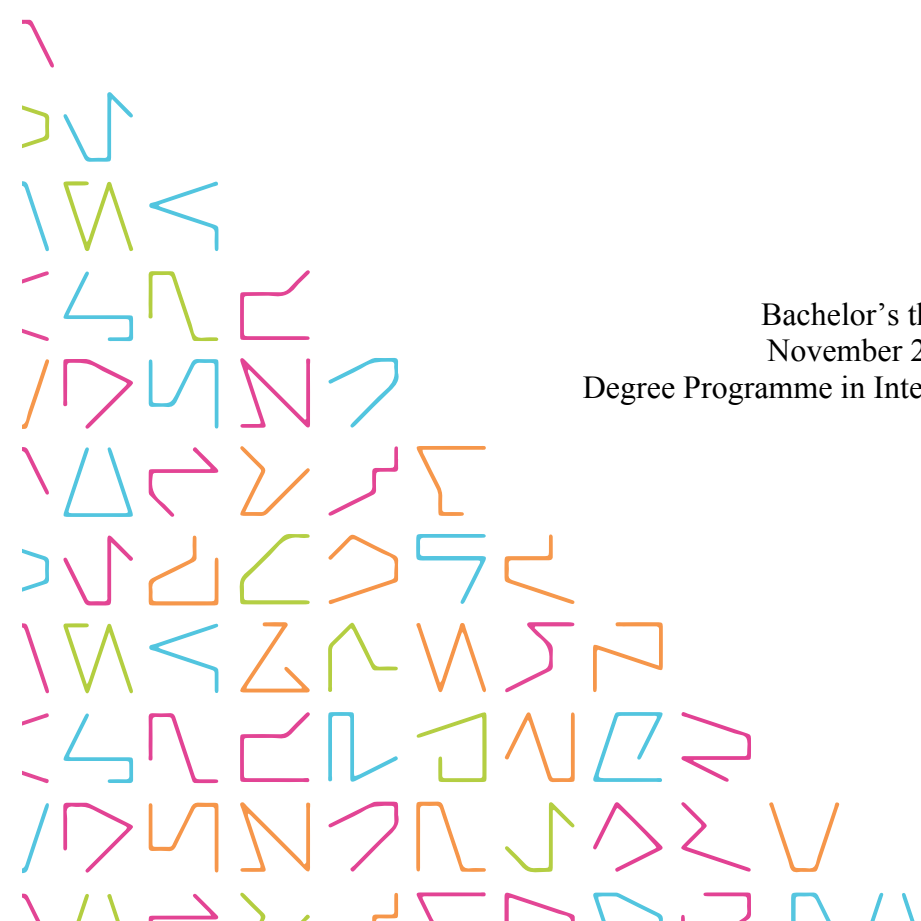


**GUIDANCE TO INTERNATIONAL
BUSINESS TO CONSUMER
LOGISTICS THROUGH ONLINE
MARKETPLACE WEECOS.COM**

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Bachelor's thesis
November 2016
Degree Programme in International Business



ABSTRACT

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Degree Programme in International Business
Supply Chain Management

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Guidance to international business to consumer logistics through online marketplace Weecos.com

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Bachelor's thesis 45 pages, appendices 10 pages
November 2016

This thesis has been carried out as a case study for an online marketplace, Weecos.com. The main objective of the thesis was that the company could provide logistics support to the sellers in the marketplace, so that the common goals in internationalization could be met. The thesis supports export and the growth of e-commerce in general.

The purpose of this study was to provide a clear step-by-step guidance to international business-to-consumer logistics for e-commerce business implemented through the marketplace Weecos.com. The thesis covers the logistics process from receiving the order to the delivery to the end-customer, as well as the reverse logistics process, which is an important process in e-commerce. The ultimate goal of the thesis was to communicate international business-to-consumer logistics in an efficient form for companies without expertise in the field.

The study was completed as a case study based on literature and interviews with different professionals, and by using an example case of how the guidance works in practice. With a combination of theories the study brings together essential information on business to consumer logistics, from an e-commerce point of view. The research questions were formed from real workplace problems, with an objective to make the process clear and efficient for employees.

Based on the thesis Weecos Oy is able to offer logistics support to its partners, and Papu Design Oy received a detailed and customized guidance to international business-to-consumer logistics for their e-commerce business.

As e-commerce is growing and the competition in the field is fierce, the consumer logistics is an important issue for small and medium sized businesses. The customer expectations are growing, and logistics issues have a big impact on how the customer makes the purchasing decision. Based on the research of this thesis small and medium sized enterprises can improve their logistics processes.

Key words: e-commerce, e-commerce logistics, b2c logistics, international logistics

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GLOSSARY

Weecos	Online marketplace Weecos.com, Weecos Oy
Papu	Papu Design Oy
EU	European Union
B2B	Business to business
B2C	Business to consumer
E-commerce	Electronic commerce
SCM	Supply Chain Management
UPS	United Parcel Service of America, Inc.

1 INTRODUCTION

The history of e-commerce does not go back as far as traditional trade does. Since the beginning of e-commerce from around 1995, the field has taken great leaps into a direction that was difficult to even imagine 15 years ago. In the past years competition has become fierce and companies are forced to stay up-to-date and ahead of competitors to keep customers satisfied. E-commerce is at a point where there are countless opportunities from where to purchase from, and the decision to purchase from one business rather than another is based on small margins. (Tinnilä, Vihervaara, Klimscheffskij & Laurila 2008, 11)

In this thesis companies looking to start exporting and delivering orders around the world through an online marketplace, Weecos.com, can find a solution for problems and un-clarity in international business-to-customer logistics. As Weecos Oy is in a growing phase, the issue is very relevant, and the goal is that Weecos can offer help to those companies that have their online store in this marketplace. The guidance will bring value to the company because they will be able to offer better services to customers, and small companies without specialization in logistics will be able to avoid unnecessary problems involving time and money in international shipping.

E-commerce is a very competitive field, and thus it would be a great advantage for Weecos.com to be able to offer this kind of service and support to its partners. In this thesis Papu Design Oy is used as an example case company. The company has a growing amount of orders from abroad, but limited resources in logistics – the process of shipping orders outside of the European Union is unclear within the company, and in a time of rapid growth there are very limited resources to do the research within the company. In this way Weecos.com will gain added value to their services, and Papu Design is an example of how the guidance works in practice.

1.1 Background

During the past years e-commerce has become a popular business, which requires a relatively small starting capital, thus has low barriers to start. Even though brick and mortar stores and shopping malls are not going to disappear from the world any time soon, e-commerce will be growing and growing. The growth of e-commerce can be explained

by different things, for example globalisation, digitalisation and a new & powerful generation of shoppers.

Globalisation is the process of cultures, societies and economies integrating into a global network of trade, communication, immigration and transportation (Financial Times). Many businesses nowadays are "born global", and do not consider conducting business only within domestic borders. For businesses from smaller countries this opens the doors to much bigger markets and brings new ideas, opportunities and inspiration for business. Globalisation is here and now, and it has become a common state of business, and the world. Hiroshi Mikitani (2013) compares globalisation to English, as it is the common language of the business world, and is known almost anywhere in the world, a way in which the world does business "as one".

The process of globalisation is not only the decision to deliver orders around the world. It requires knowing what is happening around the world, following local media in target markets and doing research on relevant issues within the target areas. Knowing what is happening around the world, how customers behave and what they value within different areas will support the business, as well as taking the time to travel to target markets and discovering what life is like, and by this gaining a better understanding of the customers. (Mikitani 2013, 50–54)

There are two key factors that have made the break through of globalisation possible: technology and trade agreements. Without the quick advances in information and communication technology the business world would not be as global as it is now, as big parts of business operations nowadays rely on (Internet) technology. Trade agreements have lowered and eliminated the barriers to internationalize a business, and these agreements include ones within the European Union, the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT). (Stevenson 2007, 372–373)

Globalisation and digitalisation have brought many new things to businesses, but new opportunities come with new challenges. The logistics challenges have a strong link to customer service and the costs of logistics, and a business has to always keep seeking for new ways to improve service and lower the costs of logistics operations, so that business would become more profitable (Christopher 1998, 129–131). Stevenson (2007)

claims that the trend of supply chain becoming more efficient and effective is likely to continue in the future as new opportunities arise. Each business will face its own challenges, as well as benefits of globalisation, but all global operations also involve risks. To minimize the risks it is important to be aware of local laws and regulations as well as local culture and politics. (Stevenson 2007, 373–374)

Like globalisation, digitalisation is also here and now. It reaches everyone and every business, regardless which field operating in. Everything is changing into a digital form, and the future of digitalisation is still unknown. Digitalisation is present everyday, and it advances further on rapidly. Services are becoming more digital, different devices are developed to have digital features that become, and already are, essential in everyday life. A business that does not keep up with the digital world will most likely face difficulties in various situations. (Ilmarinen & Koskela 2015, 21–22)

New gadgets and technologies are not the only reasons why digitalisation is a topic discussed around the world. An important part of it is that it changes the behaviour of consumers, causes changes in different markets, and changes how businesses operate. Digitalisation can be discussed on different levels, from individual companies to markets and the society as a whole. (Ilmarinen & Koskela 2015, 22–30)

Millennials, the generation born between 1980 to 2000, are the first generation to have truly grown up in the digital age, with different devices being a normal part of daily life. The generation is powerful and spends a big amount of money each year, which is why for a business these customers are highly important. Shopping in brick and mortar stores is also important for this generation, but they expect to be able to smoothly switch between different shopping channels, find information on the products as well as user generated content, which is a big influencer in making the final buying decision. (Donnelly C. & Scaff R. 2016)

United Parcel Services (UPS) conducted a broad research in 2016 regarding shopping experience and behaviour in the United States. According to the research different marketplaces have a strong appeal within the USA. As demonstrated in Figure 1. the top three factors why shoppers choose marketplaces over other retailers are: 1. Better prices (65%) 2. Free and/or discounted delivery (51%) and 3. Speed of delivery (39%). All of these factors demonstrate the importance of a well designed logistics process as a compe-

titive advantage for e-commerce business. The well-working logistics process clearly has an impact when customers are choosing which retailer to purchase from. (United Parcel Service of America 2016a)

