

Saimaa University of Applied Sciences
Faculty of International Business Management
Master's Degree Program

Sergey Konovalov

Essentials of starting an online retail business in the North-West region of Russia

Master's Thesis 2014

Abstract

Sergey Konovalov

Essentials of starting an online retail business in the North-West region of Russia, 100 pages, 1 appendix

Saimaa University of Applied Sciences, Lappeenranta

International Business Management

Master's Thesis 2014

Instructor: Principal Lecturer Minna Ikävalko

Research has covered the entrepreneurship activity in area of online retail sales, with attempt to identify key success factors and join them into a recommended system of key performance indicators (KPIs).

There are a few studies in the areas of entrepreneurship, online commerce, business development in Russia, however, there is still no research done to identify the critical factors for success of new online shops, the possible pitfalls, and algorithms to ensure that businesses take off.

The purpose of this study is to increase academic understanding of the online retail concept with the help of theoretical findings and practical data from case companies.

The present research intends to give answers to several questions. What is the current state of knowledge about small and medium size online commerce in Russia? Are there any theoretical models and recommendations that can be used for this type of activity? What are the practical recommendations that can be made based on the experience of companies in this industry on KPIs and control points?

To identify the current state of theoretical knowledge, the research of literature and other works have been done for the following areas: small and medium entrepreneurship, online commerce, business in Russia. Practical part was done in form of questionnaire-based interviews with managers and owners of selected real companies from North-West region of Russia, and analysing available quantitative information provided about business performance.

The results of this work demonstrate that certain areas of focus of control exist to ensure development of new online retail stores which were grouped into the three main recommendations and a set of five key performance indicators.

Keywords: Small and Medium Enterprises, Online Commerce, Entrepreneurship, Retail, Russia, North-West Region, Small Business, Business Development.

Table of contents

Abstract	2
1 Introduction	4
1.1 Why small and medium business?	4
1.2 Why online retail?	6
1.3 Why North-West of Russia?	9
1.4 Summary of trends	11
1.5 Delimitations	12
1.6 Research gap and questions	15
1.7 Terminology	25
2 Theoretical framework	29
3 Overview of models and concepts	43
4 Empirical research	58
5 Conclusion	81
6 List of references	84
7 List of tables	89
8 List of pictures	90
Appendix 1. Design of interview questionnaire	91

1 Introduction

The purpose of this part is to identify background, problem and delimitations of the research. It includes current trends to prove the very practical meaning of the research. Main part includes analysis of the current scientific works, publications and posts to identify the level of scientific coverage of the topic being researched; with the predefined choice of commonly used techniques, the test model was created to confirm or refute during further practical work. Delimitations of the study focus it on specific most common issues and allows to avoid falling into details and variety of cases. In the current work, the author intended to increase understanding of the phenomenon of online commerce of small and medium businesses in Russia, and provide some practical implications basing on the findings and feedback during the research itself.

To understand the business case of present research, we have to identify few trends, which appear to happen now in Russia, and try to make a prediction about them. Of course, the selection of trends that seem important to the author may be not comprehensive, but it gives the feeling of the situation enough to accept the further detailed analysis of the topic.

1.1 Why small and medium business?

Business ethics, practices and education

Usually office workers, who are often people with higher education, even in business management and economics, seek for opportunities of starting their own business. On the one hand, they bring many good practices from previous experience and make market more civilized. This activity often takes form of “moonlighting” and generally there is a strong correlation between “moonlighting” and starting own entrepreneurial activity later on (Byung-Yeon 2010). Due to very unpredictable style of employment in Russia, it is normal for proactive employees to have side projects and look for opportunities to get extra cash.

Working in a start-up company (which is often associated with only IT business in Russia) means a lot of dedication during first years, while most office workers turn to their own businesses for completely different purpose of simplifying their

lives. Of course, they fail to build a smooth-working business model and organize internal processes. Small business in Russia generally requires extreme personal investments in order to “take-off” and due to great unpredictability of working environment is a lot more stressful compared to neighbouring countries. As a result, entrepreneur has on average a lot more complicated combination of skills and experiences that help them to survive in a larger variety of conditions (Klochkova 2003).

This is also another risk factor and demands special personal traits and characteristics of the entrepreneur in Russia, when person has to be able to make political decisions and be ready anytime that situation goes wrong. Business in Russia is also a constant work with people to maintain relationships and support networking, which greatly affects the ethical issues, private communications and obligations. There is a trend to “civilize” the markets by creating associations and consolidating players in order to define industrial rules, standards and better cooperation. It is not a secret that many of them focused on lobby goals and entrepreneurs still have to rely on their own (Bain 2007).

In terms of intercultural issues, expertise and knowledge of this factor may be also very beneficial for foreign partners who may be seeking for opportunities on the Russian market. Professionals and entrepreneurs in Russia strive to create operating networks of connections as an “intangible asset” used to overcome the barriers, which should be the focus, because otherwise even qualified personnel and cutting-edge informational technologies will never guarantee desired positions in the market (Lonkila 2011). Importing partners in Russia with good networking connections can provide the solutions for most of the risks, but it is hard to find less than 10% of small and medium enterprises in Russia operating in the area of international business (Aidis, Korosteleva and Mickiewicz 2008).

Simplified regulations

Environment infrastructure and regulations are now simplified in favour of small businesses, and that includes procedure of registration, support from state authorities, more transparent requirements from controlling organizations, etc. Still

there are many issues and legal collisions, but overall situation is definitely getting better. Reduction in risks lead to greater motivation in trying new things, and eventually facilitates the development of businesses. However the picture from research shows that in 2012—2013 peaks for entrepreneurship intentions have been concentrating in cities with population between 500 000 and 1 000 000: local businessmen are looking for new products and opportunities (Verkhovskaya, Dorokhina 2012).

Demand for knowledge

Greater interest in entrepreneurship and online retail sales has led to a series of projects and products educating, teaching and coaching the newcomers to the entrepreneurial activity. Probably the biggest one is “Business Youth” (can be found at www.molodost.biz) which has grown into the community, social network and knowledge base for almost one million people. In the social networks, it is very easy to find communities and pages dedicated to own business, self-employment and online commerce.

However, information available there is either promotional materials for training and coaching services, or outdated and cannot be applied or even take as vulgar fraud, promising amazing income after the subscription or purchase of the extra materials.

Major consulting groups and agencies regularly publish reviews and annual reports on business conditions for foreign businesses in Russia, for example, KPMG’s “Doing Business in Russia”, Ernst & Young’s “Doing business in Russian Federation” or EY’s G20 country reports like “Entrepreneurship Barometer”. However, they are often issued in English language only which does not facilitates cooperation between entrepreneurs from Russia and foreign countries, and does not foster the mutual understanding.

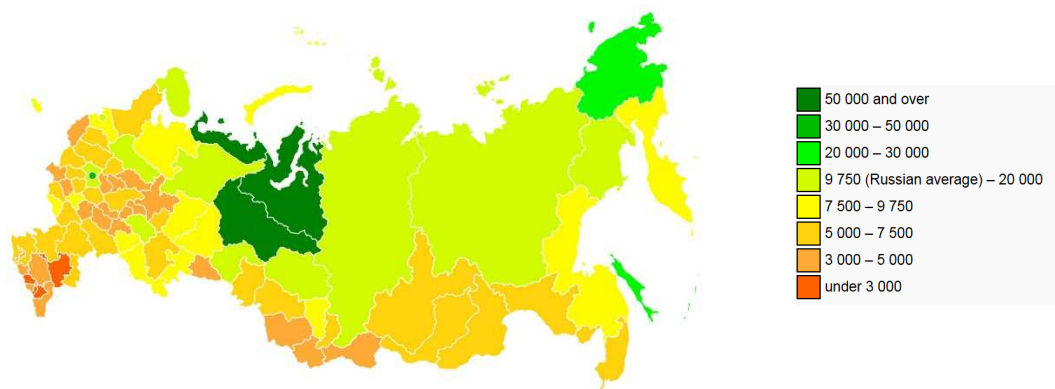
1.2 Why online retail?

“Digital” market is far from the limit

Unlike some countries online retail market are still growing in Russia. If country has no severe customs clearance process, worldwide sellers would immediately

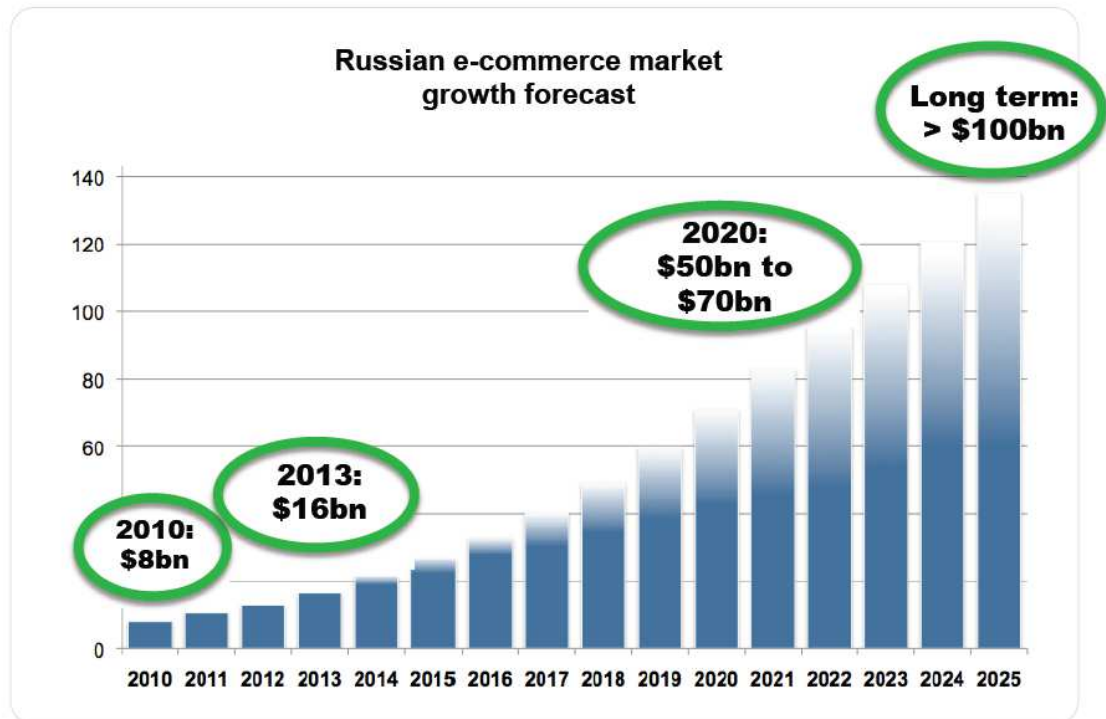
get the market with their competences. Without that, Russians “have to” grow up our own Amazon and Zappos.

According to Federal State Statistics Service of Russian Federation, gross domestic product is not allocated equally among all regions. There are “generators” of oil and gas based areas, and of course Moscow and Saint Petersburg. However, this allocation of GDP per capita does not match the population allocation, where most of the customers live in north-west region, central and east south from central region.



Picture 1. GRP per capita in different regions of Russian Federation (State Statistics Committee 2009).

Forecasts state that volume of online commerce in Russia will be growing in the forthcoming 5-7 years and will multiply current volume of approx. 12 billion USD to 72 billion USD by 2020 (Stanley 2013).



Picture 2. Forecast for Russian e-commerce market growth 2010—2025 (East West Digital News 2010)

Online retail sales remains still to be the “traditional” type of business. It is more with real customers and real products, then any Web 2.0 and forthcoming products of pure digital origin and use. The most important point is that internet serves as just a communication platform, while many entrepreneurs surprisingly believe that if you have an online store, you then do not have to have business processes, stock and other problems usual retailers have.

More attention from offline players and niche products

From the very early age of online stores, they became famous for lower prices, comparing to high margins of retail stores. Because of missing physical stores and rent fees, selling staff and salaries, sometimes even missing stock, online stores by default expected to be cheaper than offline rivals. The image of “low-cost” was partly generated by above-mentioned factors, and partly by the easiest strategy of selling the product at cheaper price executed by pioneers in the industry.

It is very important to understand that first online stores were created not by business people, but by programmers who had enough knowledge to create dynamic websites and support them. That is why no real business background and marketing strategy was behind those attempts that just formed the image of internet as just cheaper source, but is the reason why online stores have to be either very lean in their costs or create a lot more value-added products to cover costs with higher margin.

Consequently, the list of typical issues customers have with online stores reflect the nature and approach of those times. Usability, variety of communication options, time of response and order processing, delivery failures and product quality claims are still very important topics (Dinges 2013).

Nowadays, customers often use the mixed approach to online purchases and for some categories prefer to have a look and experience physical contact with product before buying it online (Yandex and GfK 2013).

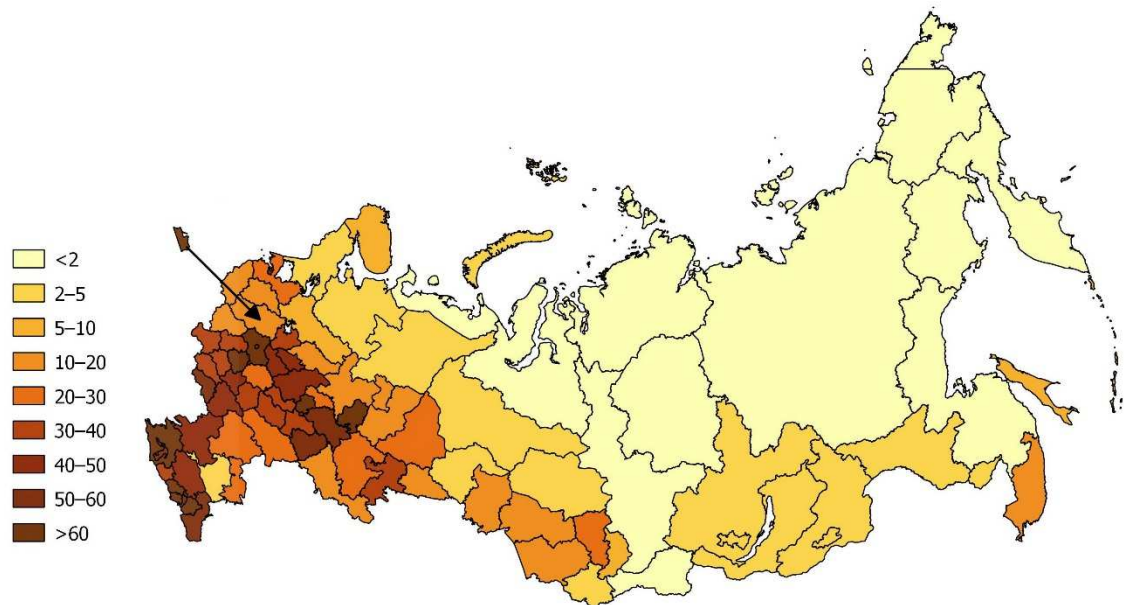
1.3 Why North-West of Russia?

Areas of focus and different scenarios

In terms of most figures, describing economic situation Moscow and Saint Petersburg turn out to be the main drivers for customer demand. Virtually, all online retail players can be divided into federal, regional, and local groups.

Agency “faberNovel” in their report introduced the following classification for the possible target areas for online sales, each with separate scenario (Henni 2011):

- Federal cities of Moscow and Saint Petersburg;
- Cities with population over 1 million (so-called “millionniki”);
- Low-population density areas.



