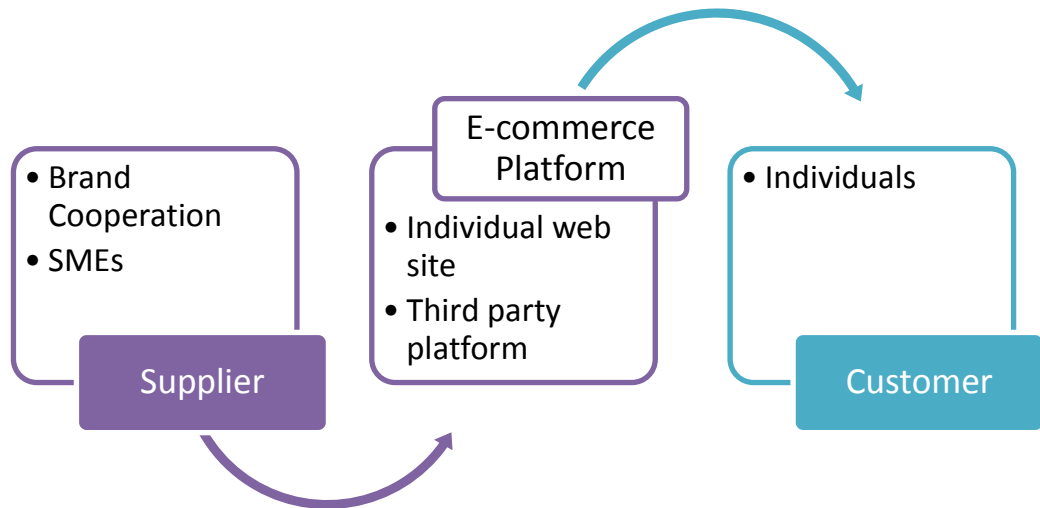
2011).

FIGURE 2.Industrial Chain of E-commerce Outsourcing

The advantages of E-commerce outsourcing have been acknowledged in many ways, and the primary reason is coming to financial, for example, expectations of improving the rate of return on investment (ROI) and reducing costs and economies of scale. Except the financial factor, others factors also have improved access to specialized knowledge and best-practices; receive better quality services; have increased business continuity capability in case of internal incidents; and achieve flexibility with regard to technology (Karyda Maria, Mitrou Evangelia, Quirchmayr Gerald, 2006).

Furthermore, the Stanford Global Supply Chain Management Forum also published research which points out that the primary business drivers for E-commerce outsourcing in the chart below:
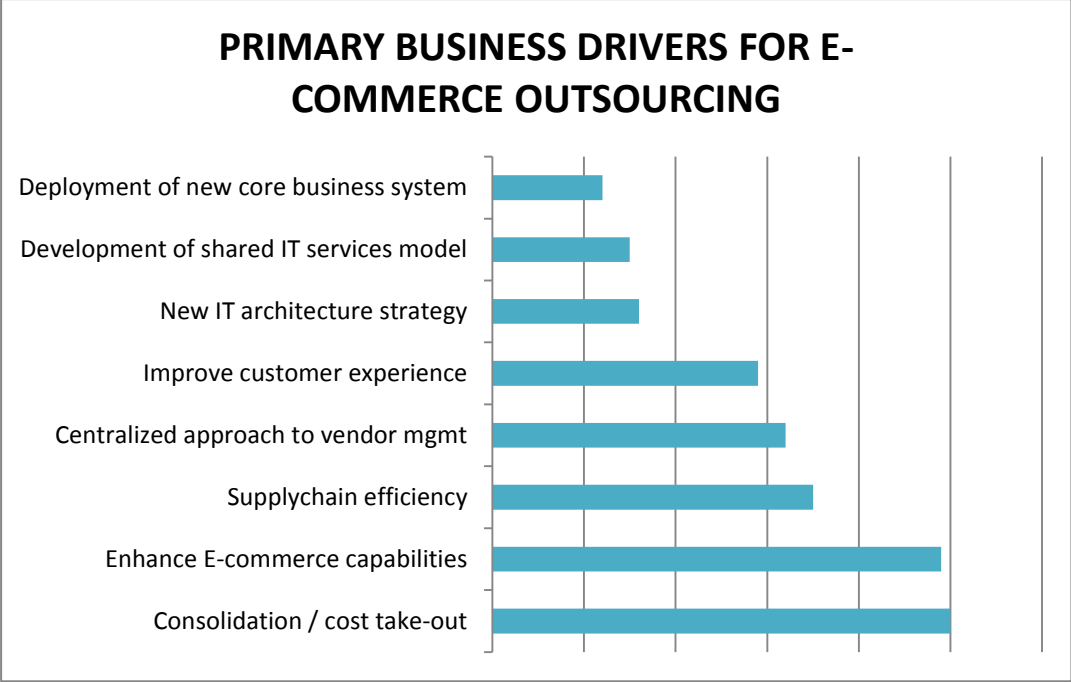
PRIMARY BUSINESS DRIVERS FOR E-COMMERCE OUTSOURCING

FIGURE.3 Primary Business Drivers for E-Commerce Outsourcing (Gillai Barchi , Kim Tongil, 2007)

4 CASE DESCRIPTION

Case studies have become one of the most common methods to do qualitative inquiry, and it is not a methodological choice but a choice of what is to be studied (Denzin K.Norman and Lincoln S.Yvonna, 2000). In this study, the case study will be the qualitative inquiry for getting an intrinsic look into the E-commerce outsourcing based on Finland's SMEs.