Why shoppers choose marketplaces over other retailers

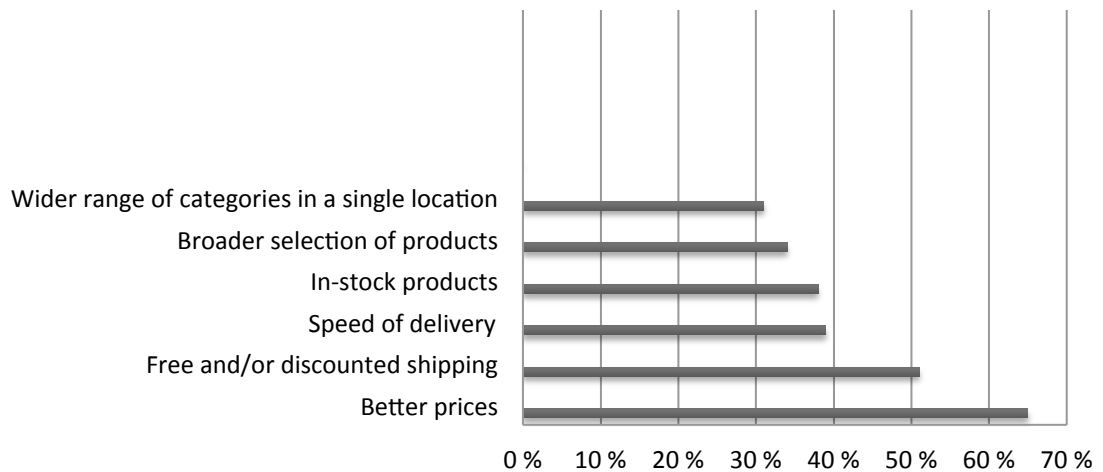


FIGURE 1. Why shoppers choose marketplaces over other retailers (United Parcel Service of America 2016a)

While searching for literature on this topic it appeared that finding a clear guidance to B2C logistics in e-commerce was difficult. As e-commerce and digitalisation are growing, this thesis gives valuable guidance to those small companies starting and developing their international e-commerce business. For the Finnish economy export is a very important sector with high growth potential. By helping countries internationalize their e-commerce business, it can have a positive affect on the local economy, even if the impact is first seen as small. (Kangasniemi J. 2016)

1.2 Weecos Oy

Weecos.com is a sustainable marketplace that was founded in 2012. Weecos Oy provides the electronic platform and marketplace for individual online stores. Each online store within Weecos is managed and operated by the individual brands. The values of Weecos include sustainability, ethical & ecological production, and these values have to be met by each individual company that has an online store in the marketplace. A cus-

customer can shop from various different designer brands by using only one checkout, but each company takes care of the physical logistics of each order. (Weecos n.d.)

Weecos offers the payment methods and order confirmation, and the physical logistics are the responsibility of the seller. Papu Design Oy is an example of an individual company/seller with an online store in the Weecos marketplace, and Papu is used as case company in this thesis. Papu Design Oy is introduced further in the thesis.

1.3 Research plan

The objective of this thesis was to provide clear instructions for the commissioner on B2C logistics, so that small companies can deliver orders efficiently around the world. A clear logistics process will make the barrier to internationalize smaller, and help small companies (from Finland) reach bigger markets. By providing this service to customers Weecos Oy will become an even better option for companies to implement their e-commerce business. The case company Papu Design Oy is based in Finland, and the thesis is done from a starting point in Finland. The process is applicable for companies from Finland, and from other countries that are member states of the European Union.

The main research questions to be answered in this thesis are:

- What is the main process in B2C logistics?
- Which documents are needed for successful international shipping?
- What are the costs involved in the process?

These questions come from real and current problems in work-life, and the outcome will help in making daily routines easier and more efficient, thus making the delivery abroad faster and more reliable for the customers, with a target in increasing international sales & growth through an online store.

1.4 Research Methods

The data for this thesis was gathered from pre-existing data, literature and interviews. The purpose of this thesis was to develop the logistics process of small companies and

encourage exporting. A goal of the thesis was to gather relevant theories and evaluate which practice is the best for e-commerce logistics, and also supported by the theories.

1.5 Applicability

This thesis and the results are applicable to other companies from Finland, or the European Union, which offer a product similar to what Papu Design Oy offers. The products of Papu Design Oy are consumer goods and more specifically clothing, made from materials which do not have export restrictions or are not prohibited by Customs.

2 THEORY

This thesis is a guidance based on a combination of theories. A key part of the theory is B2C logistics in general and what are the main issues to take in to consideration when shipping straight to customers, instead of to for example retailers.

The goal is to gather information about logistics, which is important for small companies, so that they can make informed decisions on what are the best practices for their e-commerce business. Figure 2. communicates which theories are relevant to the topic, and how the theoretical framework is formed around e-commerce.

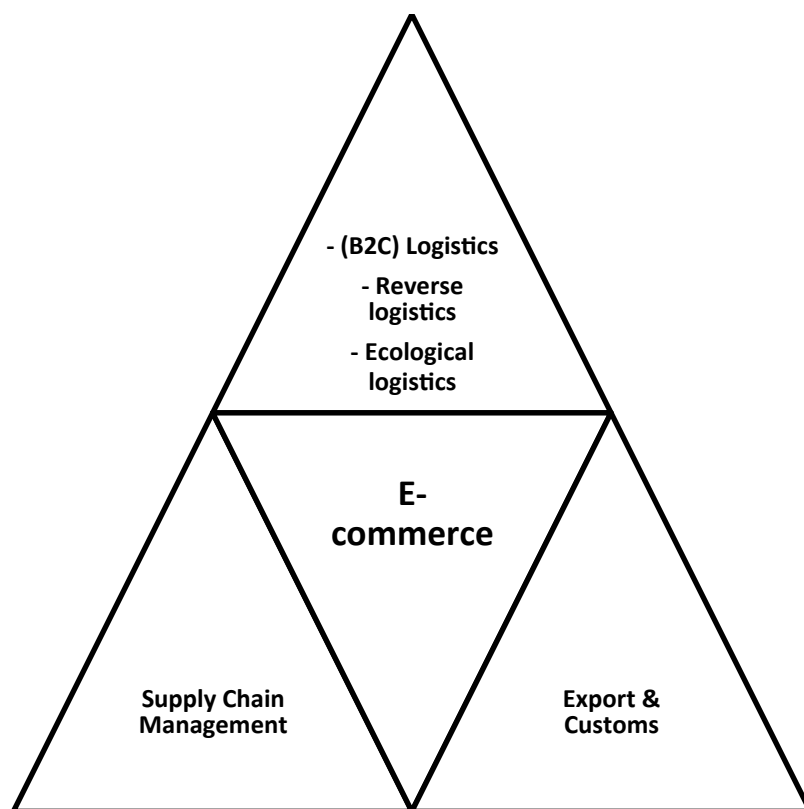


FIGURE 2. Theory & Concepts

2.1 E-commerce

E-commerce (Electronic commerce) covers different activities which are associated with the purchase and sale of a product or service, which are done by using Internet-based technology (Charlesworth 2007, 88–89). E-business and e-commerce are commonly used for the same issue, but e-commerce is a more specific part of e-business. E-business covers different activities within the organization which are operated using

Internet-based technology. (Charlesworth 2007, 88–89) In the past 30 years E-commerce has progressed greatly. In the first phase of e-business, from mid-1990 to 2000, the main objective was only to offer the electronic opportunity for business, and attract as many visitors as possible. The effort put into different features was small, and the business models were very simple. (Tinnilä et al. 2008, 11)

The second phase begun from the year 2000. As technology became more advanced, e-business became more profit-centered, and companies adjusted their processes to support e-business. In contrast to the first phase, this phase was coordinated much more carefully, and the importance of customer loyalty was emphasized. The "multichannel network business" phase is the third phase of e-business, and is still in some cases used of modern day e-commerce. Naturally the network has grown, and different functions are commonly outsourced. (Tinnilä et al. 2008, 12)

Figure 3. demonstrates how the amount of purchases made online has been growing steadily in the past two years according to the research of United Parcel Service of America (2016). Nowadays e-commerce is definitely not what it was during the year 2000. Today e-commerce is everywhere, and customers want to be able to place orders where ever, and when ever. The technology of websites and different functions they offer are advanced, and customers are very aware of what they want, and the demand for properly functioning websites is strong. The customer's today are not satisfied with a website that cannot hold a large amount of visitors at once, has other faults or is in anyway difficult or unconvenient to use. To make the shopping experience better several companies have launched applications for smart phones, through which making an order is made as quick and simple as possible. In addition to the technical issues, customers expect a high level of customer service, including the delivery of the order and different delivery options. (United Parcel Service of America 2016a)