Picture 3. Population density of Russian Federation per region (State Statistics Committee 2011)

A typical federal player is Ozon.ru taking the biggest part of market in selling books (if fact, company copies model of Amazon.com and has own delivery chain, which is not typical for Russia).

Regional players generally located in two capitals and supply to other cities located within reasonable distance from central warehouse. For example, Ulmart.ru has started regional expansion to the neighbour areas after company got the good reputation on the market of Saint Petersburg.

Local store may operate in a regional city, focusing to local customers. They usually cannot compete with two other types in terms of costs and range, and therefore focus on servicing local market better. It could be also possible that the product itself is only for local market. For example, pizza store delivering within 30 minutes to any address in the local city could have no competition from federal or regional competitors. Considering some exceptions, generally local stores are 1-3 years behind Moscow and Saint Petersburg in terms of technologies.

It is therefore obvious that any start-up has a lot more chances to survive if located in one of two capitals, even considering a lot stronger competition there.

Good infrastructure, accumulated demand and other opportunities outweigh other inconveniences.

Globalization

New products are now relatively easy to find, but the main problem is to bring them and release to the market. Having about 45% of total retail goods sold in the country becomes an important factor too (according to Rosstat 2013).

Moreover, international relations are still a bit complicated and associated with lack of trust, language barriers, issues at customs and legislation.

On the other hand, these opportunities allow launching new products and attack market with niche offers that can never be found at big retail chains. This strategy works already on the market and now you can find very specific shops like, for example, cowboy hats and accessories, but it will be growing and gaining new segments and product categories.

Saint Petersburg has a very good allocation in terms of logistics: two borders with European Union, sea port, goods truck traffic connections with Finland, automotive cluster and other infrastructure facilities make the city second biggest centre in Russia and can be used as a focus when entering the market or starting new venue.

1.4 Summary of trends

All the trends and ideas mentioned above allows making the following conclusions:

1. There is a very big potential for online commerce industry in Russia for the moment and it is even expected to grow further.
2. There is a demand for quality guidelines from experts on how to start and develop online retail business, which is partially satisfied by semi-professional populists, but with low level of quality or fragmented knowledge.
3. With many products imported, there is a capacity for foreign players to start their own venues, but types of market entry, cooperation models have to be

clarified. This makes research especially practical and desirable by foreign re-tails chains or individual stores, willing to supply to market of Russia.

4. The ultimate goal of this work is to use the power of scientific methods and information from the market players to identify the critical success factors that significantly increase probability of starting up a profitable online commercial project in North-West region of Russia.

1.5 Delimitations

Value stream level only

The research covers all issues at very top level of value added chain. According to technology of value stream mapping, e-store enterprise is arranged in a number of operations, creating additional benefits for customer, comparing with other trading channels. The research does not go into deeper details, such as design of business processes and analysis of particular software or organizational issues. The research works on the big picture and considers process going on as a whole, not separate parts. It is important to understand that research focuses on the enterprise, without taking into account actual processes going on with suppliers and customers (Rother and Shook 1999).

Of course, performance of partners affect greatly on business performance, but this research considers them as a constant and focuses mainly on internal organization, interfaces with intercommunication with outside partners and requirements to estimate potential partners to reduce the probability of inefficiency.

This lean manufacturing point of view also allows identifying what parts of activity are considered as adding-value in the eyes of customer, and which are pure waste and has potential for improvement by waste elimination, but this is not within focus of the present research.

Life cycle stages

Present work covers the management process from the moment of decision to start a venture, until break-even point. This period is very difficult to identify in

terms of real time, therefore point is determined empirically based on the answers of respondents.

From four generally accepted stage of life cycle models (introduction, growth, maturity, decline), this research focuses on first two (Pearson and Thomas 2004). As in most of cases first time of business is not stable, requires more investments and attention to run smoothly.

There are lot of publications aiming at deeper understanding of each stage, and even updates to the model with more detailed stages, they are easy to find in almost any business or marketing book. The purpose of use of the model in present work is to limit the period of a company being studied, even if at the moment of research a company is already on the next stage (e.g. maturity), research is focused on its past to reveal the information valuable for its particular purpose.

Regional limits

Because of very large territory and eight time zones, business in Russia focuses on big cities and regions with less and cheaper logistics. Saint Petersburg has unique allocation, social and economic characteristics. Being the second largest city in Russia with seaport and good connection to capital of the country, it fosters entrepreneurship and international trade, making good supply for the retail chains, private entrepreneurs and other types of trade business.

It is relatively easy to find a supplier and generate demand (there are special technologies and methods used in online marketing that help to ensure desired number of visitors to online stores). Focus on the region helps to make research more personal, meet businesses face to face and exclude some issues associated with intercity shipments and service issues with remote customers.

Target markets

Research was designed to focus business-to-customer market for the following reasons:

- 1) Vast majority of online retail are consumer products.

2) In case of business-to-business sales, website operates as a stand with products, and processing of the order requires additional formalities and paperwork, so that order model is completely different.

3) From own experience, business-to-business segment usually has a longer period of cooperation and higher probability of recurring deals, so additional factors have to be considered by researcher to identify them and estimate their effect.

Product or niche focus

Main interest of the author was to understand common traits for stores operating not as supermarkets or hypermarkets, but in a selected segment or niche, because such types of business have less investments to found, organized and run usually by single founder or small group of people, and have own stories for marketing the product, its promotion and sales techniques.

Unlike universal stores, they do not supply fast-moving consumer goods, but have a relatively limited group of customers interested in the product, but their demand is strong and definitive for business to feel comfortable and profitable. Of course, situation in different product categories and price segments will be different (for example, it is difficult to compare low-priced specialized electronic devices with high-priced accessories, which are both niche products), but author has a hypothesis that all of them use the same approach and tools to organize sales online, that has to be tested also during the research work.

Internet is the main sales channel

Traditional “offline” businesses like selling pavilions or specialized departments of larger stores were excluded from the scope, because their model supposes that physical flow of visitors will generate enough contacts and deals for them. Main focus for the research was with companies which get at least 60%—70% of total turnover from their website, online trading platform, aggregator page, online auctions or any other places where customer can get from his computer. Area of interest for current research is to identify what are the tools and ap-

proaches that stores use to generate sufficient flow of visitors to run business, therefore it is expected to be largely about online marketing tools.

Profitable companies only

It is clear that it only makes sense to learn experience from those companies, which are profitable and have positive cash flow. Another hypothesis from author is that all successful businesses in the research will have the same good finance management practices, compared to less efficient and less profitable. Therefore, among all potential companies, only those are considered in research which have become the main source for living for founders or have demonstrated even greater success and growth.

To summarize, there are few delimitations identified by author for purpose of this research, which help to make it more focused, leaner and more efficient. They narrow the selection to profitable businesses in specialized market segments, located in North-West region and especially in Saint Petersburg. For the purpose of well-funded judgment about success factors, author limits the research boundaries to just two stages of company life cycle and studies “big picture” of the business going into deeper details only in cases when it is completely impossible to answer research questions without doing that.

1.6 Research gap and questions

Cross-dimensional nature of the research shows that there is an obvious gap in the understanding of the entrepreneurial activity in online retail in general, not only in specific area, like in the current work. Generally, it is impossible to find the actual scientific research in exactly the same field, providing comprehensive explanation or description of the subject and giving any recommendations for further researches. Therefore, current work is a “green field” project designed from scratch to identify the scope at the overlapping areas from other topics and increase understanding of the phenomenon by introducing the framework and trying to provide answers to determine which factors are to be considered as most important and relevant when starting a new retail business in Russia online.

From the previous parts of the paper, several trends and requirements exist in the area of small online business in Russia. They can be generalized into the matrix displayed below to better understand the intentions of the author and facilitate thinking about the topics that would arise on the crossings of the concepts. The contents of the table cells are generated by combination of header from columns and rows, for example for the first cell it is a question, originating from the synthesis of focus on main factors and focus on North-West region of Russia, thus resulting in basic elements that have to be identified to run business in this area. Following this analogy, questions in all other cells are generated.

	North-West region	Small or medium business	Online commerce
Focus on “big picture”	What “basic elements” should be considered about the running business in the region?	What are the core elements among others for a small company? Which can be neglected and which are essential and should be always under control?	What are the main tools, approaches and solutions used by SME during online sales and internet marketing?

	North-West region	Small or medium business	Online commerce
Niche products	What are the supply sources in the region and what are the recommendations for the product range?	How to identify niche demand and select the product for new business? Is it better to build competitive brand or look for new niches and innovative solutions?	How to ensure demand for niche products? How to market niche product and promote to the audience? Is online the best way to “test” the market and get feedback?
Start or growth stages	What are the pre-requirements to start business in the region and how much style and regulations (advantages and disadvantages) may differ from other regions? What are typical issues in this area of focus?	What are the focuses for a new entrepreneur? What are most probable risks and solutions to overcome them?	What are the pre-requisites and necessary steps to start an online venture? What offline infrastructure is essential and what traditional business structures can be avoided or outsourced?

	North-West re- gion	Small or medium business	Online com- merce
Profitable	What is accepted level of costs and profitability for the region? What are main turnover and cost drivers?	How to ensure that business pays off and generates enough money to provide funds for living and make investments into its development?	How to estimate and control the costs for marketing and promotion? What are most efficient tools and methods?

Table 1. Short list of questions applicable for the purpose of current research.

The main research question of the present papers aims to answer what are the essentials in starting a successful online retail business in North-West region of Russia?

Number of questions in the matrix proves itself that there are many gaps that have not yet been covered by science researches and have to be answered. On the other hand, the formulation of some questions is so broad that can be considered as a topic for another complete thesis work. For the purpose of current research not all of them are equal in terms of importance to the result of the scientific work. Each question has to be therefore estimated in terms of its contribution to the final result. Generally acceptable model of decision making matrix (sometimes also called Pugh-matrix in the name of its founder Stuart Pugh; Pugh 1991) was used to give each question a weight to sort them and identify the most important and critical.

The following criteria were selected to make the estimation:

- 1 Impact on better understanding of the phenomenon.

- 2 Applicability to use findings in practical work.
- 3 Estimation of efficiency of use in practical work.

Each question was given an expert mark from interviewees ranging from 1 (minimum) to 9 (maximum) and then total weight was calculated according to criteria. Then multiplied by its respective weight each question earns specific number of points. Additionally, to keep current work focused and avoid extremely broad scope the last stage was applied, where each question was given an expert estimation from author and interview respondents, whether to include it or not as a complimentary questions to refine the main research question of the work.

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
What “basic elements” should be considered about the running business in the region?	3	5	7	5.2

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
What are the core elements among others for a small company? Which can be neglected and which are essential and should be always under control?			6	7.4
What are the main tools, approaches and solutions used by SME during online sales and internet marketing?	5	8	6	6.8
What are the supply sources in the region and what are the recommendations for the product range?	3	5	5	4.6

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
How to identify niche demand and select the product for new business? Is it better to build competitive brand or look for new niches and innovative solutions?	5	7	8	6.9
How to ensure demand for niche products? How to market niche product and promote to the audience? Is online the best way to "test" the market and get feedback?	7	8	8	7.8

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
What are the pre-requirements to start business in the region and how much style and regulations (advantages and disadvantages) may differ from other regions? What are typical issues in this area of focus?		5	3	4.0
What are the focuses for a new entrepreneur? What are most probable risks and solutions to overcome them?	7	7	5	6.4

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
What are the prerequisites and necessary steps to start an online venture? What offline infrastructure is essential and what traditional business structures can be avoided or outsourced?	7	8	8	7.8
How to ensure that business pays off and generates enough money to provide funds for living and make investments into its development?	5	5	9	6.2

Research question	Impact on better understanding of the phenomenon	Applicability to use findings in practical work	Estimation of efficiency of use in practical work	
Weight	0.2	0.5	0.3	Points
How to estimate and control the costs for marketing and promotion? What are most efficient tools and methods?	3	7	9	6.8

Table 2. Estimation and calculation of overall weights for research questions from short list.

Questions are then sorted descending in accordance of their points which helps to formulate the following additional research questions within the scope of current research paper.

Only the three below mentioned questions were selected to make the main research question covered in better detail, as a group of additional information that describes the framework in terms of its contents and “safety precautions” where it has weak points.

- What are the core elements of organization of a successful small business in online retail?
- What are requirements for infrastructure (including offline)?
- What are the risk zones and what are the means of control for them?

Thus, the number of the research questions was purposefully limited to four (one main research question and three additional secondary questions), aiming to provide better coverage and strength of contents, redirecting resources from other less important and relevant questions also considered during the selection process.

Second group of additional questions describes the marketing problem and focuses on proper selection of proper product or service, but is not included into the scope of present paper due to very broad nature of questions.

- How to select appropriate niche?
- How to estimate its capacity and develop strategy for the product?

Third group of additional questions describes how execution should be made to ensure proper realization of a strategy and product, chosen within the previous group of questions. This group of questions was also excluded from the scope of research for the same reason of the scope and research resource limitations, explained and described earlier.

- What are the most efficient selling tools in online marketing?
- How an entrepreneur can take them under control?

Considering the very careful approach to the selection of issue for further empirical research and data analysis, this should provide the comprehensive and sufficient answers to the main research question of the present paper with good basis and in sufficient detail.

1.7 Terminology

For the sake of proper and common understanding of the concepts illustrated in the current research the following terminology is offered by the author throughout the present master work and used in all communications during the process of data collection and interviews. For the scientific purposes, Meriam-Webster, Oxford and Cambridge dictionaries available online were used to formulate the definitions in the table below.

Term	Definition
Online store, online business, e-store, e-commerce	Commercial entity (entrepreneur or legal entity) selling products (goods or services) through Internet or other electronic networks as the main sales channel.
Google Ad-Words	Software developed by Google Inc. that allows to place advertisement to the search results page depending on the topic visitor searched in the search engine.
Yandex Direct	Software developed by Yandex LLC that performs the same function as above mentioned Google Ad-Words but used only for Yandex search engine.
Google Analytics	Software developed by Google that allows to track and monitor web site (or online store) visitors in order to understand their behaviour, actions and preferences when using web site.
Yandex Metrika	Software developed by Yandex LLC that performs the same function as above mentioned Google Analytics but used only for Yandex search engine.
Customer	A person or legal entity that purchases a commodity or service.
Sales funnel	Generally accepted model of representation of sales process as a funnel, where at each stage from top to bottom of funnel there is a decrease in number of acting customers compared to previous stage.
Landing page	A specially designed page on web site promoting particular product or service, typically all advertisements on the internet lead customers to landing pages, where they get information about their request and usually

	perform some action, required by the seller.
Search engine optimization (SEO)	A set of tools and methods to ensure that entity's web site have better positions in search engine result page compared to competitors, which usually means more people to consider offer from this company rather than companies located in the end of results page.
Context advertising	Advertising technology used by all major search engines in the world, when a specially designed advertisement is shown for a customer, when he enters particular search key words in the search engine.
Conversion	Ratio that represents number of visitors made an actual purchase compared to total number of potential customers covered by an advertisement.
Meta-data	Special data assigned to web site page, not usually visible to customer, but valuable for search engines.
Search engine result page (SERP)	A page of web search engine (like Google, Taghoo, Bing or Yandex) showing results according to the request from customer.
Content management system, CMS	Software developed to automate routine operations and provide user-friendly interface to update and maintain web site contents. Most of online stores use CMS as a main platform, as it helps to create and organize information on the store web site. Many systems have special versions tailored to online commerce and widely used as engine or core of online stores.
Cost per click (CPC)	A statistical metric used to quantify the average value of click on advertisement made by customer. The more competitive keywords are, the higher costs per click. For example, cost per click for mobile gadgets may be

	many times higher compared to niche and rare products, where competition is significantly lower.
Keyword	The word or phrase that a user enters into a search engine.
SME	Small and Medium Enterprises, Small and Medium Entrepreneurship

Table 3. Terms and definitions used in the present research work.