4.1 Case Company

The case company named Konttorikoneliike Sarin - Väisänen Oy (SV Oy) is located in Lahti, Finland, which sells the cash register, payment solution and other electronic suppliers related to the business area. The focus brands of sales are Brother, Casio and Nets.

SV Oy is an entrepreneur's company and concentrates on Business to Business sales. The previous owner of the company was retired, so his daughter has taken over the company as a brand new start since June, 2011. With the refresh start, the owner wanted to expand the business lines and products in order to increase the profitability, thus the company added the rent services and new cash-checking products.

In 2012, the SV Oy will continue to make efforts on the previous work and represents and develops the essential one-stop E-commerce outsourcing project for the Finland E-commerce markets.

4.2 Case Project: Shoppaamaan.fi

4.2.1 Project Description

A new service concept Shoppaamaan.fi will be launched in early spring 2012. The brand Shoppaamaan.fi means ''let's go shopping'' in English, and it is easy for people to remember. The case company uses this new concept to build a win-win model for both SMEs and themselves.

At the beginning, the case project is aimed to involve the small boutiques, specialized shops and individual designers in Lahti and the surrounding communities, because as a research presented, appearance of woman is accounts for the majority share of the online marketing.

Because the Shoppaamaan.fi is a cohesive tie between the SMEs and end-users, there are different meanings respectively. From the SMEs view, the case project is a service solution, because it offers the unique and fantastic opportunity to them to sell products online without having to use their own resources. On the other hand, the end-user could use the Shoppaamaan.fi to find and buy the unique and chic products. Briefly, Shoppaamaan.fi is a connection between the SMEs and the end-users.

Furthermore, the case project has two perspective views from the SMEs' view. On the E-marketing aspect, it is the most important project. In order to make them visible to the end-users, SV Oy used search engine optimization (SEO) approach, for instance, Google Ad Words marketing and social media like Facebook, Lifestyle blogs, and at some point, affiliate marketing also. More voluminous campaigns are designed together with the merchants. By splitting costs, small merchants are also able to participate in different marketing operations. This is the way to reach the end-users all over Finland and offer them suitable products in a wide selection in Shoppaamaan.fi. The community-based concept allows customers the opportunity to participate in the planned work separately in marketing campaigns (such as radio and TV advertising), where the costs are distributed among the participants to see how much you can save comparing to your own online store maintenance expenses.

From perspective of the business process, Shoppaamaan.fi transforms the traditional stores to the internet and uses various resources to support the sales / after-sales services, logistics, storage and payment systems. Indeed, SV Oy is to organize pleasant customer events in cooperation with their partners and merchants. Bloggers writing about these events will bring good promotion to our stores.

Generally speaking, the case project is to arrange all kinds of services related to the E-commerce operation integrated into the entire outsourcing service package, no matter whether the services are in the pattern or not. Getting into the Shoppaamaan.fi which is the unique community makes it an even better place to shop.

4.2.2   Project Motivation

According to the background theories introduced in the previous chapter, the services outsourcing in E-commerce forms a new concept of E-commerce outsourcing. Although the E-commerce outsourcing is not a new solution, how to make it well-rounded is still need be considered.

At the beginning, it is no doubt that the booming of E-commerce demands is the foundation of developing services solutions. As the study mentioned before, the E-commerce in Finland is on the threshold of major growth, so more and more SMEs want to expand their brand and products to the national wide, even to the worldwide. According to the marketing research, there is above 95% business want to join and share the power of the internet, but there are no adequate solutions.

Although the E-commerce has gained ground, most enterprises still do not know how to operate the E-commerce practically. In fact, E-commerce not only presents the products via the internet selling, but also needs to combine with logistic, storage, after-sales service and finance. As we know, the traditional distribution channels have its own programming, so does the E-commerce distribution. Be unfamiliar with the regulations of E-commerce will let the enterprise taking some detours. Consequently, the E-commerce cannot increase the sales volume, but be a drag for the enterprise. If individuals or small businesses want to start up their E-commerce area, the first condition is to learn how to use the internet to serve the products, for example, built an individual online shop. Nonetheless, it is impossible for everyone to fulfill this technical condition which is to make the online shop working. Indeed, the time and human capital for management and the related area cooperate are also required. Whereas if you cannot use the internet in an appropriate way, no matter how prospective of the business does, the sales cannot improve and the profit cannot increase as well. Although there are parties

like Amazon and eBay style, you still need to spend time and energy following the end-user consuming consequences, and this is really tough for the one who should manage two types of business styles at the same time.