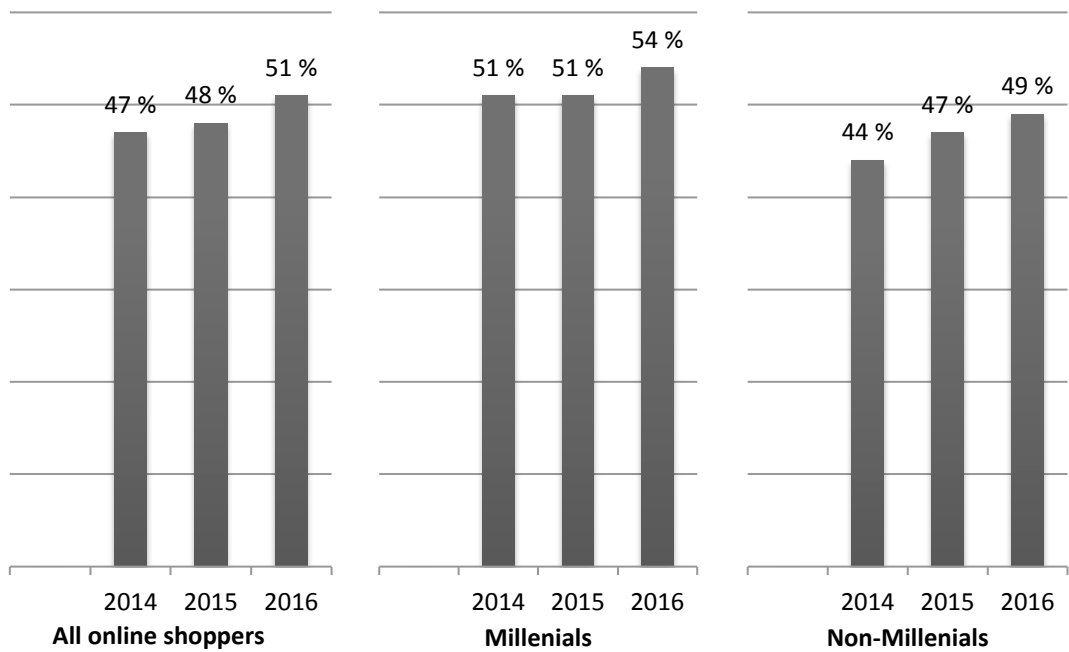


FIGURE 3. Online purchases made in the last three months (excluding groceries). (United Parcel Service of America 2016a)

Today there are many different types of marketplaces that can be found on the Internet. According to Van Weele (2005) an electronic marketplace is defined as "a place on the Internet where actual transaction can take place between buyers and sellers." (Van Weele 2005, 171–172)

2.2 Supply Chain Management

According to the APICS Dictionary (1995) in an industrial context the Supply Chain is defined as "the processes from the initial raw materials to the ultimate consumption of the finished product linking across supplier-user companies" or as "the functions within and outside a company that enable the value chain to make products and provide services to the customer." (Fredendall & Hill 2001, 3) Supply Chain Management covers the different processes in the flow, which the goods and information go through, until reaching the end-customer.

The Council of Supply Chain Management Professionals in the United States of America defines 'Logistics Management' as the part of Supply Chain Management in which the flow of goods, services and information is productively and efficiently planned, implemented and guided from the starting point all the way to the consumer-point. (Hok-

kanen & Karhunen 2014, 12) For this research, the most important part of the supply chain is from the point of warehousing to the end-customer.

Enterprise resource planning (ERP) is an important part of supply chain management, and it can also be integrated to e-commerce. ERP systems are information systems that are integrated into different operations within the company. These operations can be, but are not limited to, for example inventory control, purchasing, administration and invoicing. A well integrated ERP-system will follow sales and the inventory, give reports on which products are moving well and so on. For e-commerce the reports of ERP are beneficial in many ways, for example for knowing which products are moving well, and if these products are still available in the inventory, and after analysing the situation the online store can be restocked if possible and needed. (Tinnilä et al. 2008. 123–124)

By knowing what products are available at all times the potentially lost revenue can be minimized because unnecessary and none-accurate out-of-stock situations are avoided. This requires an efficient, but also effective supply chain, which is regularly followed, so that inventory is kept at an optimal level. At the optimal level supply meets demand, and sales are not lost due to out-of-stock, but inventory is still not kept over the demand. (Christopher 1998, 42–43)

2.3 Logistics

The APICS Dictionary (1998), defines logistics in an industrial context as “-- the art and science of obtaining, and distributing material and product in the proper place and in proper quantities.” (Fredendall & Hill 2001, 208) Logistics is an important part of the supply chain, and covers the movement and transportation of goods, proper warehousing and efficient distribution to B2B or B2C customers. A common goal of logistics is to deliver the highest level of customer service, while keeping the costs as low as possible, which requires managers to evaluate and improve the logistics processes regularly. (Fredendall & Hill 2001, 208–209)

The logistics process for e-commerce is important on many different levels. The information has to flow smoothly from the order process to the shipping process, so that the correct items are shipped to the correct destination. Thus the logistics process for an order made online starts from the customer. The information flows from the customer

through the electronic system to the seller and then the order is picked and packed. Once the package is ready, the method of transport is chosen, and most likely for a small or medium sized enterprise the transportation is outsourced. The logistics process ends when the customer receives the order, unless a reverse logistics process is required.

2.3.1 Reverse logistics

The logistic process often ends once the sale is made and the product is delivered to the end-customer. However in e-commerce the customer cannot physically see, feel or try on the product, which is why the possibility for returning or exchanging the product is high, especially for example in the apparel market. Reverse logistics is the logistics process that happens once the end-customer has received the product, and decides to return it. The Reverse Logistics Association refers to reverse logistics as "all activities associated with a product/service *after* the point of sale, the ultimate goal to optimize or make more efficient aftermarket activity, thus saving money and environmental resources." (Reverse Logistics Association 2016)

For e-commerce business it is important to have a strategy, and plan the reverse logistics process, because reverse logistics is likely to be needed. If the process is not planned, the expenses can be very high. Many carriers offer services for reverse logistics, and choosing a partner with these services will be very beneficial if and when it is needed. The service level will not decrease if the product does not meet the needs of the customer, but he or she will still have a positive service experience, and will more likely purchase again when a suitable product is offered. A key step in reverse logistics is also the process of refunding the payment if needed. If a product is returned to the seller, it is ethically correct that the refund is made within a reasonable time from receiving the product back from the customer.

2.3.2 Logistics costs

All operations within a company construct costs in one way or another, and logistics operations are no exception. Logistics costs are formed from for example warehousing, transportation, land, labour and ERP. A common goal in supply chain management and logistics is to improve the services and products that are offered, while keeping the costs as low as possible. This requires comparing different offers, evaluating processes and improving them to be the most cost-effective, while minimizing unnecessary movement of goods. The costs of logistics are part of any business, even though the product may be completely different. This is why it is important to calculate the logistics costs into the price structure of the product, and to analyze the cost of operations. (Christopher 1998, 80–81)

A big part of logistics costs and one that is unavoidable, is the transportation costs of the finished product from manufacturing to the warehouse or distribution point, or the transportation of raw materials to the manufacturing facility if the product is made at the same facility it is being distributed from. Another cost is the transportation process of the product to the customer, especially in e-commerce. The logistics costs should be analyzed in a way that creates most return on investment, in practice for example evaluating if opening a distribution center in a target market would increase the amount of sales enough for it to be profitable. (Christopher 1998, 71–81)

Logistics can also cause unnecessary costs, if the process is not planned to be efficient. During the planning risks should be eliminated, and typical mistakes involve unnecessary transportation and movement, unnecessary steps in the process and human error. To avoid these mistakes the process should be understood in the big picture, so that unnecessary operations and movement can be eliminated. All operations should be designed to bring value to the end-customer, or make the process easy and efficient for the company. Making even a small mistake in transportation or delivery will lead to a waste of resources, as the mistake always needs to be corrected. To minimize the risk of mistakes, the organization should have a process that is clear and followed thoroughly, clear stock keeping units (SKU) and a well designed and efficient layout of the warehouse. If

the space is not used efficiently, it is a waste of space, and thereby money. (Inkiläinen 2009, 96–101)

2.3.3 Sustainability and ecological logistics

Sustainability is a concept which companies have begun to take very seriously, and have implemented different processes to make sure the business operations follow the objectives of sustainability and sustainable development. The World Commission on Environment and Development (1987) defined sustainable development as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Sustainability is not only choosing ecological materials, but it also includes a social & economic responsibility, including better working facilities, fair wages and for example not using child labor. The decisions made within the organization are to make the world a better place for the future generations, and organizations can have a great affect on economic stability, as well as social cultures. Sustainability is often demanded from organizations, but individuals have an impact on these issues as well. Buying habits and consumer behavior communicate the acceptance of operations, and if customers continue purchasing from a company which takes no sustainable responsibility, the business and culture within the organization is likely to continue. (Inkiläinen 2009, 73–88)

Logistics and SCM have many processes in which ecological issues are important to take into consideration, as the ecological footprint of the different processes can easily grow to be harmful to the environment. In logistics the main ecological impacts are related to emissions, waste, noise and environmental changes. For example different transportation modes have different impacts on the environment, which is why it is important to choose the method of transport with consideration to the environment, even though in business it is common that cost and speed might have the biggest impact in decision-making. (Hokkanen & Karhunen 2014, 275-300)

In addition to transportation modes, a business can make ecological decisions in choosing recyclable packaging and packing materials, planning and scheduling processes so that the quickest transportation is not the only option. In the big picture of SCM ecological decisions can be made from choosing the raw materials to designing a sustainable

product of quality that lasts and even deciding where a warehouse is located and what the ecological impact is in each process. The ecological impact of businesses can be very negative, and with small decisions to a positive direction a business can develop towards a smaller ecological footprint in all of its actions. (Hokkanen & Karhunen 2014, 275–300)

2.4 Export & Customs

One reason e-commerce is a big business opportunity for companies is the fact that the companies can reach a much bigger customer-base than what would be available within the borders of the home country. As result of globalisation companies will face global competition even if own business operations are domestic, which is why it is important to be ready to internationalize the business when looking for growth. (Stevenson 2007, 47)

Export is defined by the Finnish Customs as "the movement of goods of free circulation within the EU to countries outside of the EU". The goods can leave the country permanently, or temporarily, for example for fixing. (Finnish Customs 2016a) Export declaration is a key process in exporting, and the purpose of it is to collect data on foreign trade, supervise the movement of restricted or prohibited goods, prevent terrorism and international crime, among others. Electronic export declaration is required if goods are exported anywhere outside of EU fiscal and customs territories, and commonly it is done by the company forwarding the goods. For the movement of goods within the European fiscal and customs territories export procedures are not required, if the trade is under 500 000€ per year. If trade is over this limit Intrastat declarations are required for statistical purposes. (Finnish Customs 2016a)