2 Theoretical framework

The analysis of currently available scientific knowledge gives the basement for further research and synthesis of the information into hypothesis, model and proposition. As the topic being researched is located at the crossing of a few other traditional business knowledge areas, the scope of analysis includes the following fields of interest. Current chapter opens them to the reader in sufficient manner to understand the logic of research and analysis.

- 1 Small business, start-ups and private entrepreneurship.
- 2 Business environment in Russia.
- 3 Online commerce.

Analysis of former researches

Entrepreneurship has attracted lot of great thinkers and therefore together with theorists in economics we now have a range of models and methods to study the phenomenon of private entrepreneurship. According to the generally accepted way of thinking, it is possible to split this knowledge into two phases.

This episode of scientific work forms and identifies the aspects of entrepreneurial activity in very general way, during which the personality of entrepreneur undertakes several transformations, which are not of course complete, but sufficient for the purpose of current research and understanding of development of the scientific thought (hereby provided based on Simon C. Parker 2004):

- 1 According to Richard Cantillon and his works of 18th century, entrepreneur bears and exchanges uncertainty and risks, virtually bringing two sides of market together and rendering the equilibrium. Kirzner in 20th century also emphasizes the role of entrepreneur as of a middleman and arbitrageur, but adds another function of alertness of opportunities, that non-entrepreneurs overlook.
- 2 According to Jean-Baptiste Say in 19th century main function of entrepreneur considered to be the combination and coordination of factors of production that automatically puts entrepreneur into the middle of economic

system, acting as a “skilful and experienced manager”.

- 3 According to Josef Shumpeter in middle of 20th century stated that entrepreneurs do not perform gradual changes within certain constraints, but develop discrete changes that shift the paradigm, that could involve creation of new product, creation of new method of production, opening of new market, capture of new source or supply, re-organization of industry.
- 4 In contradiction to Shumpeters’ “destructive creativity” other scientists insist on gradual nature of entrepreneurial activity, focusing of leadership and motivation during this process, or on entrepreneurship as a combination of specific personal psychological traits.

Many researchers also estimate importance of entrepreneurs as much as “human universal” and strongly support global market liberalization in order to promote entrepreneurial approach and equalize the business conditions worldwide (Minniti 2007).

Second episode of scientific work concerns about dilemma of choice between entrepreneurship and paid-employment and is heavily affected by the utility maximization paradigm, giving any individual option not to be entrepreneur and concentrate on own expected utility; and another typical feature is assumption that markets are perfectly competitive. The mathematical background of theories and models even with delimitation remain to be relatively complex and rarely used in practice, however researchers made big steps towards forecasting of which types of individuals will tend to act as entrepreneurs. (Parker 2004.)

Characteristics of an entrepreneur

Main “human capital” includes age and experience gained from the previous work, better network crafted over the time, education — while better education allows to see more opportunities. “Social capital” describes three levels of social relations: country (or state) level with dominating culture and behavioural standard, community level with set of connections, and individual level with a set of personal confidence or motivation. Among others, marital status and family

background, health condition also make affect the entrepreneurial way of thinking and performance.

Probably the most interesting portion of factors are located inside of the entrepreneur and associated with his/her psychological traits. Researchers identify the following characteristics affecting the performance (Parker 2004):

- 1 Need for achievement. Generally, societies with higher level of achievements generate more entrepreneurs and therefore have the higher level of economic growth.
- 2 Internal locus of control, which is a tendency to assign responsibility to own actions rather than external factors.
- 3 Above than average acceptance of the risks.
- 4 Tolerance to ambiguity.
- 5 Love to independence, job satisfaction and work/life balance.
- 6 Over-optimistic.

The importance of entrepreneurial activity of an individual has been studied and confirmed its advantage at least for three following reasons (Holcombe 1998):

- 1 entrepreneurial opportunities are caused by entrepreneurial activity in the past;
- 2 different theories when studied through the prism of entrepreneurship activity enlighten each other without confrontation;
- 3 entrepreneurship turns out to be a lot more important reason for economic growth, overcoming technology and capital.

During last few decades there is a noticeable trend to move away from subject of small business towards the concept of entrepreneurship (Cornwall & Perlman 1990). Moreover, besides the three key components of entrepreneurship: risk-taking, proactivity and innovation (stated by Miller in his work in 1983); newer researches claim that organizational culture and structure to support such behaviour (Slevin and Covin 1993). In the globalized community phenomenon is "intrapreneurship" (introduced by Drucker in 1995, the entrepreneurship performed within infrastructure and based on the resources of corporations, which also has to be mentioned (Miller 1983; Naman & Slevin 1996; Lumpkin & Dess

1996). Author of the work personally took part in the launch of new product category where in condition of uncertainty had to act proactively in order to make new products the fastest-growing category in history of the company. Innovation requires three basic components: the infrastructure; the capital; and the entrepreneurial capacity needed to make the first two work. (Herbig, Golden, and Dunphy 1994.)

Innovation and entrepreneurship

Generally innovation in entrepreneurship is argued to be the crucial factor for long-term sustainability of online business (Zhao 2006). Most of the researches of the nature of technological R&D have been made about innovations (Miller and Morris 1999), providing variety of models to describe innovations. For example, innovations can be categorized with the help of generally used dimensions:

- 1 Radical or incremental (Green, Gavin, Aiman-Smith 1995; Katila 2002);
- 2 Product or service innovation or process innovation (as a way to make product or render service) (Cooper 1998).

There are three dominating and competing paradigms of innovation (Sundbo 1998):

- 1 Entrepreneur paradigm which is based by Shumpeter's works discussed before and is focused on creation of something new by the entrepreneur, something never existed before and now can create additional value (Johnson 2001; also Legge & Hindle 1997);
- 2 Technology-economics paradigm;
- 3 Strategic paradigm.

Probably most valuable research in the area of overlap between entrepreneurship and innovation has been made by Fang Zhao in his work "Entrepreneurship and Innovation in E-Business: An Integrative Perspective", in which he has figured out the following findings:

- Especially after the crash of dot-coms, investors turned to the traditional models, considering online just as an additional new channel, but the

revenue model has to be considered and evaluated by experienced professionals;

- Being a fast and convenient channel, online has to enhance customer experience and provide more personalized services;
- 5S framework of strategy, system (or structure), staff, skills and style offered to model organizational behaviour supporting innovations in e-business.

Strategy should address spectrum of technological, financial and human issues, both focusing internally to promote growth and changes, and focusing externally to seek for new opportunities in mergers and acquisitions. Author also emphasizes the importance of creation, accumulation and distribution of knowledge among organization as a part of its strategy to gain the competitive advantage.

In terms of structure, any flexible, adaptive and open organization is more conducive to innovation and entrepreneurship. Empowerment and delegation are parts of innovative teams, but the control systems in place has to be maintained also to ensure the desired level of quality of company performance.

Staff being the most important asset of organization, must be kept in the environment promoting any changes as opportunities, and encouraging creativity.

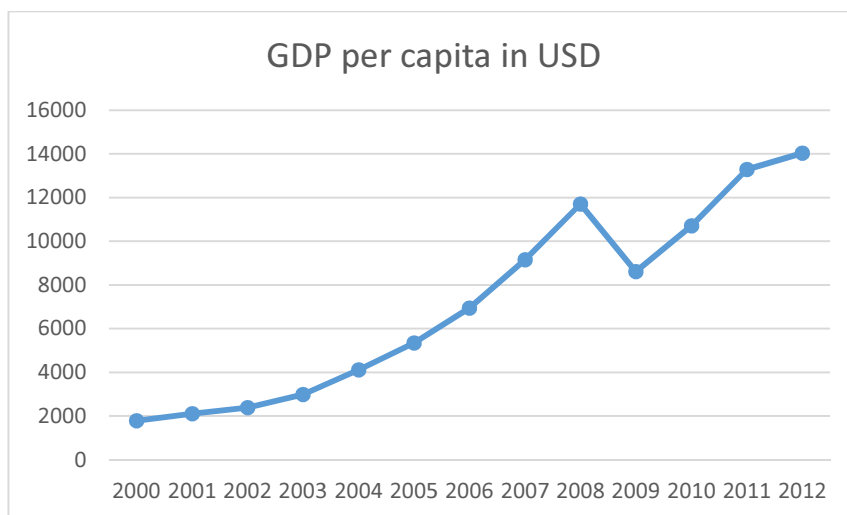
Innovative organization has to have a broader variety of skills comparing to the organization with centralized decision-making, including ability to find and identify innovative possibilities, proactive attitude to promote strategic vision and build environment to support it, ability to develop effective plans, ability to integrate research, design and marketing into commercially valuable technologies.

Open and supportive management style considered as ideal for innovations. Rewards and incentives for support of the innovative or/and entrepreneurial behaviour are parts of this style also.

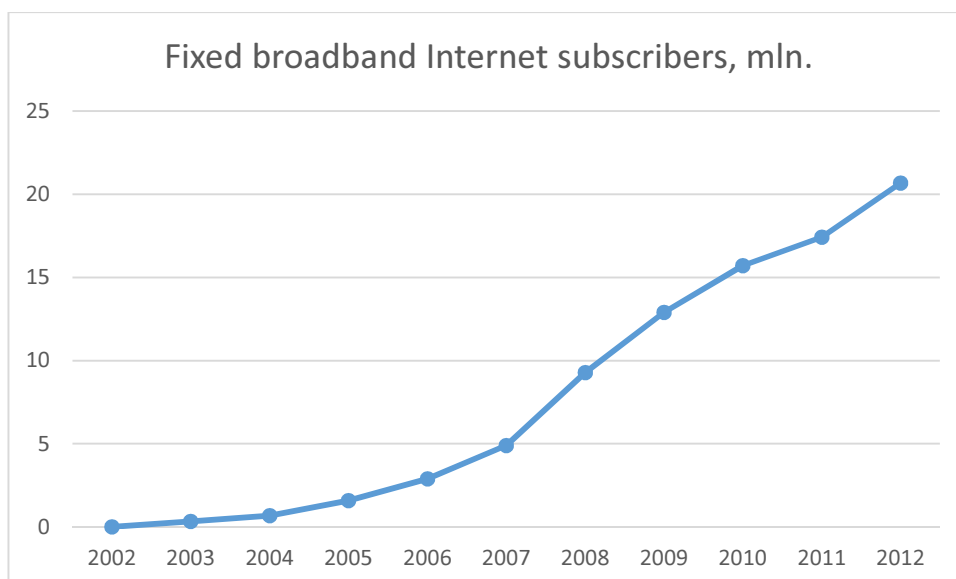
The elements of above described model have been introduced into the research of current thesis in order to find out if and to what extent dimensions of 5S model have been considered as practically applicable by respondents.

Background for business environment in Russia

Without taking into account latest political issues, Russia is definitely “rising star” for established online chains from nearest Europe and for new start-up inside the country. The main economical reason is growing GDP of the country and consequent development of regional markets, who can be passionate customers for high quality or branded products, which were not previously available. Main reasons for this could be worse infrastructure and transportation, limited access to channels of distribution (for example due to language), no experience of regular purchases online from foreign web sites due to lack of trust to the merchant and to the online methods of payment.



Picture 4. Russian GDP per capita in US Dollars (World Bank Databank 2012).



Picture 5. Number of fixed broadband Internet subscribers in Russia, in millions (World Bank Databank 2012).

However, despite tremendous growth, RuNet is still few steps behind the world average values, in 2012 only 1/8 of population purchased anything online at least once per year; online shopping now takes 2% of the retail, comparing to 6.5% on average in the world (Eijvertinya 2013).

Customer behaviour online is also very different in Russia: unlike model to see original products in stores and then order them online with discount, customer prefer to compare, choose and order the goods, to get and pay them in the out-post or get delivered by courier. This fundamental difference is explained by longer lead times, mistrust in product quality (and local sellers with delivery services often re-sell the products returned by other customers due to different reasons, while in nearby stores customers always check and see what quality they are buying to feel safe), and narrower range offered by local shops.

Fortunately, there are some researches on the online commerce in Russia, highlighting the following key factors and trends (all notes below according to Interstince research 2012):

- 1 Russian audience is one of the biggest in Europe, and grows quickly, unlike audience in many European countries, where growth is measured in double digits in very lucky cases (for example, in Great Britain online commerce now has the growth rate of 15% in quarter). Popular Russian media Mail.ru, VK.com and Facebook all report audience increase 17%, 19% and 25% respectively. Forecasted market size will be increased 7 times up to 72 billion USD by 2020.
- 2 Average value of purchase ranges from 70 to 125 USD.
- 3 About 90% of value spent goes to local stores inside of the country.
- 4 First constraining factor is payment, with less than 20% of online sales paid also online: out of 67 million audience, 10.7 million pay by bankcards, 5.3 million use internet banking, and 6.0 million use electronic money. Payment methods also greatly vary by segment, with highest figures in travel, internet access, books and software.

- 5 Second constraining factor is logistics, always closely connected with vast territory, bad quality of service from global operators (like Russian Post). Alternatively, online businesses create own systems of distribution or use private transport companies, many of them have special terms for smaller parcels. Due to simplified customs clearance of low-value shipments, traditional way of purchases from foreign stores is drop-shipment model. In the beginning of 2013, state Parliament approved the legal act limiting the value of shipments that can be processed according to the simplified scheme to 150 euro. To process orders above this amount customer has to provide additional paperwork to Federal Customs Service and pay extra 30% from every euro exceeding the limit value (Russian Newspaper 2014).
- 6 Researches emphasize the proper translation of the materials (although 48% of population in Russia claims to have basic or average level of foreign language — 38% in English and 19% in German — real number of people who can use foreign language for communication or reading materials can be between 15% and 17%) (Public Opinion Fund 2013). Multiple contact points and means of communication. Correct localization is also considered by the market leading search engine Yandex (with market share of 61% and over 13.4 millions of visitors of Yandex.Market — product guide, comparison and selling tool widely used among Russian online stores), therefore correct product information would increase number and quality of references in the result page of search engine.
- 7 Marketing media and tools have definitely to be adjusted to those popular in Russia, for example, VKontakte instead of Facebook, Yandex instead of Google and Mail.ru instead of Gmail.

Russia is in the end of list of online banking penetration ratio, which affects number of transactions carried out online as well. However, typical Russian “fad” during recent years experiencing tremendous growth are payment terminals, where people pay for their online orders, electricity, and bank loans in cash without use of cards. Leading player with biggest network all over the country is Qiwi, servicing the largest number of customers and providing most options for payment. On the other hand, because of higher costs almost all

payments are now made with commission up to 10% which slowly but consistently reduces the share of terminals in payment processing.

The reason for resistance to online payments also explained by the fear the goods will be lost or damaged in transit before they receive it. Therefore, customers prefer to pay only when they see the ordered goods and make sure everything is fine with them. According to World Bank Development Indicators, logistics performance index for Russia is not only below the US, EU and world average, but also below average among BRIC countries.