Whereafter, services outsourcing development worldwide will step into the growth stage, and the business scope will spread to various industries which includes the E-commerce industry. Because of the character of the case project, the e-commerce services outsourcing is strong on BPO, and the ITO is the minor means provided to the BPO.

The benefits of BPO could be demonstrated in several extents:

Improve focus on core business

Gain competitive advantage through streamlining processes

Manage costs and create differentiation

Hasten integration through process management

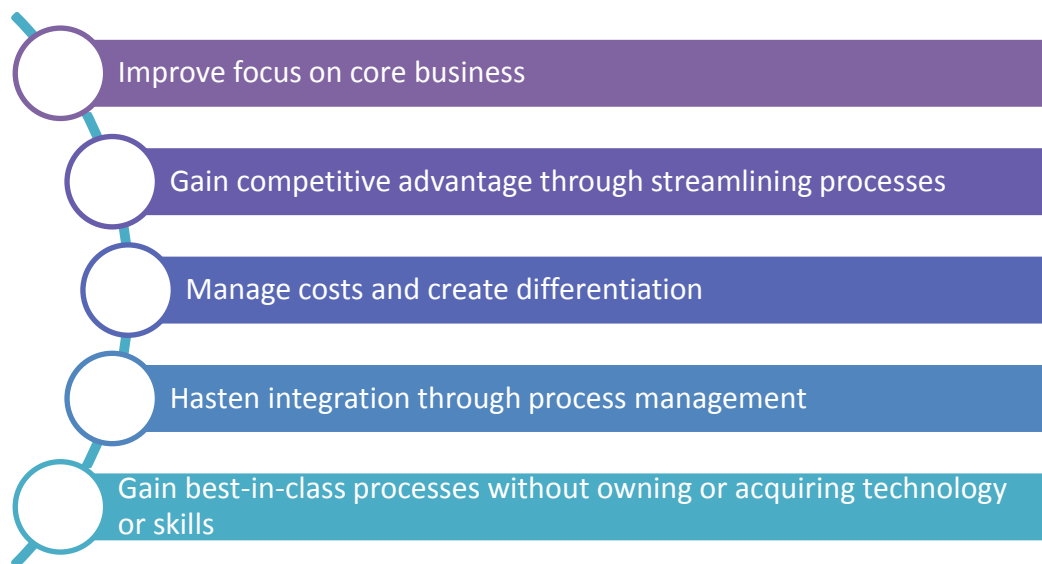Gain best-in-class processes without owning or acquiring technology or skills

FIGURE.4 Benefits of the BPO (Singh, 2006)

On the basis of the related marketing research, there are few companies providing E-commerce services outsourcing on the BPO aspects. Most companies provide the ITO (E-commerce solutions) services to the SMEs, for example, building individual E-shop. Therefore, the prime motivation of establishing the case project is making up the market gaps, and it must be a huge challenge for the traditional E-commerce services.

4.2.3 Project Objective

The main goal of the case project is to provide one-stop E-commerce services to the
SMEs to help them joining and sharing the power of the internet, grasping the share
of the online market and decreasing the operating costs for the online store. In more
specific word, here is the objective of each section involved the project:

Human Resource:
- To break through the bottleneck of talented people in E-commerce area.

Business Scope:
- Focus on core business functions that create competitive differentiation in the marketplace

Financial:
- Varialble cost reduction

Technical:
- Thoughtful features of E-commerce platform

Strategy:
- Multiple resources organizing
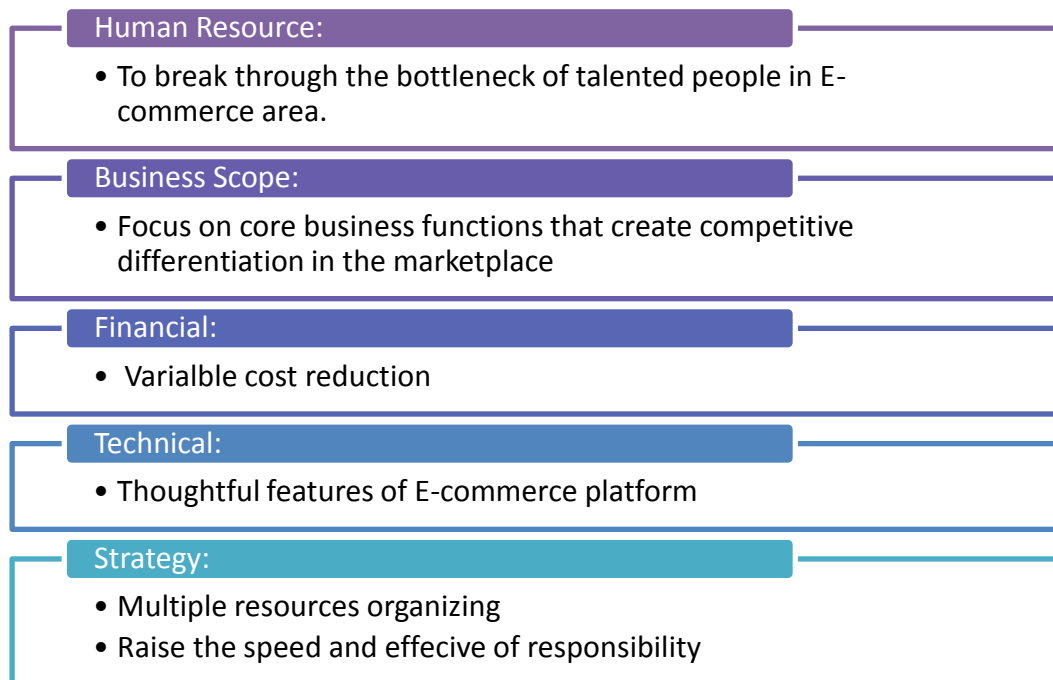- Raise the speed and effecive of responsibility