Export of postal packages is a common option for e-commerce, and if the value of an individual shipment is under 1000€ the electronic export declaration is not required. The electronic export declaration for postal package export when the value is under 1000€ is required only if the goods are agricultural aid, the goods are exported for a special procedure (for example repair), the goods are subject to export restrictions or prohibited, or are delivered regularly and form a whole. (Finnish Customs 2016b)

Customs authorities control export procedures, and the goals of the World Customs Organization (WCO) are:

- promoting security and facilitation of international trade
 - promoting fair, effective and efficient collection of revenue
 - protecting society, public health & safety, as well as contributing to the fight against crime & terrorism
 - capacity building
 - promoting digital customs
 - raising the performance as well as profile of Customs
 - conducting research & analysis on a range of topics in international trade
- (World Customs Organization 2016a)

Each country has their own Customs authority, and most countries are members of the WCO. The European Union member states are also part of the organization, and the EU supports the operations of individual Customs authorities. (World Customs Organization 2016b)

Exporting has its challenges, and a company should carefully evaluate if the product is suitable for the global markets. For example products that are restricted or prohibited are more difficult, if not impossible, to export, the product or price might not be competitive enough, it is difficult to transport or selling it requires a specific level of professionalism. Different countries also have different standards regarding products and materials, as well as different demands for the features. A SWOT-analysis will help in evaluating if export is a profitable option for a specific product. (Melin 2011, 16–18)

2.4.1 Export to different geographical areas

Different geographical areas in exporting are discussed in this chapter. If a company is committed to worldwide distribution, the main process should be clear and the objective of this chapter is to discuss the differences between different areas.

European Union

Export within EU countries is not restricted, and goods of free circulation can be moved freely over national borders. In practice for delivering orders this means that shipping to other EU countries works in the same way as shipping within the home country. The only exception to this is those countries outside the EU fiscal territory or EU customs territory. Examples of countries outside the EU fiscal territory are the Canary Islands and Northern Cyprus. (European Union 2016a)

Other European countries

Not all countries in Europe are members of the EU, which sets certain requirements for export. When exporting from a EU member states to a non-member state, the shipment is leaving the fiscal territory of the EU and thus the customs and taxes are to be paid in the destination country. Examples of European countries, which are not members of the EU, are Norway, Switzerland and Iceland. (Finnish Customs 2016c)

Rest of the world

There are many appealing destinations for e-commerce & export, such as North America and Asia. Even a small niche in the bigger markets is a big opportunity for a small or medium sized company and can bring in a large amount of business. A great business opportunity can be available almost anywhere in the world, and for countries outside of the EU the main issue is that local customs and taxes need to be paid to the destination country. According the each individual countries tax rates for the specific goods, and customs procedures, the expenses will vary. (Ruotsalainen 2016a).

It is important that it is clearly stated in the terms and conditions who is responsible for these expenses that occur when the shipment enters the destination country, and because customers outside of the EU can shop without the local value added tax (VAT).

The import expenses can vary from time to time in different destinations, which in practice means that the value that can be imported without paying local taxes or customs can increase or decrease. For the company shipping the order, this means that the final price of the product can be lower to one destination than to another, and if possible within the online store platform the differences can be adjusted in prices. (Ruotsalainen 2016a)

2.4.2 Export documents

Various different documents are required in export and the documents required differ according to the method of transportation/carrier, and the destination. The documents are needed for the export and import authorities, transportation partner and the buyer, stating the terms of the sale & payment. Many of the documents can be used electronically to speed up the processes and to avoid errors. For goods to move across borders it is essential that the correct documents are provided, and that they are filled in correctly. (Melin 2011. 84–86)

Packages moving within the EU fiscal territory require no additional documents, only the package/address card, also called the package card. Packages that are being sent outside of the EU fiscal territory require the same paper work, which is required for customs declaration. The documents are the commercial or the proforma invoice, and/or the CN22 or CN23 documents. The commercial/proforma invoice is equivalent to the CN document, but it is important to confirm from the carrier which documents are required in their services. It is always safe to include the CN document and three (3) copies of the commercial/proforma invoice if not sure. (Ruotsalainen 2016a)

The order confirmation is not officially accepted as the commercial/proforma invoice, which adds an extra step to preparing the package for shipping. Some carriers offer an online platform for filling in the required invoice, and by using the platform provided by the carrier, the document will include (when filled in correctly) all the required information. The documents must be attached outside of the package, so that authorities can find the documents easily. (Ruotsalainen 2016a)

Tariff codes

Tariff codes, or HS codes, are product specific codes from the Harmonized System, which is maintained by the World Customs Organization (WCO). The tariff code can be between six (6) to ten (10) numbers, and if only six figures are stated the code communicates a more broad product group. Each additional figure communicates a more specific product group. The HS codes are used worldwide, and communicate the products in a form that is clear regardless where it is from or what is the local language. (World Customs Organization 2016c)

A tariff code is available for almost every single commercial product in the world, and the codes vary from product type to material and user of the product. It is important to use the correct tariff codes, because the codes are used for customs purposes, in controlling what products are being exported, statistical purposes and economic research, among other reasons. (World Customs Organization 2016c)

Commercial invoice

According to the UPS "Guide to completing your export commercial invoice" (2014) the commercial invoice is a document used for all shipments that are not documents, and it is needed for importation control, valuation and duty determination. The document communicates which products are being shipped, and it should include at least the following information:

- Complete name, contact and address information for the shipper and the consignee, including phonenumbers for both parties
- Terms of Sale (Incoterm)
- Reason for export
- A complete description of the goods
- What is the item and what is it used for?
- Harmonized Tariff Codes (HS-code) for the goods
- Country of Origin for each item

- Number of units, value of units and total value (purchasing price) of the shipment
- Number of packages and weight (total weight if several packages)
- The shipper's signature and date

A commercial invoice communicates the terms of the payment, provides information for Customs authorities, transportation partners, agents and so on. It is a primary document in international trade. (Melin 2011. 89–91)

An example of the Commercial Invoice in Appendix 1.

Proforma invoice

A proforma invoice is used to determine the final terms of sale and stating the required information about the shipment for Customs evaluation, but not used to demand payment from the buyer. The proforma invoice should include all information needed for Customs evaluation. No standard format is set for the proforma invoice, which is why it can be very similar to the commercial invoice. A proforma invoice is required if the commercial invoice is not available, but the commercial invoice is the primary source for this information. (Melin 2011. 92)

CN22/CN23 Document

The CN22 and CN23 documents are used for customs declaration purposes. The document is commonly used in postal services, and it states the purpose of export, items (including weight, value, quantity), tariff codes and total weight and value of goods.

An example of the CN22 document in Appendix 2.

CN22 is used for shipments under the total value of 300€ and CN23 for shipments over the value of 300€. The document must be filled in correctly, in English. For international shipping of packages postal services require the CN document, the package card and three copies of the commercial or proforma invoice. (Posti n.d.)

2.4.3 When the shipment arrives in the destination country

Once the shipment reaches the destination country the local Customs evaluates the package, calculates the local VAT and possible Customs tariffs for the order and by paying these expenses the customer can claim the package. For an online store it is important to clearly state in the terms and conditions, delivery information or other suitable context, who is responsible for these expenses. Before the Customs expenses are paid, the package will not be released to the customer. (Ruotsalainen 2016a)

An option is also to deliver all expenses paid, but the Customs tariffs may vary depending on the destination, which is a risk and extra cost for the seller if for example a carrier does not offer a fixed price for this service. If a company decides to provide this landed price service, it could affect the margins of the product, and the profit per product would be lower if not taken into account in pricing. Some online stores provide the opportunity to adjust prices according to the destination, and an option would be to raise the prices for each product for destinations outside of the EU fiscal territory, so that the profits do not decrease because of international shipping. Some carriers also provide the landed price service, which is a fixed price on top of the transportation expense, which covers the customs expenses in the destination country. (Ruotsalainen 2016a)

3 CASE

3.1 Papu Design Oy

Papu Design Oy is a children's wear and lifestyle brand from Finland. The company was founded in 2012 and has since grown to be a popular brand in Finland, as well as abroad. Papu offers fun designs and clothes that are practical and comfortable to wear, and important values of the company include ethical & ecological production and transparency in all processes. Children's clothes tend to have a short lifespan as the clothes often wear out due to playing outside and washing more often, even though the period of time the clothes are used by one child is short. This kind of use is not ecological, which is why Papu offers clothes with double-sizing so that one user will not grow out of it too fast, the materials are high quality, and the design are unisex so that the pieces can be passed on to the next user. (Papu Design Oy n.d.)

At the moment Papu has over 30 retailers in Finland and over 40 retailers around the world, out of which 20 in North America. In addition to these retailers, Papu has its own online store in the marketplace Weecos.com. Until now the strong majority of the customer base shopping from Weecos.com has been from Finland, but the amount of orders from abroad is growing. Papu is at a point where the logistics process in delivering international orders has to be clear, because the extra work required to figure it out will slow down other deliveries and the resources are naturally limited. (Papu Design Oy n.d.)

As demonstrated by Figure 4., one can see that the vast majority of consumer packages shipped from Papu in 2016 were domestic packages. The total amount of orders between January 2016 and October 2016 was over 7000 individual orders, out of which about 100 from abroad. Between January and October 2016 over 8000 consumer packages to or from Papu were operated through the warehouse. The packages were moving for delivering orders, returning and/or exchanging products. The amount of online store orders, as well as the amount of international orders, is expected to grow in 2017. As the amount of international retailers grow, the brand will become better known in different markets. Better brand visibility and knowledge will most likely result in an increase in online store sales. International marketing will also support the expected growth.

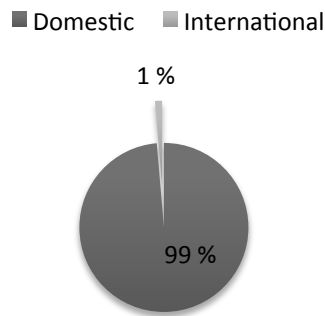


FIGURE 4. Percentages of domestic & international Papu Design Oy consumer orders through Weecos.com January 2016–October 2016.

