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Challenges of cross border e-commerce

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## ABSTRACT

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A current thesis is commissioned by Oulu University of Applied Sciences as a part of preparatory project Karelia ePro Micro funded by Karelia CBC programme. The project is executed in cooperation with project partners from Petrozavodsk State University and Lapland University of Applied Sciences. The tasks given by the project includes the interview the entrepreneurs and conclude a survey as well as analysis of the data and concluding the results.

The purpose of this thesis is to recognize the challenges that are concerning Finnish entrepreneurs with and without experience of selling on a Russian market. In addition, the thesis portrays possible suggestions to overcome the challenges through the results of an interview and a survey. The topic focuses especially on e-commerce ecosystem and its processes. The thesis provides the basis for discussions and suggestions related to the challenges of Finnish entrepreneurs. The survey results can be used to familiarise with the considerations of the entrepreneurs and create a social discussion and perhaps consider possible ideas of further researches.

This study is based on mixed method approach. A combination of qualitative and quantitative data has been collected by interviewing Finnish entrepreneurs using open-ended questions that is guided by the questions from the online survey. The survey focuses on e-commerce topic, however, the participants without e-commerce are also regarded and surveyed about challenges and obstacles on a Russian market. The survey and the interview are used to collect experiences, and expectations of the Finnish entrepreneurs on the Russian market. The results are meant to give an overview to the reader about the main challenges that brought up by the interviewees.

The research question "What are the concerns and challenges on a Russian market from the point of view of a Finnish entrepreneur?" can be concluded that there are various of different types of concerns among the survey and interview participants. Most mentioned challenges are lack of resources, lack of knowledge about selling on a Russian market, language challenges and other markets are seen to be more important than Russian market, related to different viewpoints. In addition, political aspects were also mentioned by some companies.

To overcome the challenges of the Finnish entrepreneurs it is important to listen to the challenges related to the operations of the Russian market and implementing preventive actions based on the demand. The support and related training can then be provided for the entrepreneurs by the support services. The supportive involvement in the processes provides an opportunity to enable the entrepreneurs to begin selling on the Russian market independently. The other possible way to overcome the challenges is to outsource the processes to the company that provides the outsourcing services. In further research, the topic should be studied more from the point of view of a buyer, in this case, a Russian customer.

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Keywords: E-commerce, ecosystem, Russia, Finland, challenges,

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# 1 INTRODUCTION

In a race of e-commerce utilization of small and medium size companies, besides the Finnish potential in digital technology, it is integration of online selling yet has a lot potential to grow. According to Digital Economy and Society Index (2019) Finnish country profile concluded by European Commission, comparing to other SME's, amount of small and medium size companies selling online has grown 3% since 2016. Out of all SME companies, only 6% has sales abroad. That means that there must be actions taken in case the online sales to grow, but what can improve the competitiveness of Finnish enterprises? Perhaps, the cross-border trade between Finland and Russia could be an opportunity. It is also important to discover how to make cross-border trade to be less of a challenge for the entrepreneurs. These include especially micro, small, and medium size companies who need the opportunities to grow. First step is to identify the complexities of the industry. The topic has been also researched earlier in general on a national scale as subject has been studied by Finnish-Russian Chamber of Commerce twice in a year for almost 20 years (FRCC, 2019). Constant development of technologies, solutions and logistics become more advanced and convenient to use by the time which attracts and encourages new entrepreneurs. Increasingly, companies are willing expand their businesses into electronic commerce. However, with new opportunities comes new challenges for an entrepreneur especially on foreign markets.

Aim of a thesis is to find out problems and challenges that Finnish company should take into consideration before and during the operations on Russian market. The purpose of the thesis is to provide information for the entrepreneur or other individual that is interested in this topic. This thesis provides the survey results on a current situation of experiences, expectations of doing business on a Russian market from the view of different aspects related to e-commerce ecosystem that Finnish entrepreneurs encounter in Oulu area. The purpose of the thesis is to find the challenges that occur during the internationalization process and in future works, find a solution to help new businesses to widen their business abroad online. In addition, thesis benefits the further research on a subject to resolve the challenges according to the topic.