FIGURE.5 Objectives of the case project

Besides the customers' vision, the SV Oy focuses on developing and expanding
business and offering more interesting and tempting products constantly in the
shopping center. This idea is also usable for international markets in the future.

4.2.4 Project Work flow

The process of the case project is starting from the services package selecting. The
customer could choose the services level based on their business scope and strategy.
After that, the case company can prepare a contract to specifically the content of
services and related charges. If the customer agrees on the contract, the appointed
customer file will be established and the rest of preparation will be followed by the
case company.

Basically the customer cannot view or manage the backstage, but the case company will provide a weekly or monthly sales report to the customer. If there are any problems or difficulties, the customer could arrange an appointment to discuss with the case company as well. Communication is the vital segment when operate the services related arrangement.
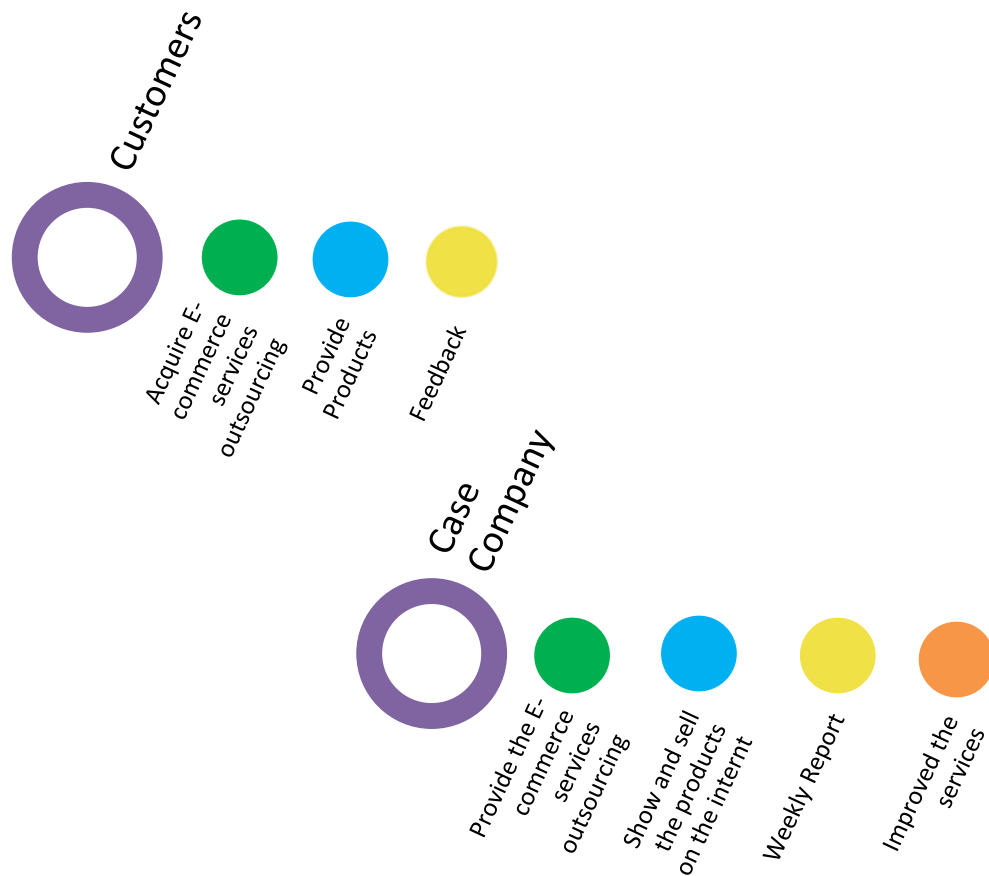
FIGURE 6.Processes of Case Project: Shoppaamaan.fi

5   DATA ANALYSIS

According to the data collected by semi-structured interview and questionnaire, the author categorizes the customers' group and analyzes the data within different groups.

5.1   Interview with Demo version users

Before doing the interview, the organization's basic information is needed to be known compulsorily, because it is pivotal to formulate the angle of the interview. The three companies were all established less than five years, and one of them was even less than one year. Based on the business situation of the companies, they are not a brand or mature company at all. As the description of the case project mentioned previously, the Shoppaamaan.fi will start from the boutiques, specialized shops and individual designers. Thus, the business area of SMEs in demo testing is concentrating on these aspects.