3.2 International B2C logistics process of Papu Design Oy

The logistics process for online store orders is kept simple and efficient. As demonstrated in Figure 5., the focus of this thesis is on the point of receiving the order through Weecos.com, preparing the package for shipping, and choosing the most efficient shipping partner that will make sure the order is delivered according to agreed terms, while also taking into consideration the ecological effects of logistics.



FIGURE 5. Current international B2C logistics process of Papu Design Oy.

3.3 Receiving the order information through Weecos.com

The marketplace Weecos.com provides the payment methods and order-information electronically through the marketplace, and there the independent company, in this case Papu Design, receives the order information in real time. Weecos also delivers the order

confirmation to the customer through email. Once Papu receives the order, the payment has already been made through the marketplace.

3.4 Preparing the order for shipping

The products of Papu are clothes made of jersey material, which is easy to ship as they most likely will not suffer during normal transportation if packed properly. Once the company, in this case Papu Design, has received the order information, the order goes out for picking. Picking is done according to the order information, and has to be correct in means of the correct product, quantity and condition. The picking is done by hand, which is the case for at least the majority of Weecos.com sellers. The picking process is possible to be automated, but would require the order volumes to be much bigger. An automated picking process would also require massive investments in for example technology and facilities, which is why it is not a realistic investment for small and medium sized companies.

When shipping clothing products, the packaging is important, even though the product itself is not fragile. During the shipping process, the package is handled by several different individual people, and the handling has to be efficient so this process is not exactly gentle. The package should be light, so that the shipping price does not increase, easy to handle and strong enough not to break/damage the product if it gets for example a bit wet due to weather conditions.

When choosing the packaging material the company can also make an ecological decision by choosing packaging materials which are recyclable and/or made from recycled materials. The amount of packages which Papu sends out every year is constantly growing, which means that the wrong choice of packaging material will have a negative effect on the environment.

Papu Design offers worldwide delivery for orders, and divides the world into four parts according to the following: Finland, the EU, rest of Europe and rest of the world. The pricing for shipping as well as delivery times are demonstrated in Table 1.

TABLE 1. Papu Design Oy shipping prices (Weecos n.d.).

Destination	Shipping one product	Shipping several products*	Days
Finland	Free	Free	7
European Union	5,00€	Free	10
Rest of Europe	5,00€	5,00€	14
Rest of the world	5,00€	5,00€	18

* Shipping several products from this seller.

At this point it is important to identify which of these four groups the destination belongs to, so that the required documents can be prepared. Grouping delivery destinations in this way makes it simple to determine which documents are required for the shipment.

3.5 Choosing the carrier for international consumer deliveries

Papu Design Oy has agreements with several companies that offer transportation services. For domestic shipping Papu Design has chosen to use the local postal services, which offers an efficient delivery to any address in Finland. The main difference in shipping B2C or B2B packages for Papu Design is the volume of shipments and the size of a single shipment, which is why it is likely that choosing separate partners or making an individual agreement for both types of shipments will save money in the shipping expenses.

At the moment Papu has agreements with the following carriers.

3.5.1 Posti

The Finnish postal service "Posti" delivers efficiently in the domestic market, and also offers international postal package services, which is an option for Papu in delivering international consumer orders. Out of the options which Posti offers for international packages, the Express Mail Service (EMS) is the best option for delivering orders, in terms of how long the shipping takes, and what it costs. The service description states

the delivery time as 2-8 working days outside of the EU territory, but holds the right for delays that are due to Customs in the destination country. (Posti 2016a)

3.5.2 PostNord

PostNord is a Swedish leading supplier of transportation and communication services within the Nordic countries, which offers postal services, as well as parcel services through a DPD network. PostNord has a great network within Europe, where most of the services work best, with certain differences depending on countries. (PostNord 2015)

PostNord has a broad service point network in Finland, which is being extended to other European countries as well. Through the "MyPack"-service point network sending packages to consumers is easy, and returns from the customer (reverse logistics) are easy to implement and efficient to control. (PostNord 2015)

In addition to the postal and parcel services PostNord offers services such as warehousing (including all warehousing processes) and the different services of PostNord are used by many different sized companies, such as Zalando.com (Zalando n.d.). When services are used by other commonly known companies, and competitors, it communicates reliability to customers, which can be a factor helping the customer to make the buying decision.

3.5.3 UPS

UPS has a long history as a carrier in the USA, and has grown to be a multi-billion-dollar corporation which is recognized by almost anyone and anywhere in the world. The company offers transportation services from small packages to larger shipments effectively and reliably. (United Parcel Service of America 2016b)

The services offered by UPS are very competitive, and are offered in over 200 countries. The network is wide and efficient, and UPS can offer next-day and other express-services which are very appealing from the e-commerce perspective. (United Parcel Service of America 2016b)

An important competitive advantage of UPS is that they offer a carbon neutral program, for reducing the carbon footprint of logistics. Different logistics processes load the environment in many different ways, and UPS is committed to finding better solutions, researching better use of resources and contributing to environmental projects around the world. The price of the carbon neutral per each package is 0,2 EUR within Europe, and 0,55 EUR outside of Europe – which is a small price to pay for reducing environmental impact of logistics (Ruotsalainen 2016a).

3.5.4 Customer service

In traditional trade customer service situations can be done face-to-face, which is rarely the option for e-commerce. Direct customer service from the company in e-commerce happens through websites & contact forms, e-mail exchange, phone calls, chat services and other possible methods, in which the situation is handled from different locations. Often the only face-to-face customer service which the customer receives is when the order is delivered or picked up, which means that the face-to-face customer service is done by possibly a completely different company, one that offers transportation or postal services. For this reason it is important for e-commerce businesses to carefully choose its partners, so that the risk for inconveniences is as low as possible. With a reliable and suitable partner the problems are easy and efficient to sort out, so that the customer receives the best customer service, which is a great competitive advantage for e-commerce.

A carrier with good customer service offers for example detailed tracking of the package, precise shipping schedules, friendly delivery to the customer and careful handling of the package. The carrier should offer customer support in different situations to the direct customer (the company purchasing the transportation services) as well as to the end-customer (the consumer, who is receiving the delivery).

3.6 Filling in the required shipping documents

The carrier selected can provide further assistance in filling the documents correctly if necessary. The different documents are defined in detail in section 2.4.2.

3.6.1 Commercial or Proforma Invoice

The commercial invoice is the primary document used in international shipping, and used for customs purposes. The format of the commercial invoice is not standardized, and if the company has its own format, it can be used in shipping B2C packages as well as B2B packages. The carrier may also provide a system for filling in the document electronically. The most important issue is that the document includes all required information, a detailed list mentioned in section 2.4.2. The commercial or proforma invoice is always required when shipping outside of the EU fiscal territory.

A proforma invoice can be used if the commercial invoice is not available. The proforma invoice does not need to include all the same information, but the two documents can be very similar. Proforma invoices are used for customs purposes, so the proforma invoice should include all details of the shipments which have an affect on customs procedures and evaluation. If neither of these documents are ready, the commercial invoice is advised to be used primarily. Weecos does not automatically offer the commercial invoice at the moment, and thereby for Papu it is most convenient to use the commercial invoice.

3.6.2 CN22/CN23 Document

When shipping is done through postal services, the CN document is required to speed up the customs process in the destination country. The document states in a short and clear form what is being shipped and where, and for what purpose.

3.6.3 Tariff codes

A company with several different products will have several tariff codes depending on the amount of different products offered to customers. Each product type has its own tariff code, and it is difficult to remember these codes by heart, and searching for the correct code each order at a time will slow the logistics process down. To speed up the process, a list of tariff codes for the specific products is useful. From the up-to-date list the employee can quickly check the correct tariff code.

If the commercial or proforma invoice is filled in using a program provided by the shipping company, like for example the one UPS provides, the program will memorize the tariff codes once the product has been entered in the program once. When filling in the document for the first time, the information is not yet in the system and having the tariff codes in a clear document is useful and will minimize the risk of error. (Ruotsalainen 2016a)

The full list of tariff codes for Papu Design's products is listed in the Appendix 3.

3.7 Shipping the order to the customer

The last step of the basic logistics process is carried out by the chosen carrier, which either picks up the package, or the package is delivered to (according to the terms agreed between the partners). The carrier delivers the package to the customer.

The tracking code for each shipment and the tracking system is provided by the carrier. With the tracking code the shipper and consignee can follow the transportation of the shipment, and if delays or other problems occur, the package can be tracked specifically to find out what is causing the delay. Providing the tracking code will give the customer information on when the package will be delivered, and communicate reliability that the order has been shipped on time.

3.8 Reverse logistics

At this point Papu Design has not had the reverse logistics process designed for international consumer orders. The process is highly important and commonly used in e-commerce. After the customer has received the order he or she may need to exchange or return the product. The reverse logistics process should be easy for the customer, so that the overall shopping experience through the online store stays positive even if the order or part of it is returned for whatever reason. Reasons for the need of reverse logistics include, but are not limited to, exchanging the product to a better fitting size or returning because it did not meet expectations, needs or the description provided, or the product is faulty. In the case of distance sale (online store) the customer has the right to cancel the sale within 14 days of receiving the order according to Finnish law (Finnish Competition & Consumer Authority, 2014).

Returning the order, or a part of it, may be because of a faulty product, and especially for this case the reverse logistics process should be clear and efficient so that the product can be conveniently exchanged to a new one. The percentage of returned or exchanged orders coming through Weecos.com is about 20% for Papu Design, with includes product returns, exchanges and faulty items (Kurkela 2016). To decrease the percentage of returns the product information in the online store should be as clear as possible, so that the customer can make an informed purchasing decision.

The reverse logistics process needs include an opportunity for the customer to send the product or products back to the seller, and all following actions including the possible final refund on the payment. The expenses of shipping in case of returning a product that is faulty are the responsibility of the seller, but for other returns the seller can determine who's responsibility the expenses are, as long as the responsibility is clearly communicated to the customer. A well planned reverse logistics process will also communicate reliability to the end-customer, even if it is not used by each customer.