Although the Russian Post is well known for unpredictable lead times and low quality, it processes up to 33% of total number of deliveries. Almost half of the shipments are delivered by private courier services, and some online retailers create own distribution networks (like Ozon and Ulmart who created national distribution channels inside of the company and even provide delivery services to other partners), delivering 40% of total number of orders to regional centres.

Besides logistics, the most painful issue lays in human resources. E-commerce companies experience lack of qualified personnel to lead marketing, manage projects and whole enterprises. According to EWDN interviews monthly salaries for experts in this areas may be up to 10 000 USD and sometimes companies have to hire in regions or abroad (East-West Digital News 2014).

In the research of Courtney Bain (Bain 2007) among other conclusions mentions a gap between public rhetoric and reality of entrepreneurship, where personal networks play a lot bigger role than entrepreneur's personal traits and hard work.

Background on online commerce

The biggest issue with research of online world is the dynamics and rapid changes happening in this zone. Technologies are in utterly severe competition, connections become broader making value of the information and processing speed increasing all the time. It is therefore very difficult to find any structural researches or results that would be not just the snapshots of a given state on a

given time, but would describe the “back-office” and help to better understand the underlying principles and processes.

Typical data available from different sources is benchmarking, for example for the current state of affairs, Russia together with Argentina, China, Brazil, Italy, Chile, Turkey and some other countries stands in the category of “Next Generation” market type, leading the whole Eastern Europe with title “favourable online frontier” (according to Global Retail E-Commerce Index 2013). Potential of Russia is much bigger than current market size, especially considering the forecasts about increase in regional sales (faberNovel 2011).

Azumah, Koh and Maguire in their research “E-organization and its Future Implication for Small and Medium-Sized business” focus on the difference of form of e-organization comparing to the traditional organizations where Internet is not considered as the centre of their business. In many organizations that turn to the Internet technology, which has become not only the communication tool used by communities of professionals, but the completely new market with own features and advantages, the focus still remains in the core of main offline business and use of the online is only driven by fear to miss the trend and opportunities.

On the other hand, e-businesses are companies originally founded and organized on the principles and technologies of Internet, thus making it the core of the whole organization structure and operations, they are more flexible, with better information flows and more customer oriented.

E-organization is nearly synonymous with virtual organization (term introduced by Mowshowitz in 1986), where people are connected and joined into solid network operating global functions over the Internet (Goldman & Nagel 1993; Hardwick, Spooner, Rando, & Morris 1996; Byrne 1993). Last decade has demonstrated that many companies either reduce number of actual office work in favour of remote operations and regular review, or cancelled offices at all. Two well-known examples are 47Signals, a company without a single office and employees worldwide running a business of online CRM services with millions of customers. Also RememberTheMilk, which is Australia-based task-

management tool, and service, uses exactly the same model. Of course, not all businesses can benefit from this type of organization, at least not at this stage of society development, but there is an obvious trend to reduce the number of time wasted on transport from/to the office in order to promote independence among employees. So far, the software development is probably most “decentralized” type of companies, but expectation is that with bigger automation and “digitalization” more and more businesses become office-independent.

Important fact to mention is that besides the informational flows, there are generally physical movement of goods/services and that brings us to the application of informational technologies in supply-chain management, which has become extremely popular topic over last years, and companies developing software solutions to handle logistics and data (which includes material management, finance and accounting, controlling) has been experienced exponential growth (for example, Oracle, SAP, Microsoft).

Such tools can be applied to almost any company and industry to provide potential of operating efficiency improvement, cost-reduction and more aligned logistics (Yen and Ng 2002), and various packages for electronic handling of quotes, purchases and associated paperwork can significantly reduce manual handling and therefore costs. However, some researches claim that this phenomenon has not been excessively studied by the science, especially in terms of small and medium-sized businesses. Findings of the report made by above mentioned research can grouped in the following items.

- 1 There are no or very low number of truly e-business organizations — mainly because of the selection of the companies made from the Chamber of Commerce list, therefore representing traditional business models and approaches. For the purpose of current thesis work, selection of the companies was made completely different and expected that most of them focus around Internet and have many traits typical for e-businesses.
- 2 Speed of transformation toward Internet and networking technologies, as well as degree of use of such technologies is slower, comparing to the corporations. Therefore, opportunities and functions of technologies are not fully utilized. For example, companies only use web pages on own web site to

promote information about their goods and services, but rarely take advantage of gathering and analysing information from the broader audience they never had before (Banet, Greve, Park 1994). Nowadays situation has not changed a lot, and analytics is mainly performed as a complimentary service for promotion and optimization of web site, outsourced to special agencies. However, generally amount of information is sufficient for an SME to study and make decisions on own performance, this is especially important because utilization of virtual speed of failures as a combination of decisions and consequences leads to greater success (Norburn and Birley 1998).

- 3 Overall recommendation for small and medium-sized businesses to turn to the e-organization methods and tools. With intention of many respondents to continue integration and fusion of Internet and its technologies into their business, such approach will strengthen the advantages of the companies and leverage results.

Another common trend due to the relatively closed ecosystem and market segment is to have a “prototype” of a well-known global player, founded and operating in Russia. From VK often blamed to be a “copy of Facebook” to Avito (similar service as Craigslist), LaModa (alternative to ASOS), Ozon (hypermarket similar to Amazon), and Sapato (selling the same range as Zappos).

Summary

With help of electronic article databases and libraries it is now very easy to get necessary information and sometimes task of the researcher becomes not to get something relevant into the scope but remove something from the scope that could be less relevant than the informational core of the research. Ease of the access to information and its affordability make it easy to harvest so much information that further analysis becomes nearly impossible.

On the other hand, there could be no scientific research without checking the concepts that exist and have been theorized or tested by other researchers in order to form the solid ground and understanding of the subject for the new research.

It is therefore necessary to limit amount of information in terms of time dedicated to reading and analysis, whenever possible formulate clear criteria to check information validity and applicability, set targets in form of desired confirmation or disprove of a theory or hypothesis. Unfortunately, it is rarely possible to do so in the early stage of the report, and therefore review of the requirements are organic during the flow of research.

There is a vast knowledge capital in all three studied areas, explaining many aspects, providing different points of view on the concepts of entrepreneurship, online commerce, and running business in Russia. Modern publications generally support the balance between theories and practices for each concept, for example it is equally easy to find artificial models in entrepreneurship and very practical and useful books with ready to use tools and solutions. Although there were no significant changes in understanding of the role of entrepreneurship in countries with long history of capitalism, for Russia it is a modern history with just over 20 years of experience. This very typical trait also explains why business environment in Russia attracts so many specialist and enthusiasts of emerging markets making their research either too general or deep, but extremely transient due to impetuous speed of changes in the country. Eventually, online commerce being relatively new trend received good theoretical base from European and American researches, as an answer to the growing phenomenon of venture capital and investment, but at the same time taking up much of its contents from traditional areas of business and therefore scientific knowledge of that areas and is generally too practical and based on case studies as a rule.

As expected, theoretical base provides no usable solutions for the purpose of the present work, only giving an idea of the direction of the scientific thought that not always matches the purposes of the author focusing on practical tools and solutions obtained with the help of scientific approach. Therefore author has to develop own theoretical framework for interviews and design of the research, covered in detail in the next chapter.

Because of mixed, synthetic nature of the research theoretical background, it is very difficult to cover them in a completely deep and thorough manner within the boundaries of present paper. Each of the composing topics has a history of pre-

vious researches, some commonly recognized practices and techniques, which alone can be used to make dedicated researches and thus increase scientific knowledge of the phenomenon. This work designed with an emphasis on practical applicability and use, therefore an overview with highlighting main facts and trends, covering the mainstream of the scientific thoughts can be considered as acceptable and sufficient for this style and approach. Besides three covered areas, of course, many others can be also considered as relevant for online commerce in North-West region, for example, deeper analysis of tools and instruments for online marketing and sales could significantly benefit the overall perception of the topic, and history of software solutions could give a very handy knowledge of facts and difference between available solutions. Due to very fast pace of changes and increasing amount of data in the area of information technologies, it was conscious decision to exclude them from the scope of research and author believes, that in other works these topics could get better analysis and in-depth study to identify concealed traits and develop scientific understanding with the help of powerful learning tools and frameworks.

3 Overview of models and concepts

Master's work is not only the practical valuable research on the chosen subject but also a summary of skills that student obtained during previous studies which allow to build the scientific approach and provide answers to organizational issues, providing management "toolbox" for structure and contents. In the process of the research work there are always two important conditions that I consider as most difficult to manage and need to mention:

- 1) Any research work tends either to confirm or disprove the concept formed in the introduction part and theoretical planning, which generally affects the whole key of work.
- 2) The area of unknown being researched based on the model cannot always be revealed without changes to the model during the research itself and working process will include updates to the framework, approach to add or remove.

Therefore, researcher has to build such a structure, which could be flexible enough until the late stages of research to urgently consider additional parameters. Conclusions of the work should therefore include the answers to the following questions and identify a difference between the original framework and the final version based on the real data:

- 1) Have the empirical facts confirmed or disproved the theoretical framework?
- 2) What are the important factors I did not consider in the original mode?
- 3) How I could integrate these factors into my work?
- 4) How to synchronize all data and fill gaps raised by new factors in the data obtained and analysed before it is revealed?
- 5) What are the factors that play a small role in the overall result chosen originally by mistake that should be removed from the final version?

From the review of literature and former researches, it is not yet clear which research model would fit best of all for the purposes of the present thesis. After preliminary planning and based on personal experience of project management, author has developed own framework for the gathering, analysis and systemati-

zation of empirical data. The model includes several elements, each described in detail below.

PDCA design of the empirical part

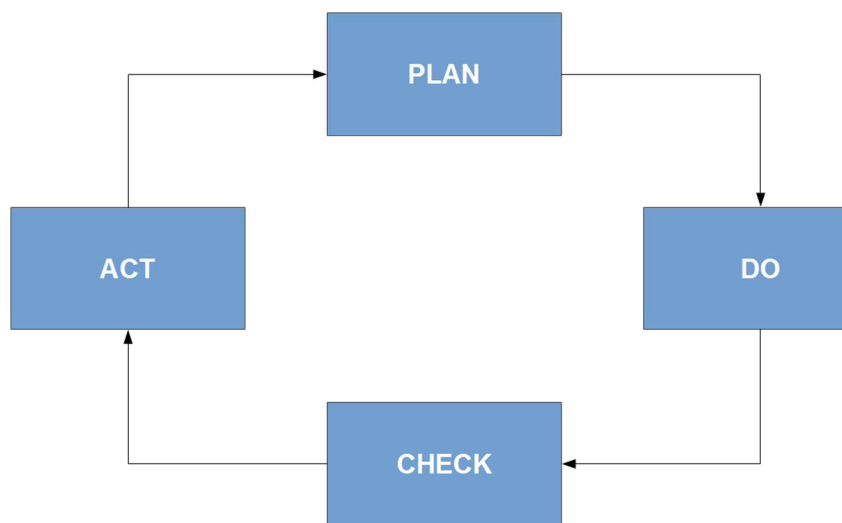
Because of anticipated open nature of interview it was not clear if design of the questionnaire to be unchanged during the interview sessions. If new important aspects revealed during discussion there should be a possibility to introduce them into the research framework and interview design, so that together with increasing understanding of the subject there could be also increasing understanding and continuous improvement of research framework. As researcher does not know if such aspects might appear during the first or during the last interview, structure of research should be flexible enough to unite newly acquired information and facilitate the author to get missing information from previous interview made when this information was not yet available. Such iterative nature of the framework requires its constant checking from meta-position to ensure it has the most comprehensive and up-to-date structure, and regular review according to the PDCA cycle model makes it possible to build updates into the framework.

The abbreviation PDCA, which stands for words Plan, Do, Check, Act is a widely used management method that involves four stages to improve process, product or lead any action to a desired destination. Being developed by Edward Deming and Walter Shewhart, it is quite often referred to as Deming-Shewhart cycle and firmly associated with lean manufacturing technologies and Toyota Production System (explanation of stages below given in accordance to “Toyota IS Business Planning” by Xiang Tjoa 2008).

- PLAN – at the planning stage objectives and desired outputs are defined, usually in the form of a specification or framework. In the case of this particular research work, the specification was to define the difference between assumptions of theoretical framework and practical facts obtained from real business runners and experts in the field of commerce.
- DO – is the most time-consuming stage of actual plan implementation that involves gathering and arranging the information from various

sources, screening, ample reading and note taking. In the case of this particular research work, the stage includes working with article database, libraries, various online sources for concurrent information and statistics, interviews with business owners and experts.

- CHECK – the stage of checking the collected data for its validity and value, deviations from the point of view of theoretical model, and filling the gaps that possibly occur when matching different sources. In the case of this particular research work, the stage includes analytical work, statistics and facts-checking activities.
- ACT – set of corrective actions that have to be undertaken to the research to ensure its validity and that it reaches the desired objectives from the first stage. In the case of this particular research work, the stage includes changes to the theoretical model that helped to understand and assign priorities to divisions and parts of work.



Picture 6. Illustration of reiterative nature of PDCA cycle

On-going feedback during the research and Master's Thesis work is the live stream and valuable source of information for modification of research process and questionnaire design; allowing the research concept and framework to be flexible enough to note the outside signals and adjust the direction. The PDCA model is used throughout the whole research work to guarantee quality and va-

lidity. For the purpose of this particular research PDCA model is used to review and update the research framework after each interview iteration, considering new information.

Balanced scorecard model

Scientific approach born out of systematic logic and order requires having a transparent measuring and evaluation system for the topics being studied. While for completely “black box” areas of knowledge, scientists have to build and prove concepts from scratch, in the practical areas it is possible to either borrow available models or synthesize the new one out of few others commonly used. For any scientific research of a subject that is a mix of other “basic elements” it is possible to build the framework basing on the known approaches in the fields that combine that new subject.

Following Pareto principle, it is important to identify only those factors that give maximum effect to the outcome and is possible to neglect the others. When driving the car, there are hundreds and thousands of variables that occur during the process and calculated by on-board computer automatically so that the driver has not to think of them, but such things as speed, fuel level, and direction, are pre-required to ensure safe arrival to destination in heavy traffic. Therefore, only some of them are indicated at the central console.

The methodology of focusing on the few indicators in business is known as Balanced Score Card and is widely used among managers of manufacturing facilities. Approach to limit artificially the number of indicators to consider allows concentrating attention on the most important issues and processes. It is also typical to group the indicators based on the areas chosen as priority for any given company.

The concept of balanced scorecard was introduced by David Norton and Robert Kaplan in 1992, and right after the publications many companies adopted the concept providing valuable feedback and practical insights to the authors (Kaplan 2010; Kaplan and Norton 2000).

Although there were some recommendations, most companies in their strategic planning and building integrated management systems focus on several designated areas. From author's own experience, there are two models of grouping indicators: SQDCME (Safety, Quality, Delivery, Costs, Morale and Environment) and simplified model SQDC (Safety, Quality, Delivery, Costs) in different variations and abbreviations.

In the case of this particular research work, its subject is located at the intersection of the following main areas: marketing, sales, business development, logistics — all online and offline. Therefore, to build the framework for research topic we have to look at the measuring conventions commonly used in each separate area it touches. Using the same measuring and performance indicators serves the following two purposes:

- 1) Have the same language in the professional area and be able to understand technology and terminology of those working in the field.
- 2) Have the opportunity to compare the values, which professionals operate.
- 3) Have the opportunity to confirm that calculation methods used for those values are the same all over the industry, or at least over the respondents within limits of current research.