Due to the size of the companies, the bottleneck of increasing profits is the most difficult issue they faced right now. Generally, there are two ways to increase the profit, which are growing revenue and deducting variable costs. Therefore, the motivation of these companies is categorized into two groups. One group needs to expand the market to raise the revenue, and the other is to lay stress on decreasing the cost of resources planning. As a result of motivation, it is obvious that user's expectations are stimulating consumption and increasing market share.

On the user experiences segment, it includes difficulties and satisfaction which always affect each other. Basically, users have the positive attitudes toward the demo version testing. The case project was actually solving kind of their business process problems and giving an outstanding new concept service for doing business via the new media. All the interviewees indicated that the goal of cost saving was achieved, and the case project integrated resource plan helps them cutting down the cost of human capital, technical expenses and etc.

However, there are still numerous uncertain factors influencing their user experiences. Even the demo testing is wonderful, another vital factor – marketing issues is not perfectly accomplished. Two of the demo version users presented that

the marketing influencing of case project is not as evident as they expected. Moreover, the one left pointed out the communication between the end-users and the SMEs is an invisible but underlying problem which should be taken into account.

5.2   Questionnaires for prospective users

A questionnaire was prepared for the prospective customers of the case project and it is for the SMEs who have the demand for using this incredible new E-commerce outsourcing service. The questionnaire was conducted between January, 2012 and February, 2012 and 50 participants took part in it. It aims at collecting the feelings and attitudes of the E-commerce outsourcing services from the perspective of customers.

Same as the interview, the questionnaire also collected the basic information of the SMEs at first. According to the chart below, most enterprises are founded below five years and the majority has been around 3-5 years years.

■ Less than 1 year   ■ 1 - 3 years   ■ 3 -5 years   ■ Above 5 years
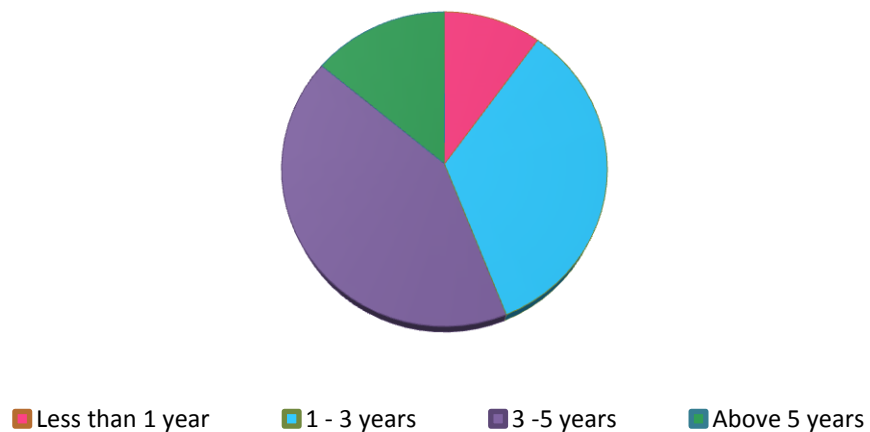
FIGURE.7 Established years for prospective users

After the basic information section, the questionnaire goes to the experiences part. In order to get more accurate information, the questionnaire distinguishes the prospective customers into two groups according to whether they had outsourcing experiences on other third party or not. From the question result, the majority of them had the experiences on the E-commerce outsourcing and it accounts over 80%.

Although the popularity of E-commerce outsourcing is effective, the satisfaction of the previous services is not quite ideal. The average score of it is 3.34 and it just reached the satisfactory level. Furthermore, the charts blow represents the degree of satisfaction of the services.
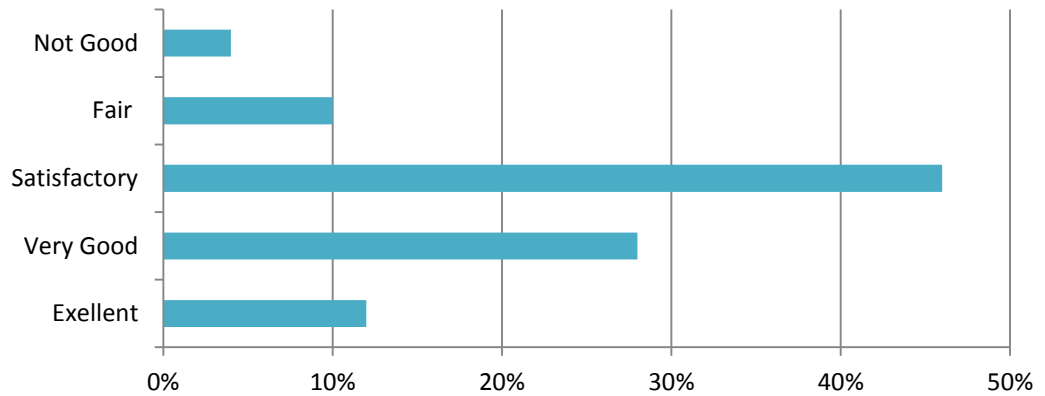