4 ANALYSIS & CONCLUSIONS

In this chapter the logistics process is analysed and justified based on the theories. Supply chain management and logistics are wide concepts and can feel difficult for any company. Many carriers offer strong support for all processes, but it is important to know what kind of support is available, and what is needed – and also what can be done internally within the company so that the cost and benefit are in balance.

4.1 Choosing the carrier for Papu Design – price comparison

The following price comparison is done for international packages, and based on partners with which Papu has done business with, with an addition of a new partner for delivering consumer orders. Table 2., Table 3. and Table 4. have been formed from the prices that are offered from different carriers directly to Papu Design Oy, to compare the differences in prices and the services. The names of the carriers, the names of the services as well as the sources have been anonymized due to confidentiality reasons.

The most important factors that affect the decision for Papu Design consumer package deliveries are: price, delivery time, customer service and sustainability. The comparison is done with three separate hypothetical shipments, destinations and size of the shipment have been chosen randomly:

- 1kg, destination Malmö, Sweden
- 2kg, destination Brooklyn, USA
- 3kg, destination Perth, Australia

TABLE 2. Price comparison (1kg shipment to Malmö, Sweden)

Carrier	Price	Delivery time (working days)	Customer service	Ecological options offered
Carrier 1 (Option X)	39,00€ +3,367€(/kg) = <u>42,37€</u>	2 (not incl. delays due to Customs)	- Tracking	-
Carrier 2 (Option Y)	11,59€+3,37€(/kg) = <u>14,96€</u>	2-4 (not incl. delays due to Customs)	- Tracking	-
Carrier 3 (Option Z)	<u>15,55€</u>	Next day	- Tracking - Pick-up from warehouse	+ 0,20€

TABLE 3. Price comparison (2kg shipment to Brooklyn, USA)

Carrier	Price	Delivery time (working days)	Customer service	Ecological options offered
Carrier 1 (Option X)	46,36€+7,295* 2 = <u>60,95€</u>	3 (not incl. delays due to Customs)	- Tracking	-
Carrier 2 (Option Y)	14,14€+6,75*2 = <u>27,64€</u>	4-8 (not incl. delays due to Customs)	- Tracking	-
Carrier 3 (Option Z)	<u>29,92€</u>	Next day	- Tracking - Pick-up from warehouse	+ 0,55€

TABLE 4. Price comparison (3kg shipment to Perth, Australia)

Carrier	Price	Delivery time (working days)	Customer service	Ecological options offered
Carrier 1 (Option X)	46,36€+17,14€ *3 = <u>97,78€</u>	5-7 (not incl. delays due to Customs)	- Tracking	-
Carrier 2 (Option Y)	14,42€+6,75€* 3 = <u>34,67€</u>	5-10 (not incl. delays due to Customs)	- Tracking	-
Carrier 3 (Option Z)	<u>44,34€</u>	Next day	- Tracking - Pick-up from warehouse	+ 0,55€

Prices are compared according to the prices offered 13.11.2016, according to the following sources: Carrier 1: (Carrier 1 2016), Carrier 2 (Carrier 2 2016) and Carrier 3: (Carrier 3 2016).

Based on these comparisons, Carrier 3 is the best option for Papu in sending consumer packages abroad, especially outside of Europe. Carrier 3 is a reliable partner, most cost-effective and offers efficient customer service to the end-customer, as well as support and guidance to Papu, and the online platform for making shipping documents easily. Compared to Carrier 1 and Carrier 2, Carrier 3 can guarantee the delivery time because the packages are not linked with the international postal network. The international postal network is complex and if needed, it would be basically impossible to specifically track where the individual package is, why it might be delayed, what document might be missing or how long will it take for the package to be released.

In the comparison Carrier 2 has a competitive pricing, but the price does not include pick-up from the warehouse for the Option Y service, which means that delivering the packages to the Carrier 2 service point would require extra resources in terms of time and money.

Carrier 3 is a carrier known around the globe, and has fewer than 10 countries in the world where delivery is not possible. (Carrier 3 2016) Having a well-known and reliable partner will lower the barrier to purchase for the customer, and the company sending the package does not have to take care of tracking as the customer will receive the tracking code from Carrier 3 with contact details, so in case of a problem the customer can contact the carrier directly. This will also ease the pressure of the customer service of Papu.

The next day delivery is not a requirement for the consumer packages, but quick delivery is great customer service, an advantage that many competitors cannot deliver. The quick delivery schedule Carrier 3 offers can be used before sending out the package, for example creating a routine of sending out the “rest of the world” packages once a week, in which time the time frame given in the delivery terms on Weecos.com is met.

Carrier 3 also offers the ecological add-on service. The small extra fee reduces the carbon footprint of the shipment, and demonstrates the importance of sustainability for the company. With this option the company can support environmental projects such as planting new forests, reducing emissions in transport and so on.

Another option is to use both Carrier 2 and Carrier 3 in shipping consumer packages. The best option in this case would be to use Carrier 2 only within Europe, which Carrier 2 states as their strongest area. Carrier 3 would be used for all consumer shipments outside of Europe. This adds the pressure a bit in the warehouse, as the selection of distributors is wider, and requires the employees to pay more careful attention to where the order is being shipped and which carrier to use.

4.2 The information required for the shipping documents

The system of Weecos.com, through which the order is made, provides the information on the order and where it will be shipped in the order confirmation. The commercial or proforma invoice and the CN22/CN23 document will be completed according to the information from the order confirmation.

4.3 The final logistics process

The logistics process of Papu Design, demonstrated in Figure 5., is simple and includes the important steps, but the international reverse logistics process is not taken into consideration at this point. A thorough orientation to the systems, documents and process will make the process more efficient, and minimize the risk of error.

If the transportation partner/carrier is changed, the programs offered should be explained by the carrier, and the process and why each step is important should be clear to the employees. An updated version of the international consumer logistics process is demonstrated in Figure 6. The reverse logistics process is added at this point.

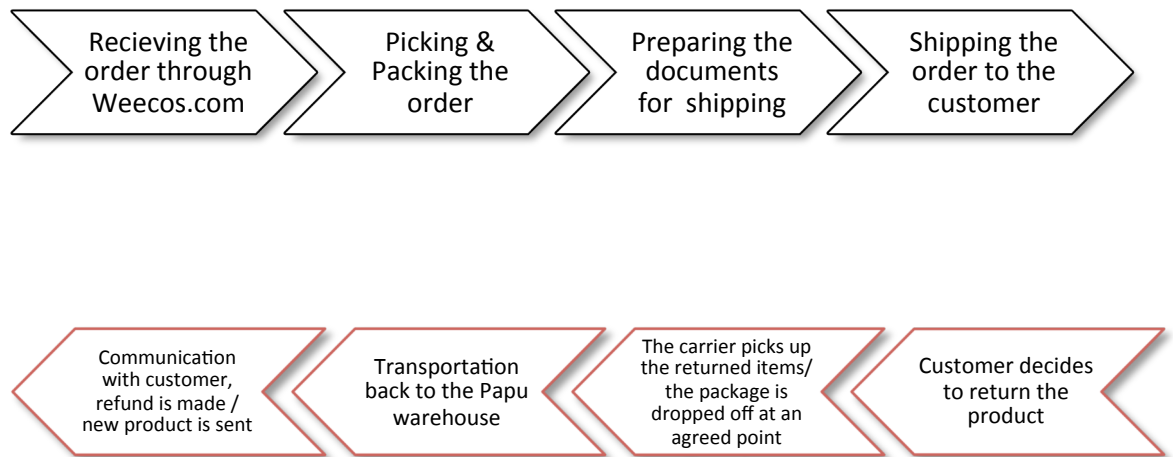


FIGURE 6. Updated logistics process for international Papu Design consumer orders.

In this process the reverse logistics process is explained, but it is not a process that is part of every day routines. The importance of it is to have to process ready when it is needed, so that in that situation figuring it out will not require extra resources. Having the process ready and convenient for the customer will demonstrate professional operations, reliability and a pleasant shopping experience even when the customer decides to return the product. The product can be shipped back to the company, in this case Papu, by using the global postal network, or the carrier that delivered the original shipment. If the expenses of the return are the responsibility of Papu, in case of for example a faulty item, the return is most convenient to be done by scheduling a pick-up, or providing a

package card to the customer through for example email and communicating where the package can be dropped off.

Papu has retailers around the world, as well as sales agents in some countries. An option is also to utilize the agents in the reverse logistics. For example an option could be that the customer ships the product to the nearest agent, who communicates the condition of the product to Papu's customer service. After this the refund can be made, or a new product can be shipped to the customer. The agents could use the products that are in sales condition for marketing purposes (for example blogger rewards) or if several products are returned to the same agent the shipment back to Papu can be consolidated into a bigger shipment. Naturally if this is seen as the best option, an agreement has to be made with the international agents.

An important part of the reverse logistics process is the actions once the product is returned, according to what has been agreed with the customer. This is most commonly fixing the product, providing a new product or a size which is better for the customer, and in these cases a new shipment needs to be made. If the product is returned and a refund is agreed it is important for ethical business to provide the refund within an agreed time limit. For Papu, and other sellers in Weecos, the refund can be made through the Weecos marketplace or through bank transfer.

Ecological issues should also be taken into consideration throughout the entire process. Consolidating the reverse logistics shipments back to Finland reduce the ecological footprint as each product is not shipped back as an individual package. Proper recycling should be implemented within the entire organization, and the different daily warehouse operations commonly cause the most need for recycling.

Choosing the correct carrier also has a big effect on the ecological footprint of the organization, and if possible the most ecological transportation option should be used. It is not always the cheapest option, but if the difference in cost is small, the benefit will be worth it. Shipping high volumes will load the environment in many ways, and thereby choosing the ecological option will have a positive impact in the long-run.