In other words, to make benchmarking, it is necessary to identify comparable and reliable figures from the respondents, assuming that they operate in virtually same environment and make calculations following virtually the same methods.

Because the basic areas are widely covered by experts, scientific researches and often their approaches may differ so much that they are nearly contradicting each other, the final selection of the indicators can be made by authors own experience in the area, assumptions based on the literature review and article analysis, and on condition that this selection is also a topic for interview. Checking the framework for validity and feasibility is therefore also an integral part of this research.

Another important factor with online commerce, being studied in the current research is the period being analysed. For all start-ups it is typical to have few resources to arrange proper data mining and data analysis, no motivation to use concepts developed by business schools in reality of everyday business (which is quite typical for entrepreneurs in Russia to follow own practice-based learning curve), and generally low level of business education in the country.

The initial version of the indicators selected by author included the following items:

Area	Indicator
Marketing	Marketing Costs, % to Turnover
Marketing	Estimated Market Value, RUR
Sales	Turnover, RUR
Sales	Gross Profit, %
Sales	Net Profit, %
Sales	Average Value of Sale, RUR
Business Development	Re-investment, % of Net Profit
Business Development	Growth Ratio, %
Business Development	Number of Regions
Business Development	Number of Products in the Assortment
Logistics	Lead Time
Logistics	Service Rate, %
Logistics	Delivery Accuracy
Logistics	Customer Delivery Costs, %

Area	Indicator
Logistics	Stock Value, RUR

Table 4. Initial version of key performance indicators developed for questionnaire of the present research.

Of course, behind quantitative values, there are always plenty of qualitative issues and questions. For example, which market segments the product is aimed, what is the profitability and turnover per each product (quality of assortment judged by ABC-analysis), is business one-brand company or sells different products from different manufacturers, what part of assortment is in stock and what is ordered from supplier on demand, and many others.

In case of the current research, due to smaller size of business units studied and lack of data, this approach has however the following two limitations:

- 1) In some cases indicator is replaced by an area or simply point of control without details that can be measured, but the author is aimed at finding solutions that could give exact calculations for such joint indicators. In cases when there is no acceptable metrics for joint indicators, the recommendations or general pieces of advice from experts and respondents are provided, when possible.
- 2) In some cases indicators are just estimated (or approximated) by the respondents, when they have no exact information about values. It is considered as normal practice and accepted as experts' opinions and assessments.

Original balanced scorecard model from my opinion can be hardly utilized to full extent, but the concept is very easy to understand and accept, especially in the conditions of lack of time that entrepreneurs of course operate in; thus, the offered theoretical model's easement is also tested during the research.

For the purpose of this research balanced scorecard model helps to focus attention of interviewees on the most important aspects and give them an over-

view of indicators to measure business performance, which they can choose from most important ones based on their experiences.

Approach to data collection

The empirical data for the purpose of current research obtained from the interviews with experts and business owners/managers. The general requirement to experts was to have practical experience in launching successful online commerce projects suitable for the purpose of research, and willing to share information.

The specially designed questionnaire used as the basis for the interview, however at least one-third of the discussion is assumed to be in free form and open questions are possible. This approach allows ensuring practical implementation of the above-mentioned PDCA cycle during the research process. With the approval of respondent, interviews are also recorded to save time on making notes, simplify further analysis and ensure information integrity; however, these recordings are not available as materials to this paper due to confidentiality reasons. Some interviews made in person; some interviews made in the form of conference talk over the telephone or Skype. Procedure of checking facts and additional contact with interviewee after processing of the notes used to confirm that figures and data are correct.

There could be that answers obtained from different types of communications can also be affected by the media, but this is out of scope of the current research and all incoming information is considered as equal regardless of the source channel.

The collected data is grouped and analysed with the help of generally available tools like Microsoft Excel, Google Docs, Open Office Calc, to build graphics and make calculations. Standard statistics values and methods are used. Whenever required the framework and questionnaire was updated basing on the incoming information. Any gaps resulting from such updates are filled with information re-checked with the interviewees.

There are three lines of data validation incorporated into the present research mode. Firstly, the sources were originally limited by the concrete characteristics to increase similarity of the selection, for example, selection was made only among companies which are profitable, use Internet as main sales channel, and are located in North-West region.

Secondly, information obtained is cross-checked with experts, other interviewees and over the internet statistics and available researches. For example, experts are asked to provide estimation on the turnover of the business units, and entrepreneurs from similar field are asked to provide estimation on competitor's posture, thus increasing the accuracy of the findings.

Thirdly, where applicable statistics methods of testing were used in order to qualify incoming data for its validity and reliability.

Original intention of the author was to get at least 10 cases with data that proved to be reliable for the purpose of the current research. Sample size is identified by the recommendations from the statistics theory.

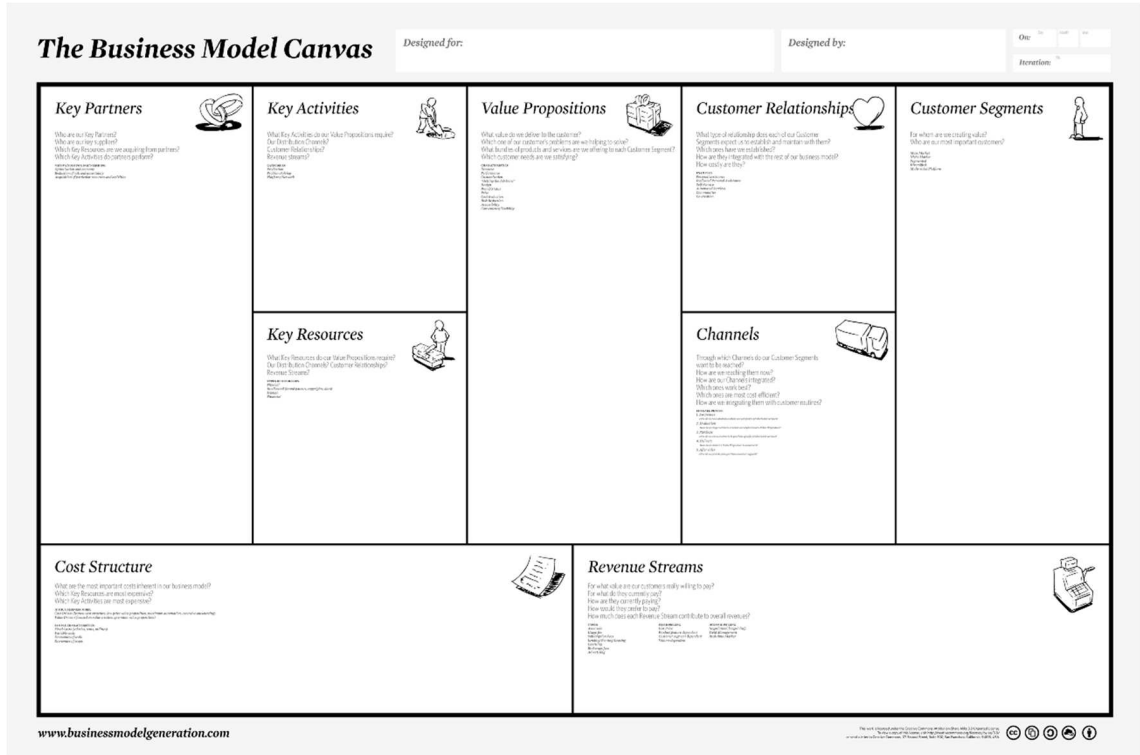
Business model canvas

To keep the “big picture” of the venture and commercial enterprise and for the sake of better understanding of businesses in research author employs business model canvas (Osterwalder, Pigneur, Smith 2010). Business model canvas is a strategic management template that visualizes elements describing company value proposition, infrastructure, customers, suppliers and finance. During the research the author with every interview tried to fill the empty business canvas template with information so that it can be presented in a complete model, and handy visual type of the tool helped to see connections between elements and get better understanding of every part of business concept. Author employed template freely available on the internet, which includes traditional elements:

- 1) Key partners section describes main partners and supplier together with resources and activities performed by partners motivated to optimize relationships, reducing risks and uncertainty.

- 2) Key activities section describes main activities, including distribution, customer relationships and revenue generation, aiming to increase production, find solutions for problems and build sustainable platform and network.
- 3) Key resources section describes main resources for distribution, customer relationships and revenue generation, aiming at provide all necessary resources of all types, including physical, intellectual, human and financial.
- 4) Customer relationships section describes types of relationships established with each segment of customers, their integration into the business model and optimization of costs for such activity, aiming to provide personal assistance, automate interfaces, build communities and involve people into creation of the product or service.
- 5) Channels section describes means of communication used to reach the customers, ways to reach them, comparison of different channels and integration of channels into whole business model, aiming to increase awareness, increase value in eyes of customers, stimulate purchases, establish convenient ways of delivery and provide necessary aftersales routines.
- 6) Customer segments section describes actual group of customers from which company gets most of value and which should be considered as most important, aiming to define own position or niche on the market, and better understand available segments.
- 7) Value proposition section describes actual value that company delivers to customer, what problem it solves, what is particular set of products or services offered for each segment, and better understanding of what customers actually need, aiming to boost performance, ensure that all operations are performed according to the requirements to quality, improve design and usability of the product, promote and strengthen brand, reduce costs and risks, optimize prices.
- 8) Cost structure section describes most important costs inherited into business model, including most expensive resources and activities, aiming to understand financial background of fixed and variable costs, calculate economy of scale and scope.

9) Revenue streams section describes what customers actually willing to pay for, how much and how they do that now, aiming to design the appropriate model of pricing and revenue generation.



Picture 7. Graphical representation of business canvas model (Experiencing Information 2011).

Being visual and universal concept, it could be easily used to “sketch” the overview of each case of business unit and systematically cover all important issues. Integration of the business model canvas required a major update to the performance indicators, therefore the second update of version of the indicator lists was introduced.

As a good example of PDCA cycle approach, the current paragraph was included into the research after the first interviews were made, and required additional communications and even re-design of the process and approach.

Area	Indicator
Partners/Suppliers	Number of Suppliers, #

Activities	Re-investment, % of Net Profit
Activities	Growth Ratio, %
Resources	Stock Value, RUR
Resources	Number of Products in the Assortment,
Value Proposition	Estimated Market Value, RUR
Customer Relationship	Average Value of Sale, RUR
Channels	Number of Regions
Segments	Overview.
Costs	Marketing Costs, % to Turnover
Costs	Purchasing Delivery Costs, %
Costs	Customer Delivery Costs, %
Revenue	Turnover, RUR
Revenue	Gross Profit, %
Revenue	Net Profit, %

Table 5. Updated version of key performance indicators developed for questionnaire of the present research, according to the business model canvas.

List of case studies

Because of the request to keep information confidential, and assuming that publication will become freely available to the public, author follows the business ethics and has replaced real titles of the companies with faceless numbers.

Actual data collected from interviews comes from the owners of online retail stores, acting in business-to-customer segment selling products to end users. It

is important to note that product range and area were different for each respondent and include mobile devices, clothes accessories and gifts.

Besides actual interview data author used variety of experts to gather feedback and perform “internal control” before publication. Expert opinions are incorporated into the research and used to improve accuracy of answers provided by the respondents and cross-check assumptions and hypotheses occurring during the work within research. Such opinions include comments from experts running businesses in internet marketing, product development and business management.

Hypothesis and model of check points

After some time dedicated to learning and research, the author decided to include one additional test model to find out if process of launch of a typical online retail store can be divided into logical parts, preliminary named as gates, each of which can be characterized by exact objective/target and certain success/failure criteria. With this attempt to split start-up process into the stages gives the following advantages and benefit:

- 1) The business model can be formed out of empirical data to be further used as a baseline for new businesses, reducing risks for new entrepreneurs.
- 2) The business model helps to focus on very limited and exact number of indicators at each stage of the launch, thus avoiding less effective work on other areas that might be not relevant to current business objectives.
- 3) Gives a lot better understanding of setting the business model to work in real environment considering the time and dynamics.

The original theoretical model of gates included the following stages:

- 1) Selecting product.
- 2) Selecting suppliers.
- 3) Setting processes.
- 4) Delegating the processes and outsourcing.
- 5) Reaching even-point.

6) Reaching desired growth level.

Obviously, business is only considered as valuable when it shows the growth desired, and before that all investments from owner/manager are considered as costs, which gives us also a clear understanding that cost reduction could probably be the very natural strategy of every start-up online commerce venture.

In some sense, this model reminds the well-known product/business life-cycle model (Daft and Murphy 2010) which traditionally separates life-time into the stages of infancy, youth, maturity and old age, with clear objectives for every stage: maximum growth in turnover, maximum growth in profits, maximum growth in efficiency, restructure and new product launch, — respectively.

Summary of models and research framework overview

In this chapter, the author has covered the overview of the literature on the subject, performing research in every sub-area combining the whole concept of online retail commerce. The framework for the analysis is introduced, as well as the criteria are defined to ensure integrity and reliability of data during the research. The framework chose is designed of the following components:

- 1) PDCA cycle to ensure the development of framework and materials during and within process of research.
- 2) Balanced Scorecard to provide a way to make estimations whenever possible and focus attention of the entrepreneurs on which points have to be measured and controlled during the activity with new online retail business.
- 3) Business canvas model to integrate understanding of the business and develop research tools (mainly questionnaire) so that every necessary area gets enough attention and dedication.
- 4) Specially developed test model of checkpoints of business development to confirm/disapprove authors assumption of typical set of actions undertaken to develop the sustainable business model.

As a result, the design of questionnaire includes many factors and in the author's opinion has become a very handy tool for overall study of the research topic. The questionnaire is designed into several parts:

Part one includes some introduction questions about perception of business success in small business of online retail and stages company took to get successful, thus giving an overview of the way company made from start to the current situation.

Part two focuses on areas of control, with questions aiming to identify risks, vital control zones and areas that can be neglected, including key performance indicator for each part of business model and estimation of their effect on business performance. This part also includes few sub parts focusing on every part of business model with emphasis on strengths, weaknesses, opportunities and threats available for design of product matrix, managing finances, organization of purchasing, managing sales and other important blocks of a successful business venue.

Part three includes additional questions that appeared during the interview and that were not included in the questionnaire by design, but as described earlier following the PDCA model have to be added and considered then with all other respondents.

Part four has a table to record and analyse actual figures from company performance, which can be provided by the interviewees, namely turnover, profit, product range and stock value.

Last part includes research questions from the present master's thesis directly presented to the respondents with requests to provide their professional advice on it in the form of open discussion, as a separate opinion or as a summary of the other ideas shared during the interview.

Full text of a questionnaire is provided as an Appendix 1 to the present work.

4 Empirical research

First of all it is important to note that all respondents besides their answers also had own traits with reaction to the interview. Despite originally planning the questionnaire to save time and limit within 45 or 60 minutes, all sessions went far beyond and even had to be divided sometimes into two parts to complete the whole list with desired accuracy. Because of intentional use of open questions, sometimes respondents covered a few topics within one answer, considering them as related and by this asking the questions supposed to come later in the questionnaire, in this case such questions were passed later during the discussion. Every respondent was provided a short presentation of author and purpose of the research before actual meeting, but everyone decided to spend some time in order to discuss this once again and establish some degree of personal contact before getting down to actual interview questions. All of the discussions were made by means of online conference calls with video, without actual meeting offline.