FIGURE.8 Users' satisfaction of other E-commerce outsourcing

In order to better understand the user's preferences and difficulties, the questionnaire also investigates the type of E-commerce outsourcing used or willing to use. It seems natural that most people choose the third-party option like Amazon and eBay, because they have the successful brand image and a great deal of market muscle. Following that, the other option also accounts 40% shares which are partial outsourcing service for example the third-part helps you to do the logistic process. The pie chart below shows the results in detail.
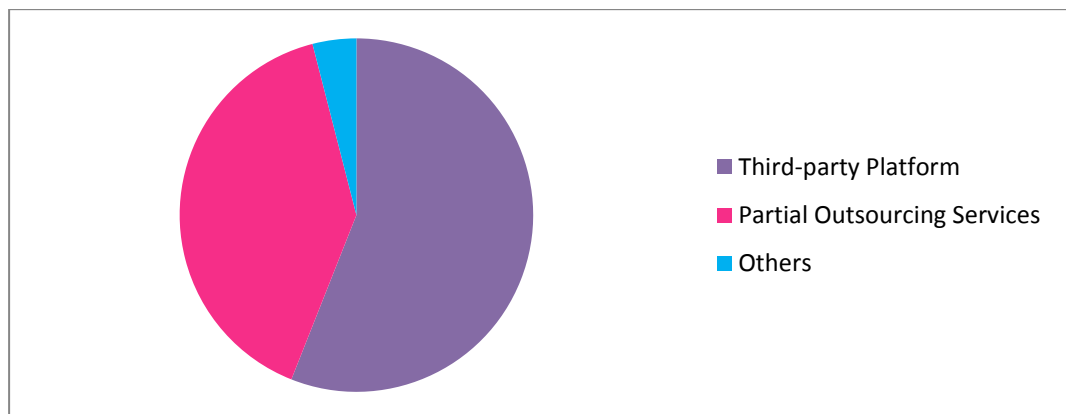

FIGURE.9 Marketing Distribution of E-commerce Outsourcing

The following is the most crucial question in the questionnaire, which is reviewing the motivation of the customers (See FIGURE.10 Motivation and expectation of prospective users and FIGURE.11 Average Agreement of described problems)
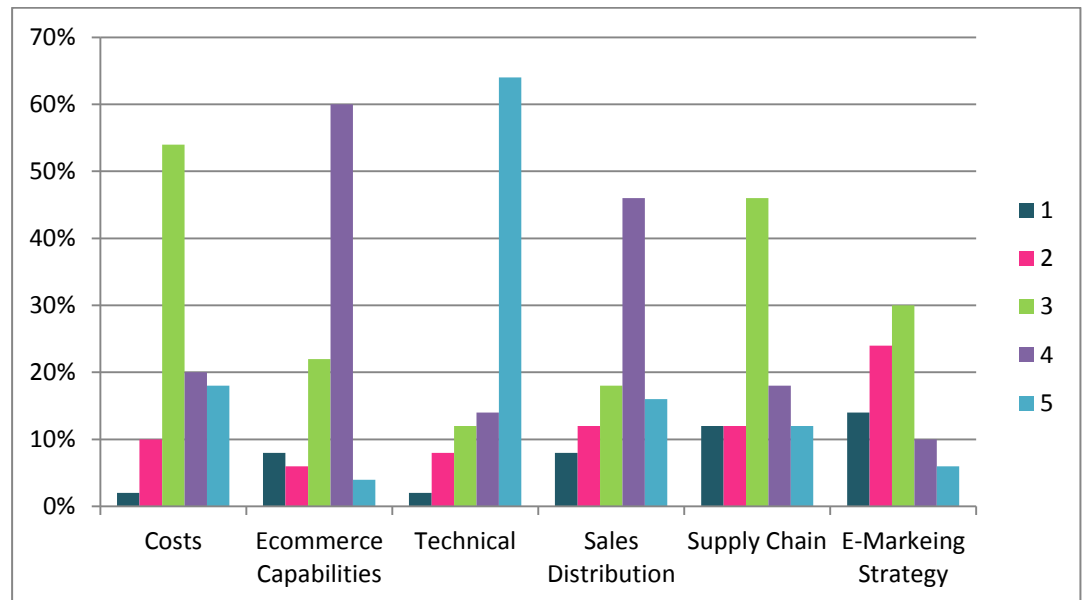
FIGURE.10 Scales of motivation and expectation of prospective users
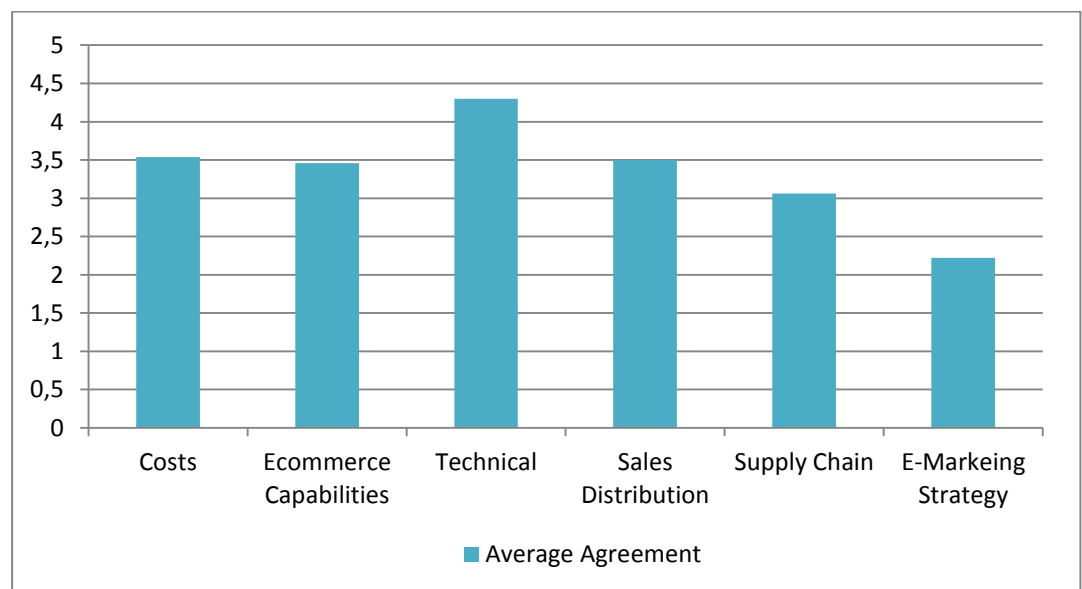