4.4 Final conclusions

This process is designed to support the goals of the company Papu Design in terms of sales, sustainability and profitability. By making the logistics process simple and efficient the company can deliver orders with reliability and speed, encouraging the customer to use the Weecos.com online store for purchasing products. Once the customer receives the order, he or she will experience the quality and design of the product, and hopefully promote both the products of Papu and the easy shopping process of Weecos.com, resulting in a growth in sales.

A thoroughly planned and regularly updated logistics process will support these operations, while it reduces to impact on the environment by eliminating waste of materials or other resources. By using ecological packing materials and a carrier which shares the interest and importance of sustainability in logistics – the carbon footprint of the company can be reduced.

As discussed in section 2.3.2 the logistics costs are formed from for example warehousing, transportation, labour and ERP. For Papu the biggest costs of the B2C logistics process come from warehousing, labour and transportation. In addition to these, there must always be packing materials available, and smaller costs are formed from supplies needed in the process which need to be regularly re-stocked such as paper, tape and so on.

At the moment Papu has one full-time employee who is responsible for the B2C logistics, and as the sales grow the amount of labour needed will increase. At some point it will also lead to the situation that a bigger warehouse is needed, so that the online store and warehouse can work effectively and serve the customers at the highest level.

Logistics have an incredible affect on several different operations within an organization, and with thorough planning a company can increase the level of service offered, while reducing the costs and ecological footprint as result of a well-designed B2C logistics process.

5 RECOMMENDATIONS

5.1 Recommendations for Weecos Oy

This thesis provides a guidance to international B2C logistics and even though Weecos does not hold inventory, the company can offer this guidance to its partners(=the sellers) as support for internationalization. For a small or medium sized company this guidance can be a strong supporting factor, which gives confidence in implementing marketing actions in the global market, as the seller receives a guide to how the process of international B2C logistics can be implemented in practice.

Summarized guidance in Appendix 4. and chart for tariff codes in Appendix 5.

The guidance can be used in a paper form, or implemented in to a digital form for sellers to use in the marketplace. The information from this thesis could be used in a logistics section available only to sellers and it could have a specialized function which will give the seller exact details for an individual shipment. The function could ask quick questions such as:

- Where are you shipping from?
- What is the destination country of the shipment?
- What is the total consumer value of the shipment?
- What is the weight of the shipment?

Based on these questions it is possible to determine which shipping documents are required for the shipment, and if Weecos at some point has a shipping agreement for all sellers it could calculate the price of the shipment and give options if available. The function could also provide an opportunity to fill in and print out the required documents directly, for example the commercial invoice and package card.

Weecos can offer the guidance to its partners, and even customize it for individual needs, for example providing support in searching for the correct tariff codes and recommending carriers. For new partner companies looking to start e-commerce business in the Weecos marketplace this can be an advantage that competitors do not offer due to the fact that the logistics process is different. Additionally based on the thesis Weecos can provide training sessions or events for partners if requested or in other ways seen as beneficial.

The options that Weecos offers for partner companies in terms of B2C logistics are limited at the moment. In many online stores it is possible to choose an express shipping option, which is starting to be more of a rule than an exception, as well as an option to choose which carrier/service is used for delivery and options for the packaging of the order. As Weecos is a marketplace for sustainable fashion, the option for sustainable packaging such as reusable envelopes/containers or gift wrapping could be a strong competitive advantage for the marketplace. Independent companies that choose Weecos.com for their e-commerce business should have the opportunity to customize their online store to an excellent level in terms of customer service and experience, even though the marketplace gives the opportunity to purchase from several different vendors with one payment.

List of recommendations for Weecos to add to the functions that the seller can choose to use from:

- Function for determining which documents are required for shipping
 - o Destination specific details
 - o Opportunity to fill in required documents in an integrated system straight through Weecos.com
- Opportunity for express shipping (at a possible extra cost)
 - o Would require the system to separate orders with express shipping to be separated from orders with standard delivery
- Opportunity to choose method of shipping
 - o For example: MyPack-service from PostNord, delivery to home address instead of postal office or other pick-up point
 - o Opportunity to print out the package card directly from the platform to speed up the shipping process
- Opportunity to be able to determine a value limit after which shipping fees are not charged
 - o For example: 'Free shipping for orders over 150€' -campaigns
- Opportunity to offer a different additional service options
 - o For example: an option of a reusable package, gift wrapping or other, this option could be offered at the checkout with an additional charge

By providing these functions, as well as the opportunity to customize the independent online store within Weecos.com in terms of customer service and logistics, Weecos can be a more appealing platform for e-commerce business. To measure the results of these changes a customer satisfaction survey after implementation would give realistic feedback for future development.

5.2 Recommendations for Papu Design Oy

In many ways the logistics process of Papu's consumer packages is at a fairly efficient level. Compared to the way the international packages are being sent out at the moment, the process could be more cost-effective by choosing another carrier for these shipments. By having a clear process and guidance to it, the employees can send out the packages with confidence that it is done correctly, while at the same time understanding why it is important to follow all of these steps.

The prices offered from the different companies offering transportation services differ. For the logistics expenses to be as low as possible, with little negative ecological impact I recommend choosing UPS for all deliveries outside of Finland. UPS offers support for the reverse logistics process, the carbon neutral option for shipping and a pick-up can be scheduled for packages around the world for possible returns and/or exchanges.

At the moment Papu Design offers free shipping for all orders in Finland, and shipping costs for international customers are a maximum of 5€. These prices are cheap compared to competitors (comparison in Appendix 6.), as well as compared to the expenses that are Papu's true expenses of shipping the order abroad. I would recommend that the prices would be increased for domestic and international orders, so that the shipping of several products is free for orders shipped within Finland, and shipping several products outside of Europe is 7€. The maximum shipping fee for international orders, would be 10€ for shipping one product to a "rest of the world" -destination. The price suggestion is demonstrated in Table 5.

TABLE 5. Recommendations for the consumer shipping prices of Papu Design Oy

Destination	Shipping one product	Shipping several products*	Days
Finland	3,00€	Free	7
European Union	5,00€	3,00€	10
Rest of Europe	5,00€	5,00€	10
Rest of the world	10,00€	7,00€	10

* Shipping several products from this seller.

These prices would be in line with the prices that competitors offer, and decrease Papu's portion of the shipping expenses. Pricing the shipping of one product and several products differently is a good option, because it can be an incentive to purchase more at a time, which would increase the average purchase. In some cases it can be an incentive for, for example friends, combining orders into one shipment. Shipping orders small orders separately and often will have a bigger ecological impact than shipping a bigger order, because the same methods of transport are used in e-commerce, regardless if the order includes a small pair of socks or several bigger products.

I also recommend raising the shipping fee offered in Finland to 3€. The price would be competitive compared to the closest competitors, and an increase in the shipping price from 0€ to 3€ would have a true affect on the cash flow as the volume of orders is highest in the Finnish market. Since Weecos does not offer an opportunity for a 'free shipping on orders over 150€' or other campaign, free shipping for several products would be the incentive to raise the average purchase.

18 working days is a long delivery time for consumer orders, and if Papu were to use Carrier 3 for "rest of the world" orders, the delivery time would be shorter than before. 10 working days is not exactly express delivery, but would be a much more appealing delivery time compared to 18 working days.

The objective of the suggestions for both Weecos Oy and Papu Design Oy is to improve the service level, cost-effectiveness and make sure that the logistics processes, of the sellers in the marketplace, are designed to support the goals in internationalization.

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APPENDICES

Appendix 1. Example of the commercial invoice

PICTURE 1. Example of the commercial invoice. (United Parcel Service of America 2016c)

Invoice							Page 1																							
FROM Tax ID/EIN/VAT No.: Contact Name: ██████████ Papu Design Nokianvaltie 25 B Nokia 37100 Finland Phone: ██████████				Waybill Number: 0XR528TSKLR Shipment ID: 0XR528TSKLR  Date: 09/NOV/2016 Invoice No: PO No: Terms of Sale (Incoterm): Reason for Export:																										
SHIP TO Tax ID/VAT No.: Contact Name: ██████████ ██████████ Switzerland Phone: ██████████				SOLD TO INFORMATION Tax ID/VAT No.: Contact Name: Same as Ship To Phone:																										
Units	U/M	Description of Goods/Part No.	Harm. Code	C/O	Unit Value	Total Value																								
1	PCS	Childrens leggings		PT	25,80	25,80																								
1	PCS	Childrens shirt		PT	31,45	31,45																								
1	PCS	Adults leggings		PT	39,52	39,52																								
1	PCS	Adults Bow beanie		PT	29,04	29,04																								
Additional Comments:																														
Declaration Statement: Shipper Date				<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Invoice Line Total:</td> <td style="text-align: right;">125,81</td> </tr> <tr> <td style="text-align: right;">Discount/Rebate:</td> <td style="text-align: right;">0,00</td> </tr> <tr> <td style="text-align: right;">Invoice Sub-Total:</td> <td style="text-align: right;">125,81</td> </tr> <tr> <td style="text-align: right;">Freight:</td> <td style="text-align: right;">0,00</td> </tr> <tr> <td style="text-align: right;">Insurance:</td> <td style="text-align: right;">0,00</td> </tr> <tr> <td style="text-align: right;">Other:</td> <td style="text-align: right;">0,00</td> </tr> <tr> <td style="text-align: right;">Total Invoice Amount:</td> <td style="text-align: right;">125,81</td> </tr> </table>			Invoice Line Total:	125,81	Discount/Rebate:	0,00	Invoice Sub-Total:	125,81	Freight:	0,00	Insurance:	0,00	Other:	0,00	Total Invoice Amount:	125,81	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Total Number of Packages:</td> <td style="text-align: right;">1</td> <td style="text-align: right;">Currency:</td> <td style="text-align: right;">EUR</td> </tr> <tr> <td style="text-align: right;">Total Weight:</td> <td style="text-align: right;">0.5 KGS</td> <td colspan="2"></td> </tr> </table>		Total Number of Packages:	1	Currency:	EUR	Total Weight:	0.5 KGS		
Invoice Line Total:	125,81																													
Discount/Rebate:	0,00																													
Invoice Sub-Total:	125,81																													
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Other:	0,00																													
Total Invoice Amount:	125,81																													
Total Number of Packages:	1	Currency:	EUR																											
Total Weight:	0.5 KGS																													

Appendix 2. Example of the CN22 document

PICTURE 2. Example of the CN22 document. (Posti n.d.)