## 1.1 Research method

In the data collection, the mixed combination of qualitative and quantitative methods has been used. The research main methods are an interview and web-based survey for the companies from where the answer to a research question is aimed to be found. The data collecting methods has been customized to fit various of respondents resulting in efficient way to collect study-related responses. Interview consists of semi-structured questions related to company's views and/or experiences about doing business on a Russian market or with a Russian client. The aim of the interview was to support the survey in more depth including the experiences and cases that is revealed in more detail than in the survey. As the e-commerce presence is not required in order to participate in an interview, the overall above-mentioned points of interest are discussed. For example, if the company has experience in working on a Russian market, the conversation is leaded to more detailed questions related different problems in defined topics in the survey. I have chosen a current approach to identify the concerns and challenges that hinder in perceptions of Finnish entrepreneurs in more depth.

Besides the interview, I have also concluded an online survey for companies to participate in. By using these methods, several responses are achieved. The reason why the online survey is concluded is to get more responses about Finnish entrepreneur's experiences or expectations. During the collecting of the data through the interview it is also noticed that surveyed companies did not have enough practical experience of doing e-commerce on a Russian market which is important for the validity of the research. It led to the decision to use more in-depth approach. The reliability of the data collected in the survey is based entirely on entrepreneurs' individual perceptions. The significance of the challenges is measured by collecting highest, most frequently occurring variables from the scale from one to five are then concluded top, most outstanding challenges occurred in the replies.

The interviews were analysed in a way that the conversation with the participant is recorded after which they are transcribed into the separate files and the challenges of the entrepreneurs are validated from the text. The challenges are then divided into the framework of the survey problems and the most frequently repeating challenges of the entrepreneurs are then listed in the order of significance. Also, the challenges that were not considered beforehand, are listed separately, and mentioned also in outcomes.

The content validity is based on a different area of e-commerce; therefore, the questions have been formulated in the way that it covers e-commerce ecosystem. The sample group did not necessarily require the e-commerce presence for the participating companies in the interview. This can be explained in a way that the challenges of the enterprises can hinder not only in the e-commerce ecosystem but also, they can be cultural, lingual, macroeconomic, or political.

As the survey misses the context of the possible factors, the interview has been a support to the survey providing more depth to the results. Also, interesting new points has been discovered through the interview that were not mentioned in a survey. Literature has been used as a theoretical framework to the thesis. For instance, scientific journals, related books, and publications are used to give a theoretical base to support the thesis. The literature is chosen to be as relative and up to date.

## **1.2 Research focus**

A research survey is limited mainly on Finnish, especially in Northern Finland located, small and medium size companies. Thesis focuses mainly on Business to Consumer type of businesses, however Business to Business e-commerce is also taken into account considering only similar features related to the topic. My main research question is "What are the concerns and challenges on a Russian market from the point of view of a Finnish entrepreneur?".

Primary focus of this study is to search for the existing problems and concerns that Finnish entrepreneurs are having on expanding to the Russian markets. As the actual cross-border experience is not required, the study focuses also on the expectations or challenges that obstruct these companies to begin their business across the border. Also, a current business relationship between countries, research the environment and development of Finnish e-commerce ecosystem is included in this subject. Likewise, Russian as a consumer behaviour will be taken into account as well as tools and management systems and processes of e-commerce. With this thesis I would like to consider the possible solutions to the existing problems based on the survey results and activate social discussion that is related to the topic.

### **1.3 Commissioner and motivation**

A current thesis is commissioned by Oulu University of Applied Sciences as a part of preparatory project Karelia ePro Micro funded by Karelia CBC programme. The project is executed in cooperation with project partners from Petrozavodsk State University and Lapland University of Applied Sciences. The purpose of the thesis work is to interview the entrepreneurs and conclude a survey. The thesis work has accomplished its purpose of its execution. Personally, a project work and international co-operation, especially with Russian partners has been my aim of concentration in terms of future career building. I had previous experience working in a project that is concerning Russian relations and that was a push to deepen further experience in that field.

The topic to be very intriguing and full of potential of development in terms of cross border cooperation and entrepreneurship, and the amount of such a cross border activity is continuously being studied and monitored, as new reports and case studies are continuously published.