First question of the interview was dedicated to the perception of successful online store asking them to define the characteristics for a successful venue. Financial indicators were considered as the most important by all participants, but not the only one to be considered; profitability as the main sign was nominated as the universal indicator (not only in percentage value but also in absolute value per sales order) with the focus on an increase of the absolute value of earned profits, followed by turnover as the main indicator for first months of operations. One of the opinions states that the amount of profits allowing the founder to avoid any other employment in addition to the online business can be considered as an even point, and the checkpoint in the correct direction.

Then respondents gave the estimation of stages necessary to be taken in order to properly start the venue. Two different opinions can be designated here:

- 1) Having a detailed business plan with all relevant chapters prepared and calculated before taking into the actions. In this case, traditional chapter of any business research include most important elements such as sales estimation and forecast, measuring risks and methods of avoidance, cal-

ulation of costs and revenue, organization of legal and operational issues, executing surveys to understand buying behaviour and demand.

- 2) Need to test the market and understand if there is a real and live demand for the products being marketed and pass two quick tests: the niche has to be attractive and “comfortable” for the founder and there should be enough requests online for the products from current audience. This approach focuses on lean method to measure the perspective with product or category with help of online marketing tools, which can provide information about total number of requests for product, geography of requests, number and activity of the competitors on the same market or segment, estimate costs for online advertising and promotion. The indisputable advantage of such approach is that the whole idea can be measured (of course with some accepted degree of approximation) within literally a few hours providing enough information to make a decision whether or not it is worth starting. On the other hand, this requires special competences and knowledge of tools such as Google Ad-Words and Yandex Direct, or can be delegated to a professional.

Next part of the research questionnaire focused attention of interviewees on risks and zones of control for every new venue. The trend from the previous question also divides the answers into two groups, depending on the approach. The following possible risks were mentioned:

- 1) Purchasing before selling — investing large amount of money into stock before making any marketing activities or promotions. This is the most emphasized risk listed by all respondents. As start-up companies usually have very limited budgets all participants considered investments to online advertising as more suitable solution compared to buying products to increase service rate to customers.
- 2) Wrong purchasing price — wrong supplier with unfavourable condition will eventually lead to minimal or completely missing margin, when entrepreneur’s costs do not allow him to give acceptable price and increase own profits for further investments or personal spending. With mobile de-

vices, having stock seems to be even more serious problem as they very quickly become outdated and price can drop literally every day.

- 3) Generally large investments without proper understanding of customer consumption patterns and culture, without estimation of market size and sources for traffic of potentially interested visitors. This includes also understanding of main trading platform and search engines available on the market, which can be completely special for particular country or area. For example, one of the biggest aggregators for online stores is Yandex Market, where visitors do not only come to compare products, but also compare offers in local stores and online stores who made shipments from other regions. Entrepreneur should also understand at least basics of context advertising or hire a specialist to setup and run the campaign in two most popular search engines, and publish the advertisements on other popular media like IRR.ru, Molotok.ru, Avito.ru and others. For some special cases, there could also be other places of attraction like communities in social networks or blogging platforms.

Besides the risks, the respondents identified the following zones to be especially important and be under control as much as possible:

- 1) Monitoring of customer demand and efficiency of the advertisements means indirect control on the market situation not only with customers but also with new competitors and special promotions from the companies sharing the same market. All participants and experts conclude that measuring and managing the flow of visitors is the most important and highest priority task for any business selling online.
- 2) Controlling quality of goods and services, ensuring that customer are satisfied and purchased products according to their demands. Because the infrastructure of online commerce has become very developed and people easily share negative experience in their social profiles like V Kontakte, Facebook or Twitter, this point has become second in the list of importance. Because the costs of attraction for a new customer several times exceed the costs required making new deal with loyal customer, this emphasis on quality seems to be logical and appropriate.

In contrast to core zones, respondents were not common is listing the items that can be neglected, however most of them considered excessive attention to details of processes, apprehensions about complexity of legal organization, actual purchasing of products as less important. The logic behind these statements is that subject to enough cash flow and profits, all other issues can be easily resolved.

Considering all these answers respondents were requested to estimate which key performance indicators should be used and have a higher meaning in practice.

Area	Indicator	Overall opinion
Partners/Suppliers	Number of Suppliers,	Considered by majority as less important or not important for all. It is recommended to have at least reserve option in case main source does not have a product in stock and limit number of supplier from the start to avoid extra work with processing their product range and adding to the online store.
Activities	Re-investment, % of Net Profit	Most of respondents indicated that this indicator is nearly never calculated in real practice, however in case of reinvestment, marketing is considered as the most appropriate destination for funds. Because of context, advertisements networks exist, the number of visitors and consequently number of customers increases linearly with increase of budget for this type of promotion.

Area	Indicator	Overall opinion
Activitites	Growth Ratio, %	While some respondents did not pay any special attention to this figure, considering it to be an inherent consequence of proper pricing and increasing investments in promotion, others consider growth rate as one of the main indicators to consider the business goes in the correct direction. One of the ideas was to accept that some of the businesses may not generate profits at all during first year or two, while gaining market share and audience, and in this case increase in turnover might be the foremost indicator.
Resources	Stock Value, RUR	All respondents consider stock value as less or totally not important to consider during the first stages of business.
Resources	Number of Products in the Assortment,	All respondents set low priority for this indicator for the beginning stages. The answer might be simple, when based on previous answers, as in case of proper product and niche selection and marketing campaign any number of products in the assortment could lead to increase in sales. Modern trend and practice is to create so-called "landing page" (a specially designed page on the web

Area	Indicator	Overall opinion
		<p>site where customer "lands" after clicking a link on advertisement) with just one or few products on them. Because nothing distracts attention of the customer such pages also have a very high ratio of conversion of visitors into customers. Average site can have up to 100 items in range, with up to 1000 items or more if they are accessories or supplemental products, or different modifications of same product, but for every assortment the rule "20/80" is valid so that only few products become really locomotives for all sales and generate most of profits and turnover.</p>
Value Proposition	Estimated Market Value, RUR	<p>Market can be estimated by means of surveys or special tools offered by all major sales engines, but depending on the range of products which might be not fixed during the start-up phase and organic growth of the business when more and more new items are added to the range to attract more customers, market estimation provides no valuable information to make decisions or improve the business, therefore this indicator receives a very low priority among re-</p>

Area	Indicator	Overall opinion
		spondents and experts.
Customer Relationship	Average Value of Sale, RUR	Although respondents used different approaches to measure this indicator (either in percentage or in real value) all of them consider this indication as one of most important. Due to high proportion of logistics costs in the final price of goods, average value of sale ensures that they do not exceed the profits earned from every sale.
Channels	Number of Regions	This indicator is closely related to the number of products in the assortment, because focused sales always provide better results and make the growing business easier to manage. Therefore, all respondents indicated the limited number of regions or areas as very important.
Segments	Overview.	All respondents indicated that specific and differentiated marketing strategy is something important to win online sales. Because it is very easy for customer to change tab in browser for another store and consumption model, when customers traditionally search for products not only in one place but prefer to compare offers from several stores for quality, price and convenience, having a clear idea of advantages compared to other

Area	Indicator	Overall opinion
		competitors becomes nearly a survival factor for any small or medium online store. This includes wide range of tools and methods employed to convince the visitor about benefits of this particular seller, provide special offers making purchase more attractive and providing solutions to make the order from web site extremely easy and fast.
Costs	Marketing Costs, % to Turnover	This group of indicators considered as less important by most of respondents. The explanation is simple as most of businesses consider gross profit and usually know their costs for logistics very well (incidentally, some of the entrepreneurs personally do the deliveries from supplier and to the customer, especially when they are located within easy reach of transport or it takes not so much time to arrange delivery and sales in metro station, which is also very typical for cities with large population, especially in Moscow and Saint Petersburg).
Costs	Purchasing Delivery Costs, %	
Costs	Customer Delivery Costs, %	
Revenue	Turnover, RUR	Although most of respondents make no efforts to calculate net profit and mostly operate with value of gross profit or gross margin, all these three
Revenue	Gross Profit, %	
Revenue	Net Profit, %	

Area	Indicator	Overall opinion
		financial indicators were considered as very important in business operations and every respondent could easily remember average figures. Similar to the previously mentioned indicators, some of respondents considered absolute value of turnover or gross profit, instead of percent values.

Table 6. List of key performance indicators developed for questionnaire with summary of estimations made by respondents.

Marketing and product management

Because online retail is in the vast majority of cases is a re-selling or trading business, finding the appropriate product generally means finding the appropriate supplier. Smaller businesses may be closer to the demand and react quickly as decision-making authority is concentrated and often the same person who receives the feedback from market makes decision about product updates. Additionally, most of the suppliers have established the system of notifications about replacement and improvements in the product range. Limited amount of resources may be an obstacle for development, especially if store is forced to keep some own stock to reduce lead-time and win some more customers, especially if products are very expensive.

If something goes wrong with estimation or due to external conditions and sales do not develop as expected, small and medium projects are much easier to exit from. This mobility allows them to test more niches and products compared to bigger players. On the other hand, smaller purchasing volume does not allow influencing greatly on prices from vendors or distributors and takes time to establish relationships, which reduces the speed of change of markets and prod-

uct categories. Usually suppliers specialize in some particular product range, so when an online store changes the product assortment it generally has to look for new suppliers and establish new relationships.

There are a number of tools that help businesses to plan their operations before any investments. As said before, one of the main and most important points of control is amount of sales, that has to be estimated and customers somehow need to be attracted to the web site selling products. All search engines selling context advertising have tools that allow estimating number of requests per every keyword so that an entrepreneur can see how many people were looking for some particular product over the Internet in a given period, and estimate costs of customer attraction. Many suppliers are also open to provide information about top and best-selling articles, as rule “20/80” also works for them. Having information from several suppliers and matching top products entrepreneur can with a very high degree of accuracy plan the assortment matrix of products which supplier sells to other outlets with success.

It is always a question of how to select the appropriate niche, and based on the decision there are two possible approaches: get a market share for a product well known and supported in media by vendor or reseller, select some niche product and get significant market share in category where yet no suppliers or competition is not very severe. Most of cases in the present research follow the first option trying to promote categories and products that people know and are used to buying over the internet.

For second option it takes more time and resources to “teach” the market about the product and involves not purely advertising methods but elements of social media marketing and public relations. For example, manufacturers of unique equipment or product needs to create awareness first, or try to work through some other online resources making them re-selling the product. As all of the respondents operate in the area of selling products available from the suppliers, their range is limited and is affected by the range of suppliers and updates in supplier range traditionally bring to the updates in the range of online resellers.

Finance

All experts and respondents have in common to indicate finance as the highest priority and important area for every business, including small and medium ventures. Certain advantage of small entrepreneurship is that all finance flows are concentrated and management knows real figures about costs, margins and turnover on everyday basis. It does not require special person to make analysis and provide overview of sales performance, and this excludes opportunity of mistakes due to human factor. Using the simplified taxation system also benefits the smaller entrepreneurs as book-keeping costs are missing and therefore not included into price.

On the other hand, thinner cash flows require a very detailed planning and running a reserve in order to be able to purchase products immediately if there is a new order from customer. In addition, as finance requires certain degree of discipline, financial management often becomes a drawback and pitfall for many entrepreneurs. Sometimes a person can get credit from bank on better conditions compared to conditions for legal entities, which can be used a source for urgent financing, but personal responsibility for all finds make it also a disadvantage in case of bad luck.

Despite growing number of electronic payments and transactions, the most popular way of payment in Russia is cash on delivery, which leads to the following important corollaries:

- 1) Cash operations for legal entity require a cash register that affects costs.
- 2) Courier or entrepreneur has to move around the city with significant amount of cash, especially if products they sell are expensive, which can be risky in some regions or areas.
- 3) There is always a cash deficit between moment of order and moment of payment and seller does not get the money immediately at the moment of online order.
- 4) Seller undertakes risks of order cancellation after the goods have been requested from supplier or already paid.

- 5) If supplier does not accept payments in cash but only through wire transfer, there is also delay between the receipt of funds in cash and deposit to the online store account in the bank.

Online payments still considered as less reliable by customers, some people also afraid of online frauds and therefore do not provide personal credentials to third parties or web sites they do not know very well. Although in Russia all companies have to ensure security of personal data according to the law, and online and bank payments are safeguarded according to the world standards and regulated by the state, it will take much time until online payments will get a significant share in the total turnover.

As many stores operate as store front not having actual product in stock, it is not required to deposit large amounts to supplier's account or invest into the stock. Operating funds should be equal to or exceed a little the daily volume of purchases. Despite on-going problems with logistics that such approach inevitably causes, it increases business liquidity and reduces time to response to market changes, as no monies are frozen inside of supply chain.

Purchasing and logistics

As most of experts and respondents admit, finding supplier is generally not a problem, while if a business would like to make better market test and reveal more potential sources this can be done already during the operations. For most of product categories, market has been more or less framed and many stores might be the customers for just few major resellers or distributors. The disadvantage of small business is that just a little pressure (if any) can be applied to the supplier in order to get more favourable price offers, faster and better service and order processing. Some businesses try to find manufacturers and try to work directly to increase margin at the same selling price by excluding the distributor in supply chain, others search for niche products or some branded products of traditional categories from abroad. Latter is typical for a very small amount of businesses who have enough resources to invest into the stock and pay for customs clearance and delivery. On the other hand, they might

have better marginality for products or exclusivity for some brand, which makes additional benefit and diversification option for the seller.

Being a small company is always very good on logistics as company has space and time to exceed the expectations or do some activities not appropriate for bigger businesses with standardized procedures and operations. For example, customer can get order delivered as soon as within few minutes after its confirmation, if the product is available and customer is located not far from the store office and employee has free time to deliver it. Generally, such scheme will not work for bigger traders as they have an approved route for deliveries and it cannot be changed if a new order comes to the company, even if the delivery address can be within easy reach from the current location or direction. The underside of such approach is that logistics is chaotic and always customer-driven. With the growth of company it can be a very hard habit to standardize and change later on.

Emerging trends from last year or two is to join manufacturers or distributors with resellers on the specialized portals (for example, Mixxx.org has created a very efficient tool for supplier and stores dealing with tires and sports equipment).

Traditionally supplier is chosen by the distance from the store location to reduce time and costs for delivery, or enjoy delivery made by supplier whenever possible. After certain time stores traditionally grow up to a value where they can ask supplier to make regular deliveries. Although Russia has the biggest territory in the world, even logistics for regional stores is still a hot topic and causes most of the problems demanding special attention and time. All respondents emphasized that logistics is the area where a lot of optimization can be made in terms of lead-time and quality of service. This is especially the case for sales logistics, where number of destinations and options a lot more compared to purchasing logistics. Most of the stores in Saint Petersburg provide four options to customers:

- 1) Pickup from the company's headquarters (no delivery).
- 2) Arrange courier delivery door-to-door.

- 3) Request delivery through the Russian Post.
- 4) Request delivery to specialized pick up offices of “Postamats” (specialized metal store boxes located in major trade centres or places of attraction).

As mentioned before a separate problem with logistics is that many people prefer to pay for the products on receipt when they have checked the product quality. Therefore, every type of delivery has to have cash operations available and built into the logistics chain, which of course makes it more expensive to run and support.