CUSTOMS DECLARATION		May be opened officially		CN 22	
Täyttöohjeet kääntöpuolella! Anvisningar för ifyllning på frånsidan!					
Itella Posti Oy					
<input type="checkbox"/>	Gift	<input type="checkbox"/>	Commercial sample		
<input type="checkbox"/>	Documents	<input type="checkbox"/>	Other Rastita oikein!/Kryssa rätt!		
Quantity and detailed description of contents (1)			Weight <i>in kg</i> (2)	Value and currency (3)	
<i>For commercial items only</i> HS tariff number (4) and country of origin of goods (5)			Total weight <i>in kg</i> (6)	Total value (7)	
			0	0	
I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles pro- hibited by legislation or by postal or customs regulations Date and sender's signature (8)					

Appendix 3. Tariff code chart for the products of Papu Design Oy

Product type	Product	Tariff code
Merino wool accessories	- Merino wool beanies - Merino wool scarves	6505 00 90 (beanies) 6117 10 00 (scarfs)
Organic cotton accessories	- Bow & reverse beanies - Blankets & scarves made of jersey material - Socks	6505 00 90 (beanies) 6117 10 00 (blankets, scarves) 6115 95 00 (socks)
Organic cotton bodysuits + accessories (baby's)	- All bodysuits - Baby bibs	6111 20 90
Organic cotton hoodies & shirts	- Long sleeved shirts - Hoodies & jersey/college bomber jackets - T-shirts	6106 10 00
Organic cotton pants	- Leggings & other pants	6104 62 00
Organic cotton skirts	- All skirts	6104 52 00
Organic cotton dresses	- All dresses	6104 42 00
Organic cotton hoodies (adults)	- All hoodies and jackets made of jersey/college material	6106 10 00
Organic cotton pants (adults)	- Leggings - Other pants	6104 19 20 (leggings) 6104 62 00 (pants)
Organic cotton dresses (adults)	- All dresses	6104 42 00

Appendix 4. Summarized guidance to international B2C logistics

1 (4)

This guidance is gathered to support your e-commerce business through online marketplace Weecos.com. With the summary of theories and definitions, and step-to-step directions the guidance will support your business in delivering international orders.

THEORY & DEFINITIONS:

E-commerce: *Activities associated with the purchase or sale of a product/service by using Internet technology.*

Supply Chain Management: *Covers the different processes in the flow, which the goods and information go through, until reaching the end-customer.*

Logistics: *Important part of the supply chain, and covers the movement and transportation of goods, proper warehousing and efficient distribution to B2B or B2C customers. A common goal of logistics is to deliver the highest level of customer service, while keeping the costs as low as possible.*

Logistics costs: *Formed from for example transportation, warehousing, ERP, labour. Can be calculated into the price structure of the product or charged from the customer.*

Reverse logistics: *All actions associated with the product or service after the sale is made and the product is delivered to the customer. In e-commerce, commonly returns & exchanges.*

Export & Customs:

What is Export? *"The movement of goods of free circulation within the EU to countries outside of the EU". The goods can leave the country permanently, or temporarily, for example for fixing. (Finnish Customs 2016a)*

(continues)

2 (4)

What is Customs? *Each country has its own Customs authority, and a key objective of Customs is to control export and import procedures. Customs supervise the movement of goods, provide security and control the movement of restricted and prohibited goods, collect data on foreign trade and so on.*

Documents needed in international shipping:

- Package card: *Contains the address and delivery information of the shipment, needed in every shipment regardless if domestic or international*
- Commercial (or Proforma) Invoice: *Primary document used for all export shipments, which are not documents.*
- CN22/23: *used in postal package export, when using the international postal networks in delivery*

Step-by-step guide to delivering international Weecos-orders:

1. The order is received through the marketplace Weecos
2. Picking & Packing the order
 - Pay attention to picking the order correctly, and packing it so that it is protected throughout the shipping process
 - When choosing packaging materials, choose a material which is recyclable, to minimize the negative ecological impact.
3. Preparing the order for shipping
 - Choose a reliable transportation partner/carrier. Pay attention to offered pricing, ecological options, and delivery times.
 - Carriers operate within postal networks (for example Posti, PostNord outside of Europe) or their own distribution networks (for example UPS, FedEx). Transportation schedules tend to be much more accurate when using a carrier with their own distribution network, because most also offer customs broking services.

(continues)

4. Preparing documents for shipping

- Where is the package being shipped?
- EU: Package card. No additional documents are needed within the EU fiscal territory. The package card includes the address information of both the consignor and the consignee.
- Rest of Europe + Countries outside of the EU fiscal territory (check tull.fi if unsure!): Package card + Commercial invoice x3
- Rest of the world: Package card + Commercial invoice x3, if the carrier uses the international postal network + CN22/CN23

- Check tariff codes from your company's tariff code table (Appendix 4.) and fill in the required information.
- Attach the required documents outside of the package, in a see-through plastic envelope. Do not close the envelope, because the carrier needs access to the paperwork.

5. Provide the customer with a tracking code.

- Many carriers offer the tracking code automatically to the customer.

6. Customer receives the order.

- The customer might need to pay Customs duties and taxes to claim the package, depending on the destination country & current value limits. The carrier will provide information on what the limits are in shipping to different countries.

Reverse logistics:

The reverse logistics process is not part of everyday routine, but clear steps will help you handle the situation if and when it occurs.

1. If customer needs to return the product, the package needs to be returned to the seller.

- Provide instructions along with the package, or ask the customer to contact for example through email to receive further instructions for returns.

(continues)

4 (4)

- The information on returns & exchanges should be clearly communicated with the customer. Provide information in the terms & conditions of your online store.

2. Communicate clearly who is responsible for return expenses.

- If the customer is responsible for expenses, provide the address the package needs to be shipped to. Customer has the right to choose the method in delivering the package.

- If the company offers for example free return, schedule a pick-up or inform the customer of a drop-off point and how he or she can send the package with out expenses.

- A clear process and instructions for returns communicates reliability, even if the option is not used.

3. Refund the order.

- Once the package arrives, check that the product is in the same condition it was sent in, and refund the order. It is easiest to refund international order through the Checkout-service, as international bank transfers can take longer than domestic transfers, and additional information would be required from the customer.

- It is most convenient and reliable for the customer, that the refund is done using the same method as the original payment. For additional information in using the Checkout service for Weecos refunds, contact Weecos customer service (info@weecos.com).

- Remember to keep books on international returns in the same way as for domestic orders!

The process can be adjusted to fit into the daily routines of your company. Remember that delivering the orders in the correct way is important for export control and Customs, statistical purposes and customer service. Planning the logistics process clearly will make the daily routines efficient and effective, resulting in good customer service and a positive shopping experience when shopping from Weecos.com!

Appendix 6. Comparison of the shipping prices of competitors

Net-A-Porter <https://www.net-a-porter.com/fi/en/Help/ShippingRatesAndPolicies>

Net-A-Porter offers a selection of high-end fashion products such as clothing and accessories. The products are shipped from two distribution centers, in London UK and NJ, USA. (etsi tähän hyvä lähde)

Shipping destination	Price
USA (Express, only option)	34,64€
Sweden (Standard)	15,00€
Australia (Express)	23,09€
Germany (Nominated Day)	25,00€

These randomly chosen destinations demonstrate how Net-A-Porter uses a specifically and carefully calculated pricing for shipping to different destinations, by using different shipping options (express, standard and nominated day). The effort and specialization in the options require a different amount of consideration in an automated warehouse system and all options are not offered to all destinations.

Zalando <https://www.zalando.fi/faq?path=/Toimitus/>

Zalando offers free shipping and free returns to all customers around the world. With a fixed fee of 13,95€ the customer can purchase express shipping. The standard delivery time is 4-7 working days, and the express delivery time is 1-3 working days. Zalando uses local carriers in different markets, in Finland PostNord is used for standard delivery, and DHL for express delivery.

A key issue to take into consideration when comparing to Zalando is that the profit strategy of the company is very different compared to Papu Design Oy or Weecos Oy. The company made its first operating profit in 2014 (<https://www.ft.com/content/32c239de-b2aa-11e4-a058-00144feab7de>) after a growth of 26%, sales totaling in over 2 billion euros. These numbers demonstrate that the

logistics costs of operations cause a decrease in the profit, even though the sales are high.

Asos.com <http://www.asos.com/customer-service/delivery/>

Asos is a fashion retailer with several different brands, including their own brands. The company offers delivery to almost any destination in the world, from distribution centers located in the UK, USA, Europe and China.

Shipping destination	Price
USA (Standard)	3,31€
Sweden (Standard)	3,20€
Australia (Express)	6,19€
Germany (Next Working Day)	10,00€

With several distribution centers and high sales volumes Asos can provide low shipping costs around the world, as well a guarantee express delivery.

Gugguu <https://www.gugguu.com/shipments-and-returns>

Gugguu is a Finnish children's clothing brand, which is a close competitor to Papu Design Oy. The company has its own online store, with shipping offered around the world. The price of shipping varies depending on the size of the order starting at 3,50€ for small orders, 10€ for larger orders and free shipping for orders over the value of 120€. Gugguu does not provide a clear pricing chart. The price of shipping is stated right before confirming the order.

Vimma <http://www.vimmacompany.com/info/>

Vimma is also a Finnish designer brand for children's and adults clothing, and a close competitor for Papu. The pricing Vimma offers for shipping is similar to Gugguu, starting from 3,10€. A pricing chart is not available, and the costs can be seen at the checkout. Vimma does not ship to the USA.