FIGURE.11 Average agreement of described problems

Combining the view of two graphics above, it is obvious that the technical issue plays a pivotal role in E-commerce outsourcing, because people extremely want to use the services to solve the IT gap. Then, there are two aspects following the technical issues which are costs and E-commerce capabilities. Although the score

of costs on average agreement description is slightly higher than that of the E-commerce capabilities, it cannot say that people concern more about costs than E-commerce capabilities. On account of the extent of agreement, people represent that how to solve the E-commerce capabilities problem is more urgent. On the opposite side, the consulting of E-marketing strategy is an insignificant point compare to others.

Last but not least, the questionnaire analyzed the problems or difficulties for both experienced and non-experienced users of other E-commerce outsourcing services. For the experienced users, they mainly face the difficulties on the E-commerce capabilities, because no matter what solutions the third party platform or the third party take, they still need the users to pursue the business support process, for instance, customer support, logistics, after-sales services, and inventory management. Compared to the experienced users, non-experienced users because of lacking of the practical experiences address the factors they worried about in more macro view, for example, the reputation of the third-party and the maturity of the third-party.

6   CONCLUSION AND RECOMMADATIONS

In the previous chapter, both qualitative and quantitative data has been analyzed and illustrated. Therefore, a more comprehensive view towards E-commerce outsourcing is concluded in this chapter.

6.1   Motivation and Expectation

Motivation and expectation address the research questions: why do people choose E-commerce outsourcing and what are the expectations. As from the previous analysis, the connection between these two questions is obviously revealed. Normally, when people would have using one thing, they usually set an expected value there and wish to achieve it.

Broadly, when a new concept is not known well by people yet, the first question is always how to operate it. Through the previous analysis, most prospective customers in the questionnaire cared about technology issues, because they desired to know how to start E-commerce. Following the technology issue, E-commerce capabilities also played a pivotal role in expectation due to the business support needed. The results revealed that the technology is just a supplementary tool, but business capabilities are the core. Indeed, it obviously presented that the results exactly match the motivation and objectives of establishing the case project. In other words, the case project fulfilled the customers' expectation to some extent.

However, when the technical and business supports are ready, the more invisible and tacit expectations will be presented. According to the semi-structured interview, it is evident that the customers changed their mind. They not only focused on the action of E-commerce outsourcing, but also got added value from the E-commerce itself. Therefore, the demo version customers pay more attention to the empirical reality which is the increasing profits and decreasing costs. In order to accomplish the target, they choose the outsourcing services to expand the market and use integrated resources.

6.2   Difficulties and Satisfaction

Difficulties and satisfaction are designed for investigating the user experiences which refers to how they feel when they use the E-commerce outsourcing. Same with the motivation and expectation, difficulties and satisfaction are also linked to each other. Moreover, they are the most crucial and essential section for the service. In this study, the difficulties and satisfaction can be just collected from the customer who used other platforms before or the demo-version customers.

In general, the satisfaction of E-commerce outsourcing just reached the average level no matter in other platforms or in demo version of the case project. For the experienced customers who have used other platforms, they mainly face the difficulties on the E-commerce capabilities, because the majority of them are using the third party platform like eBay. Consequently, they still need the users to pursue the business support process, for instance, customer support, logistics, after-sales services, and inventory management.

Comparatively speaking, the case project solved perfectly with difficulties in other platforms, and business process outsourcing is the core capabilities of the case project. However, it just started, and the influence of the platform cannot be as significant as the eBay or Amazon. Therefore, the most difficulty faced to the demo version users is that the market effects and responses are not fully desired. As the result of this situation, demo version customers are wait-and-see the marketing effects later, and then they will decide whether continually use the one-stop E-commerce outsourcing depending on the return of investments and values.