National post service is another problem, especially with a large number of shipments. Because of low automation and often insufficient qualification of personnel, sending products through Russian Post might become very time-consuming option, with no guarantee that the parcel will safely reach its destination.

Therefore many companies stick to the services of specialized companies arranging courier delivery within city limits, with growing number of shipments, modern technologies and more careful route planning now such services has become very effective alternative to personal delivery or finding a one-time courier.

Sales and after sales

Section of question about sales and attraction of new customers received most of the time during the discussion with every respondent. Obviously it is considered as the most important and vital element of building new retail business online. Unlike offline stores where success is quite often a question of disposition and number of contacts with potential customers, on the Internet everyone can join the competition for any segment, assuming there are enough funds in budget to pay for the advertisements and visits.

Advantage of any small business is opportunity to provide more customer tailored and close interaction, and introduce special value-added solutions for products, target market or customer segments. Small businesses do not employ

economy of scale and therefore each customer has higher value for them. Communication can be made in less formal manner, company can provide greater flexibility about time and place of delivery compared to the business process in large store.

Because small business is also limited in funds to employ better and more expensive consultants to tune marketing campaigns, and do not run trainings to increase selling skills, they often cannot provide same high average level of services and quality. All selling techniques and methods are developed and implemented internally by the founders and without proper experience and understanding of the area might become a serious disadvantage that reduces number of sales.

In my opinion small businesses underestimate the power of focus, trying to serve as many customers as possible while the localized market where they serve customers with easier reach and much quicker, compared to any other competitor. It is nearly impossible to find an online store that focuses on only some limited region and develops business inside of it, not trying to serve remote customers and thus having the same problem with logistics and associated costs.

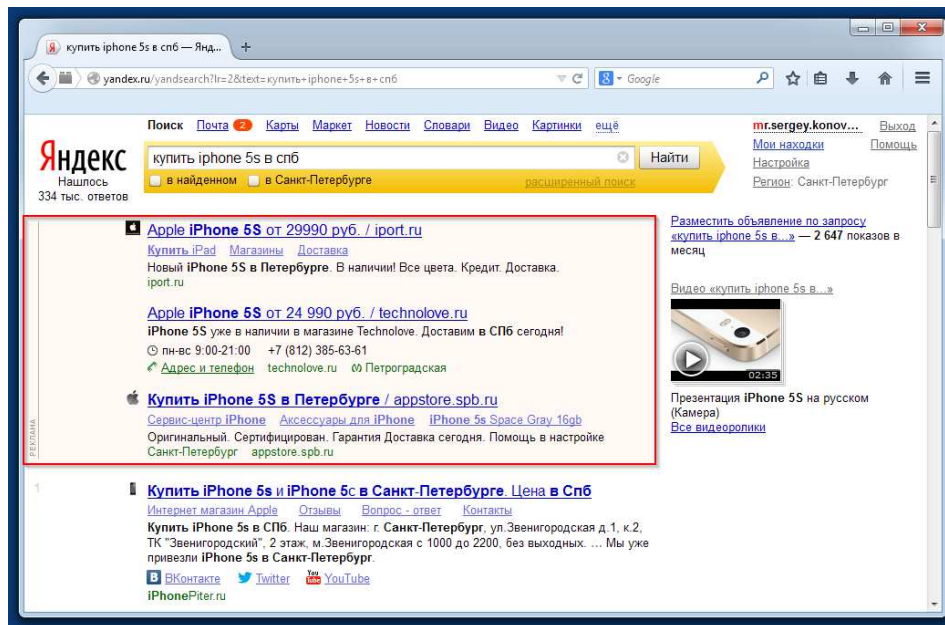
From the technical point of view, there are two main elements of sales process:

- 1) Advertising to generate flow of visitors.
- 2) Web site or page with information about product where customer can make the order.

Among wide range of available promotion methods, which could include even offline leaflets and billboards, there are four tools or channels that now considered as the most efficient to ensure business has enough incoming calls or request for products and services.

Most important and most competitive channel is called context advertising and provided by any search engines, as this is the activity that generates nearly all profits for them. Context advertising is an approach when a customer who is looking for something on the internet and puts keywords for his query into

search engines is given small advertisements about the desired product or online stores who pay for special promotions are listed higher in the search engine results page.



Picture 8. Example of paid advertisement in search engine results page (actual screenshot of Yandex search engine, taken 5 May 2014).

Context advertising is considered as the most efficient by all respondents and experts, as it provide immediate results. New campaign can attract customers to the website within few minutes after the launch, depending on number of request from customers. However, it is required to have certain knowledge of online marketing and how search engines operate in order to make the setting for campaign right. Otherwise, budgets for marketing can be easily spent on the customers who came to the website by mistake and the presented product does not match their expectations. For many businesses context advertising is the only one online marketing tool they use.

Second approach to online marketing is called search engine optimization which is a technique to create and develop text with product description and features in a special manner so that the web site receives high ranks and positions in results page. Usually this approach requires a lot more time, does not ensure that online store will start getting orders immediately and employed at

later stages of business development to naturally improve position in the search engines.

Third approach is probably most popular for micro enterprises of one person trying to sell hand made products or some niche products but turnover and profits as well as lack of competences do not allow them to create web sites and work with advertising campaigns. In such cases social media do a good job, when social network software makes it very easy for any user to create a dedicated page for business, upload descriptions and pictures, invite more people to the page and perform communications. In many cases, individuals run small businesses without any official registration of a venture to test the market for some new products or avoid tax payments. It is relatively easy and cheap to arrange promotions in social networks, where groups with large number of members (hundreds of thousands of profiles) can make promotional publications and place your advertisement within the group, this covering very large audience at reasonable costs.

Another typical sales method is use of public bulletin boards, where Avito.ru and IRR.ru are probably the national leaders doing the job similar to what eBay does for the most of the other markets. Although they are originally were designed to publish private announcements on the secondary market, the platform has grown to a large audience and many small businesses use it as a tool on a daily basis.

Platform called Yandex Market is another very popular resource where people come to compare products and offers from different offline and online stores. Market is probably the biggest database for consumer products available for Russian audience, and it employs teams of specialists who constantly make sure that information about products is always correct and up to date. Any online store can use the available application programming interface to connect their product range and prices to Yandex Market. This is a very efficient method to match the offer to customer requests, when customer is visiting page for some product with detailed description and gets all available offers for this product from all stores connected to the system. The drawback is that there

could be hundreds of available offers, quite often sorted by price and therefore competition is especially strong there.

When it comes to creation of an online store as a software-driven web site or landing page, most of entrepreneurs stick to solutions available for free, design and develop own platforms or use specialized services to build online stores.

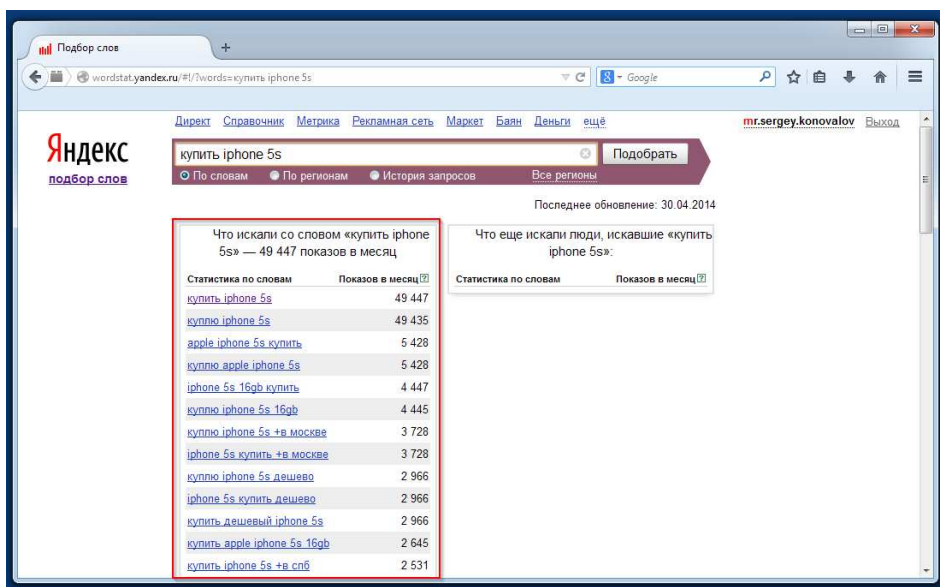
Free solutions include, for example software from Prestashop.com, Open-cart.com, Joomla.com and many others. Because these solutions have a long history, most of them are quite suitable for the beginning, although require some technical knowledge to set up and configure. Own design and development has been a trend for many years and now is replaced by another trend to use free or paid software solutions to reduce costs and time consumption in early stages of business.

Eventually last approach involves use of specialized services that make it possible to create an online store without any technical knowledge but by means of specialized software. Insales.ru, Wix.com, Storeland.ru, Advantshop.net, Shop-Script.ru and many others provide hassle-free ways to create and improve online stores for average users, taking technology to the back-office and providing clear and easy interfaces.

Marketing and segmentation

All respondents emphasized that having a clear marketing strategy and understanding of customers and their needs is the leading task for any new online business. Without proper understanding of customer needs it is impossible to create the supply to match demand in terms of product compliance, place of delivery, adjusted price and correct way to promote the products. Fortunately, search engines easily provide figures that can become the basis for planning and estimations, allow filtering request by region, finding related keywords and checking average price per click on an advertisement. Even without having any online store, entrepreneur already can have a broad picture of market situation and competition in product range or segment.

The leader in this segment is Russian company Yandex LLC, with service Yandex Direct having about 70% market share according to recent analytics of eLama.ru, with Google Ad-Words having about 1/3 of the market. Unlike many other markets where Google dominates in this segment, in Russia Yandex has very strong position with its well-developed network of solutions for advertisement, large pool of specialists and customers who have been working with system since its foundation, and what is more important the larger share of daily audience, compared to Google. Therefore, it is necessary to gain skills of working with both context advertisement systems in order to succeed in Russian market, and companies using Google as the main selling tool and trying to penetrate market with current skills will only cover about 30% of the total market size.



Picture 9. Example of keyword statistics from Yandex Direct, which allows making estimation of demand for a particular keyword (actual screenshot of Yandex Direct page, taken 5 May 2014).

As stated by respondents earlier, this marketing research either in form of surveys and detailed business plan or in form of general overview using tools provided by search engines before any investment into development of trading platform (web site, social media community or specialized service subscription). In fact, no matter how smooth the process of placing, processing and delivering

of order will be, if the demand is not strong enough, it will not lead the new business to success.

Because for a customer it is very difficult to compare several offers that seem to be similar, differentiation comes into force and proper emphasis on benefits helps to distinguish the business from the majority of the other competing offers. According to experts, every online store or landing page for a single product should be designed according to usability and marketing principles, providing enough of quality information for customer to consider the product as acceptable, showing benefits, guarantees and feedback from other customers to increase conviction about online store reliability, and give customer a clear direction for further step, for example large "Purchase" button or solutions to contact with selling party immediately. Creation of the online stores involves large number of tricks from psychology, theories of composition and design, findings from behaviour analysis and many other areas, which are beyond the scope of current work.

Internal processes

Most of the respondents demonstrated low interest in this category of indicators, assuming that for start-up stage they play no important role compared to sales and finance. It is typical to use generally available tools like spreadsheets to track all necessary information, without focus on selection of platform or additional software. Because number of sales is not very high in the beginning, the owner or manager can handle all related information without any additional tools. This of course can lead to mistakes due to human factor, like forgetting something or making the wrong operation and in most cases information is very difficult to collect and analyse (which is often the reason why many decisions are made on personal assumptions or beliefs and no analysis made at all), but generally considered by respondents and experts as acceptable price in favour of lower costs and higher speed of start-up. Entrepreneur finds the optimal way of processing orders during the actual work, and later on if business grows fast, this knowledge can be very useful when selecting new IT platform for business, because there is already a clear understanding of requirements to such platform. The overall opinion from the respondents is that quality of internal pro-

cesses can be neglected until some point of business development, and no special tools can be recommended to carry out standard operations.

Other factors

All respondents indicated that for early stages, personality of an entrepreneur plays important if not topping role in the success of the company. Because many operations are made internally, owner and founder should possess several skills and traits that could help him find solutions in uncertain situations and specific knowledge of technologies and selling techniques adopted for internet. Like any small enterprise, new online store is heavily affected by market situation and this confirms the importance of focus on customer needs before taking any further actions. Many respondents considered initial funding and investments as less important issue, as in case of proper marketing efforts and correct definition of demand and customer needs, these investments can be organized in the form of credit or borrowed resources.

In contrast to expectations, not one of the respondents provided actual figures of company performance, partly because it was not possible to gather such data without tracking, and partly because of confidentiality issues. Therefore, that whole part of the interview questionnaire passed by as there was no opportunity to analyse actual metrics for the beginning of operations. This is partly compensated by comprehensive overview of performance indicators described earlier in this chapter.

Answers to research questions

Having all discussions analysed and compressed into the collective opinion, it is now possible to provide answer to the main questions of the present research, as a bottom line for the all previous theoretical and practical work.

Common opinion about regional limitations or preferences was confirmed from interview, however its importance was originally exaggerated in hypothesis of the current work and logistics should be considered as a supplementary function with respective amount of attention. In most cases, experts and interviewees considered logistics (both purchasing and sales logistics) as an area with-

out any special focus, being just one of many elements of business process. Common principles, tools and approaches seem to be similar for all regions also in other parts of the country. Other elements of infrastructure also considered as less important compared to understanding of customer needs and selling tools to meet them.

Online sales is a completely all-sufficient industry with own terminology, common tools and market landscape. It is therefore especially important to understand the background of processes in order to make right decisions and utilize resources to full extent. Like in any other sphere, professionalism or at least above than average understanding of the area of electronic commerce may be a considerable competitive advantage during the start-up of new selling company or running a new product. Provided the knowledge and experience in work with industry specific tools and solutions, planning and execution of project can be done with controlled risk and with clear vision.

All respondents emphasized the importance of preliminary research for product demand, available selling channels, consumption models and marketing planning before actually undertaking any actions. This approach seems to be a universal advice to increase liquidity during take-off of the new business and avoid extra costs and investments into the product without clear understanding about further distribution. Although respondents offered different approaches to such analysis, ranging from overview of data from main selling platforms and estimations from search engines to detailed business plans and surveys, they all aim at eliminating extra actions that might be not necessary, or even harmful. This first stage provides the answer to the question if there is a demand for the products company is willing to sell and what will be the costs of contacting potential customers through the desired channels.

Second important point focuses attention of entrepreneur on building sales process that will be maximizing conversion and average order value. This includes proper design of the online media, including text of the advertisement, design, and usability and user experience of web site, landing page or community in a social network. Differentiation and unique value proposition should be crafted

and thought through very carefully to win the competition and help customer to distinguish company offers from others.

At last, the finance is in the core of all this business, so entrepreneur should be especially careful with pricing so that profits from sales cover the operational costs, which are very difficult or not possible to track during the beginning of operations when no customer relations, sales tracking and resource planning software is used and no actual data is collected. Once sales channels are established and start working, increase of the profitability becomes the most urgent issue.

As a short resume and as an answer to the main question raised by current research, the essential factors to launch a successful online retail business in Russia include the following steps:

- 1) **Make preliminary research and estimation** — with help of tools and available information increase understanding of demand for the products, actual needs of the customers and competition.
- 2) **Focus on sales** — with help of all available channels and means of communication to increase number of visitors and increase conversion rate. Do not waste much time on other elements of business model, such as purchasing or infrastructure, unless you gain the turnover and move to the next phase of sustainable development.
- 3) **Watch your actual profits** — combining less profitable and more profitable products, providing value added services to complement the products, consider profits earned from every sale to increase earnings from every customer and keep the costs at lowest level possible.

5 Conclusion

The present work has covered the phenomenon of starting online retail business in North-West region of Russia, including the overview of the background for topic selection, analysis of scientific researches that have been made in overlapping areas of entrepreneurship, running business in Russia and online commerce, design of a special model for interviewing based on many well-known techniques and methodologies and eventually a compilation of opinions from experts and respondents working in the field.

In my opinion, the amount of information collected and the depth of feedback from respondents allows me to state earnestly that the recommendations from the resume of empirical part of research are very practical and provide the impartial conclusion of focus areas that determine the overall success for new businesses in online retail.

The design of research framework can be considered as acceptable with several comments regarding each model employed:

- 1) Use of PDCA model helped to make the research “live” and very flexible from beginning. During the process of work, author many times made updates to design of questionnaire and re-arranged the materials as the understanding of the phenomenon was increasing.
- 2) Business model canvas helped to make the research more aligned, justified and organized. Because the model itself is very comprehensive, so the materials gathered and analysed are too, at the same time through the whole process of research there was a clear structure that helped to collect and keep information to relevant aspects.
- 3) Though use of balanced scorecard was originally nominated to be the main element of research framework, lack of actual figures made this approach less effective and it was mostly used to identify key performance indicators and estimate their weights, not trying to formulate some average and recommended values. On the other hand, having the assessment of each indicator from interviewees helped to confirm the idea of focus and such scores as low stock value, average value of sales,

gross profit, marketing costs and focus on benefits and differentiation of the offer no doubt help to reinforce findings of the empirical part.

- 4) Hypothesis of checkpoints, or separate operations necessary during the process of creation of new business did not find the confirmation from actual data and respondents' opinions. Some consequence of actions indeed exists, but it is not according to the list assumed in the research framework and there is no regular succession from step to step, as many operations are made simultaneously during the very intense period of launching new business.



Picture 10. Offered model of key performance indicators for new online retail businesses.

Current work could be significantly enriched by some actual data and figures, but due to several reasons it was not possible to gather such information and analyse it for the benefit of research; research turned out to be qualitative instead of quantitative, but on the other hand the state of art confirms the opinions

from respondents that all areas not directly connected with sales and marketing have less priority and therefore it can be that they are not tracked at all.

Besides that, the research makes now possible for other experts to consider further and deeper analysis of at least two topics that deserve a separate study and understanding:

- 1) Improve scientific understanding of the current state of industry for tools used in area of online sales and marketing. Although it is an ever-changing sphere with large number of innovations, it is very interesting and important to find out which tools for what reasons and with what degree of efficiency are used to support entrepreneurs and provide them reliable data for making the decisions.
- 2) Improve scientific knowledge of the current state in area of customer behaviour online, with analysis of currently used tools and models, approaches and techniques that help to increase customer response to selling materials and improve conversion rates for selling web sites and pages. From the information and opinions of interviewees and experts within the present work, it is clear that many of the tools were borrowed from traditional marketing models, but there are also specially designed recommendations and best practices that help to improve efficiency of marketing activity online.

The author therefore hopes that this justified research will be not just a step towards better knowledge of the phenomenon but also provide practical hints for real entrepreneurs in their approach to create new successful online retail businesses in Russia.

6 List of references

- Aidis R. , Korosteleva J. , Mickiewicz T. (2008). Entrepreneurship in Russia, Center for the Study of Economic and Social Change in Europe.
- Bain C. (2007). Entrepreneurship in Russia: Patterns and Problems of Its Development in the Post-Soviet Period, Doctor Degree Thesis, Department of Central and East European Studies, University of Glasgow.
- Cornwall J., Perlman B. (1990). Organizational entrepreneurship. Richard Irwin Publisher.
- Daft R. (2010). Organization theory and design. Cengage Learning.
- Data Insight (2013). E-commerce market review.
- Dinges N. (2013). Managing sales on an online store.
- Djankov S., Miguel E., Qian Y., Roland G., Zhuravskaya E. (2005). Who Are Russia's Entrepreneurs, Journal of European Economic Association.
- Dragneva R., Wolczuk K. (2012). Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry, Chatham House.
- East-West Digital News (2010). Forecast for Russian e-commerce market growth 2010—2025. <http://www.ewdn.com/e-commerce/insights.pdf>. Accessed on 10 March 2014.
- East-West Digital News (2014). E-Commerce in Russia: what brands, entrepreneurs and investors need to know to succeed in one of the world's hottest markets 2014.
- Ecommerce Europe (2013). Europe B2C Report 2013.
- Eijvertinya L. (2013). The Russian E-Commerce Market: Development & Trends. Center for New Media and Society. New Economic School.

eLama.ru. Context advertising in Russia: year summary, trends and perspective. <http://blog.elama.ru/post.php?id=16661248>. Accessed on 26 April 2014.

Ernst & Young (2011). Doing Business in Russian Federation in 2011.

Experiencing Information Blog. Business Model Canvas template, http://experiencinginformation.files.wordpress.com/2011/07/business_model_canvas.png. Accessed on 22 October 2013.

EYGM (2013). The Power of Three, Russia Country Profile 2013.

Health and Safety Executive (2013). Plan, Do, Check, Act: an introduction to managing health and safety 2013.

Henni A. of faberNovel, East-West Digital News 2011. E-commerce in Russia: Situation and Perspectives.

Holcombe R. G. (1998). Entrepreneurship and Economic Growth, The Quarterly Journal of Austrian Economics.

iAdvisory Singapore (2013). Ride the growing wave of Russian online retail.

J'son and Partners (2013). E-commerce market in Russia.

Kaplan R., Norton D. (2000). The Strategy Focused Organization. HBS Press.

Kaplan R. (2010). Conceptual Foundations of the Balanced Scorecard. Harvard Business School.

Kearney A. T. (2013). The 2013 Global Retail E-Commerce Index.

Kim B-Y. (2010). Informal Economy Activities and Entrepreneurship in Russia, German Development Economics Conference.

Klochkova A. (2003). Psychological specificity of contemporary Russian entrepreneur as competitive advantage, Saint Petersburg National Research University of Informational Technologies, Mechanics and Optics.

Kommerskollegium (2012). E-commerce: new opportunities, new barriers. A survey of e-commerce barriers in countries outside the EU.

KPMG (2012). Doing Business in Russia: Your Tax and Legal Lighthouse 2012.

Lonkila M. (2011). Networks in the Russian Market Economy, Palgrave Macmillan.

Lumpkin G., Dess G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*.

Miller D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*.

Minniti M. (2007). *Entrepreneurship: The Engine of Growth*, Volumes 1-3, Praeger Publishers.

Niven P. (2008). *Balanced Scorecard for Small & Medium Sized Organizations*.

OECD (2012). *Financing SMEs and Entrepreneurs 2013*.

Organization for Economic Co-Operation and Development (2013). *Entrepreneurship at a Glance 2013*. OECD Publishing.

Osterwalder A., Pigneur Y., Smith A. (2010). *Business Model Generation*. Self-published.

Parker S. C. (2004). *The Economics of Self-Employment and Entrepreneurship*, Cambridge University Press.

Parker S. C. (2005). *Extraordinary Entrepreneurship: the Professional's Guide to Starting an Exceptional Enterprise*, John Wiley & Sons.

Pearson B., Thomas N. (2004). *The Shorter MBA*. Profile Books, Alpina Business Books.

Pennanen H. (2009). Drive Your Idea to Entrepreneurial Success, Master Thesis, Jyväskylä University.

Price Waterhouse Coopers (2011). Finding the Future Online, E-commerce trends in Russia.

Rautavirta T. (2012). One in a Million — Experimenting Entrepreneurship. Master's Thesis. Kymenlaakso University of Applied Sciences.

Rohm H. (2008). Using the Balanced Scorecard to Align Your Organization. Balanced Scorecard Institute.

Russian Newspaper (2014). <http://www.rg.ru/2014/02/03/posilka-site-anons.html>. Accessed on 25 February 2014.

Slevin D., Covin J. (1990). Juggling entrepreneurial style and organizational structure – How to get your act together. Sloan Management Review.

State Statistics Committee (2007). GRP per capita in different regions of Russian Federation. http://www.gks.ru/bgd/free/b01_19/iswww.exe/stg/d000/dusha98-07.htm. Accessed on 10 March 2014.

State Statistics Committee (2014). Population density of Russian Federation per region. http://www.gks.ru/perepis/tab1_1.htm. Accessed on 10 March 2014.

Steen A. (2000). Decision-making in Russia: from Hierarchy to Networks, University of Oslo.

The EU-Russia Review 2008. EU-Russia Center.

Tjoa X. (2008). Toyota IS Business Planning: All About Plan-Do-Check-Act. Vrije University.

U.S. and Foreign Commercial Services and U.S. Department of State (2012). Doing Business in Russia: 2012 Country Commercial Guide for U.S. Companies 2012.

Verkhovskaya O., Dorokhina M. (2012). National report “Global monitor of entrepreneurship in Russia in 2012”, Higher School of Management, Saint Petersburg State University.

World Bank Databank (2012). Russian GDP per capita in US Dollars. <http://data.worldbank.org/country/russian-federation>. Accessed on 15 February 2014.

World Bank Databank (2012). Number of fixed broadband Internet subscribers in Russia, in millions. <http://data.worldbank.org/country/russian-federation>. Accessed on 15 February 2014.

World Trade Organization (2013). International Trade Statistics.

Yandex and GFK (2013). Research of Russian Audience Buying Online.

Zelmanov I. (2011). How to Bring Your Business Online.

Zhao F. (2006). Entrepreneurship and Innovations in E-Business: An Integrative Perspective, Idea Group Publishing.

7 List of tables

1. Table 1. Short list of questions applicable for the purpose of current research, p. 16-18
2. Table 2. Estimation and calculation of overall weights for research questions from short list, p. 19-24
3. Table 3. Terms and definitions used in the present research work, p. 26-28
4. Table 4. Initial version of key performance indicators developed for questionnaire of the present research, p. 48-49
5. Table 5. Updated version of key performance indicators developed for questionnaire of the present research, according to the business model canvas, p. 53-54
6. Table 6. List of key performance indicators developed for questionnaire with summary of estimations made by respondents, p. 61-66

8 List of pictures

1. Picture 1. GRP per capita in different regions of Russian Federation (State Statistics Committee 2009), p. 7
2. Picture 2. Forecast for Russian e-commerce market growth 2010—2025 (East West Digital News 2010), p. 8
3. Picture 3. Population density of Russian Federation per region (State Statistics Committee 2011), p. 9
4. Picture 4. Russian GDP per capita in US Dollars (World Bank Databank 2012), p. 34
5. Picture 5. Number of fixed broadband Internet subscribers in Russia, in millions (World Bank Databank 2012), p. 34
6. Picture 6. Illustration of reiterative nature of PDCA cycle, p. 45
7. Picture 7. Graphical representation of business canvas model (Experiencing Information 2011), p. 53
8. Picture 8. Example of paid advertisement in search engine results page (actual screenshot of Yandex search engine, taken 5 May 2014), p. 73
9. Picture 9. Example of keyword statistics from Yandex Direct, which allows making estimation of demand for a particular keyword (actual screenshot of Yandex Direct page, taken 5 May 2014), p. 76
10. Picture 10. Offered model of key performance indicators for new online retail businesses, p. 82

Appendix 1. Design of interview questionnaire

PART 1: STAGES

What is the evidence that you can use to judge an e-store to be successfully launched?

What stages would you differ in the process of starting up an e-store?

PART 2: ZONES OF CONTROL

What are the risks for start-up e-store?

What are core control zones?

What can be neglected?

What are main key performance indicators (KPI)?

What are business current performance metrics (according to the table below)?

Area	Indicator	
------	-----------	--

Area	Indicator	
Partners/Suppliers	Number of Suppliers, #	
Activities	Re-investment, % of Net Profit	
Activities	Growth Ratio, % Note: % compared to previous period (month or year), maximum possible number of periods to consider.	
Resources	Stock Value, RUR	
Resources	Number of Products in the Assortment, #	
Value Proposition	Differentiation and marketing strategy, unique selling point.	
Value Proposition	Estimated Market Value, RUR	
Customer Relationship	Average Value of Sale, RUR	
Channels	Number of Regions <i>Note: only actually marketed and shipped.</i>	
Segments	Exist in marketing strategy (yes/no), and list them if the answer is "yes".	

Area	Indicator	
Costs	Marketing Costs, % to Turnover	
Costs	Purchasing Delivery Costs, %	
Costs	Customer Delivery Costs, %	
Revenue	Turnover, RUR	
Revenue	Gross Profit, %	
Revenue	Net Profit, %	

MARKETING / CHOICE OF NICHE / PRODUCT MANAGE

+ select three most important

	Positive	Negative
Internal		
External		

What tools, solutions, and services you would recommend to reduce risks of start-up e-store and increase efficiency?

How do you choose the niche for your e-store?

What are main metrics and key indicators you would use to choose niche?

How you add/remove the products into the range?

FINANCES

+ select three most important

	Positive	Negative
Internal		
External		

What are KPIs you would offer to manage finances for start-up e-store?

Estimation of use of different payment methods?

Is there some operating funds you need to reserve?

How did you find resources to start first purchase?

PURCHASING / SOURCING / WAREHOUSE / LOGISTICS

+ select three most important

	Positive	Negative
Internal		
External		

How do you find suppliers?

How do you arrange logistics from supplier?

How do you arrange logistics to customer?

How you make your purchasing prices favourable?

SALES / AFTERSALES

+ select three most important

	Positive	Negative
Internal		

External		
-----------------	--	--

What selling tools you use?

What is degree of returning customers?

Who are your customers / is there a segmentation?

Do you contact customers after sales (with new offers or get feedback)?

What if there is a quality claim? What is the process and logistics?

Do you make any special promotions and how you make them?

HR / INTERNAL PROCESSES / IT PLATFORM / ANALYTICS

+ select three most important

	Positive	Negative
Internal		
External		

What is the IT background of your work?

What is the system that helps you to track purchases / sales / taxes?

How you make analytics?

What are core internal processes you could distinct in work?

PART 3: OTHER FACTORS

How entrepreneur's personal traits affect business performance?

How an entrepreneur makes funding for his business?

How much business is affected by market situation and what you do about it?

What advantages in technology do you have against competitors?

Tell a bit more about market infrastructure for your products?

Tell what processes have to be especially carefully tuned for the success?

What are other factors that from your opinion would affect success and performance of new online retail company?

PART 4: QUANTITATIVE

MONTH	TURNOVER	PROFIT	PRODUCT RANGE	STOCK VALUE
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

MAIN RESEARCH QUESTION

What are the essentials in starting up a successful online retail business in North-West of Russia?

SECONDARY QUESTIONS

What are core elements of organization of a successful small business in online retail?

What are requirements for infrastructure (including offline)?

What are main risk zones and tools to control them?

TERTIARY QUESTIONS

How to select appropriate niche?

How to estimate niche's capacity and develop strategy for product?

What are the main effective selling tools in online marketing?

How an entrepreneur can get them under control?