6.3   Recommendations

Owing to the characteristics of the case project – services outsourcing, how to strictly reach the customers' expectation should be considered in the first place. From the conclusion above, the customers not only desire operating outsourcing process, but also pay more attention to the value added behind the E-commerce. The added value with the action of outsourcing will influence the customers' judgment for continually using the case project. Indeed, it will also affect sustainable of the case project. Therefore, the manager must pay more attention to

the marketing research and establishment which is the sections that the customer concerning most at the present stage.

Moreover, another underlying point through the marking establishing is illustrated, which is brand image and company reputation construction. According to the interviews and questionnaires, the customers answered the motivation for selecting the E-commerce outsourcing services from a business view not from the marketing view. Therefore, the manager should still cover the brand reputation when process the case project in the future, because the reputations directly influence the market and determine the size of the market.

In addition, there is a latent barrier in the case project which is communication, which refers to the communication between the customer and end-users. Through the interviewees in semi-structured interview, there was just one person pointing out this worry, but it is the vital one. Although the communication barrier cannot be avoided in the one-stop E-commerce outsourcing, the manager could use effective measures to ameliorate it. For example, the case company could provide the weekly report analysis to the customer or create a sharing background account.

Last but not least, if the case project would have be proceed in a long-tern, the manager should explore the diversity of the SMEs' industries areas and also the flexibilities of services to attract more customers.

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APPENDIX

SEMI STRUCTURED INTERVIEW

Interview is prepared for the demo version users, and to get the user experience feedback of case project.

Basic Information (Ended Questions)

1) What is your business area?

   _____

2) How long have you company established?
   - ☐ Less than 1 year
   - ☐ 1-3 years
   - ☐ 3-5 years
   - ☐ Above 5 years

3) The size of your business?
   - ☐ Below 5 Employees
   - ☐ 6-15 Employees
   - ☐ 16-25 Employees
   - ☐ Above 25 Employees

User experiences of case project (Open Question)

Does your business face the neck bottle? If does, what kind of problem in your business right now?

How do you know about our project? Please describe it.

Why do you interesting to join our demo testing? Which aspect attracts you?

How do you feel about the testing process? Do you satisfy?

Do you have any other suggestions?

QUESTIONNAIRE FOR CUSTOMER FEELINGS AND ATTITUDE FOR
E-COMMERCE AND E-COMMERCE OUTSOURCING

Instruction:

This questionnaire will take you 10 minutes to answer and it is for the potential users of the Shoppaamaan.fi, who have the willing to use our new E-commerce outsourcing service. It aims at collecting the feeling and attitudes towards to the E-commerce activities.

We are really appreciating your patient for answering the questions.

Please send the form back to ca.dulihong@gmail.com

Thank you!

Basic Information

1) What is your business area?

    _____

2) How long have you company established?

    ☐   Less than 1 year

    ☐   1-3 years

    ☐   3-5 years

    ☐   Above 5 years

3) The size of your business?

    ☐   Below 5 Employees

    ☐   6-15 Employees

    ☐   16-25 Employees

    ☐   Above 25 Employees

Experiences Information

4) Have you ever been use the E-commerce outsourcing before?

    ☐   Yes

    ☐   No (Skip to Q7)

5) Do the previous outsourcing experiences fulfill your satisfaction?

    ☐   Yes

☐ No

☐ Partial

6) Please assign a score of your previous E-commerce outsourcing experiences.

Score	Scale
5	Excellent
4	Very Good
3	Satisfactory
2	Fair
1	Not Good

You Score: _____

7) If you used the E-commerce outsourcing before, what kind of E-commerce outsourcing do you used? If you don't, please also indicate which services below you preferred?

☐ Third-party Platform (e.g. Amazon, eBay)

☐ Partial outsourcing (e.g. Technical solution, Logistic solution)

☐ One-Stop outsourcing (All concerning E-commerce parts)

8) Indicate to what extent you agree with the following statements concerning the problem that you want to be solved by E-commerce outsourcing, on a scale of 1 (Completely disagree) to 5 (Completely agree).

I don't have enough money to operate E-commerce processes.	1----2----3----4----5
I don't know how to enhance the E-commerce capabilities. (Labor capital, Customer support, After sales services)	1----2----3----4----5
I don't have the technical specialists to build the E-commerce systems or related architecture.	1----2----3----4----5
The singleness of sales distribution channel is the barriers for improving profitability.	1----2----3----4----5

Supply chain is inefficient right now.	1----2----3----4----5
I need to consult about how to develop and analyze the E-marketing strategy.	1----2----3----4----5

9) **For the experienced users:** Do you have any suggestions for improving the previous services? If you have, could you describe a little?

_____

_____

_____

    For the non-experienced users: What part of E-commerce service you worried about the most, and explain why?

_____

_____

_____

10) Do you have other opinions or suggestions?

_____

_____

_____