Russia has a big market potential as it is constantly developing infrastructure as the purchases from the webstore from abroad in 2018 has grown one third from the previous year (Saarto, 2019). Developing that area should be set as the strategic development goals for both countries creating more efficient and more user-friendly ways to travel, purchasing, transport and education, not excluding the other cross-border aspects of cooperation. The other factor that drives my motivation is that I believe that with the help of this thesis, Finnish entrepreneurs to getting informed and involved in the cross-border trade and by that developing healthy relations and building a good image of doing business with Russian customers and business partners.



## 2 CROSS-BORDER E-COMMERCE ECOSYSTEM

### 2.1 E-commerce and cross-border e-commerce

“Electronic commerce (e-commerce) is the marketing, buying, and selling of merchandise or services over the Internet. E-commerce facilitates the growth of online business. It is categorized as follows: Online marketing, online advertising, online sales, product delivery, product service, online billing, online payments” (Technopedia, 2018). According to Investopedia (2018) e-commerce has various of types depending on sales parties or the technology that business uses to provide service or products. B2C (Business to consumer) is a business model when the transactions are made between a business as a product provider and a client as an end user (Investopedia, 2018). In the Tieke article (2015), a typical feature for a current model is that it is strongly based on trust. A consumer must accept the idea of web technology as a purchasing tool. The other factor is the trust towards an online store a platform (Tieke, 2015).

In other words, B2B e-commerce (Business to business) is a model where a business trades goods or services to another business. As an example, a wholesale to a retailer. Comparing the common characteristics to B2C model, the volume in B2B trade is usually bigger and in many cases as an example medical technologies export and selling requires certificates that allow a company to sell and produce these.

According to Xue, Li and Pei (2016), cross-border e-commerce generally refers to an electronic commerce between countries referred to sales of goods or services using internet-based methods of selling. These methods include wide range of opportunities to sell including webstore that a company have created on their own from the scratch or distributed their goods on sale using e-commerce platforms that are developed by a company for the entrepreneurs to sell their items on their webstore (Xue et al., 2016). In the other words, the cross-border e-commerce includes transactions between different countries or regions who communication via the Internet, email, or other forms of communication.

## **2.2 Benefits of e-commerce**

The reason of constantly growing e-commerce is that there are meaningful benefits for a company that has brick and mortar type of store. According to Havumäki and Jaranka (2014), in their book on electronic commerce, they compare the benefits of e-commerce to regular physical store in a following manner: E-commerce does not need any printed, tangible marketing materials such as leaflets, expensive billboards nor give up samples for testing to other stores. A webstore's shelves are always in order and as soon as an item is sold out it is immediately deleted from the webpage where the consumer has real-time information about the availability (Havumäki & Jaranka, 2014).

Among with the other benefits of e-commerce Havumäki and Jaranka (2014) stated that thanks to the automation, the managing can be done in the smaller human resources, cost, and time efficiently on a SME scale. Customer can also provide marketing channel by sharing his or her experiences about usage of the quality of the service which is beneficial for the company's image. Also, they wrote that the usage of webstore is also beneficial for the customer in a following way that products are easy to find, and the prices are transparent. In addition, a webstore's basic principal is similar anywhere in the world. Therefore, it is easy for the client to use also foreign webstores. Most importantly, a webstore is available globally to any person who uses internet (Havumäki & Jaranka, 2014). It means that a company can reach the consumer on a whole different level. However, there are certain challenges and expectations of Finnish entrepreneurs that lately in this article are presented.

## **2.3 Overview of a Finnish e-commerce**

In a race of e-commerce utilization of small and medium size companies, besides the Finnish potential in digital technology, its integration of online selling has more work to do. According to Digital Economy and Society Index (2019), which is a Finnish country profile concluded by European Commission, comparing to other SME's, amount of small and medium size companies selling online has grown 3% since 2016. Out of all SME companies, only 6% has sales abroad (European Commission, 2019). That means that there must be actions taken in case the online sales to grow, but what can improve the competitiveness? Can the cross-border trade between Russia and Finland perhaps be the solution and how to make cross-border trade to be less of a challenge for many entrepreneurs? First step is to identify the complexities of the context.

## 4 Integration of digital technology

4 Integration of digital technology	Finland		EU
	rank	score	score
DESI 2019	5	58.3	41.1
DESI 2018	5	55.9	39.6
DESI 2017	6	49.9	37.6



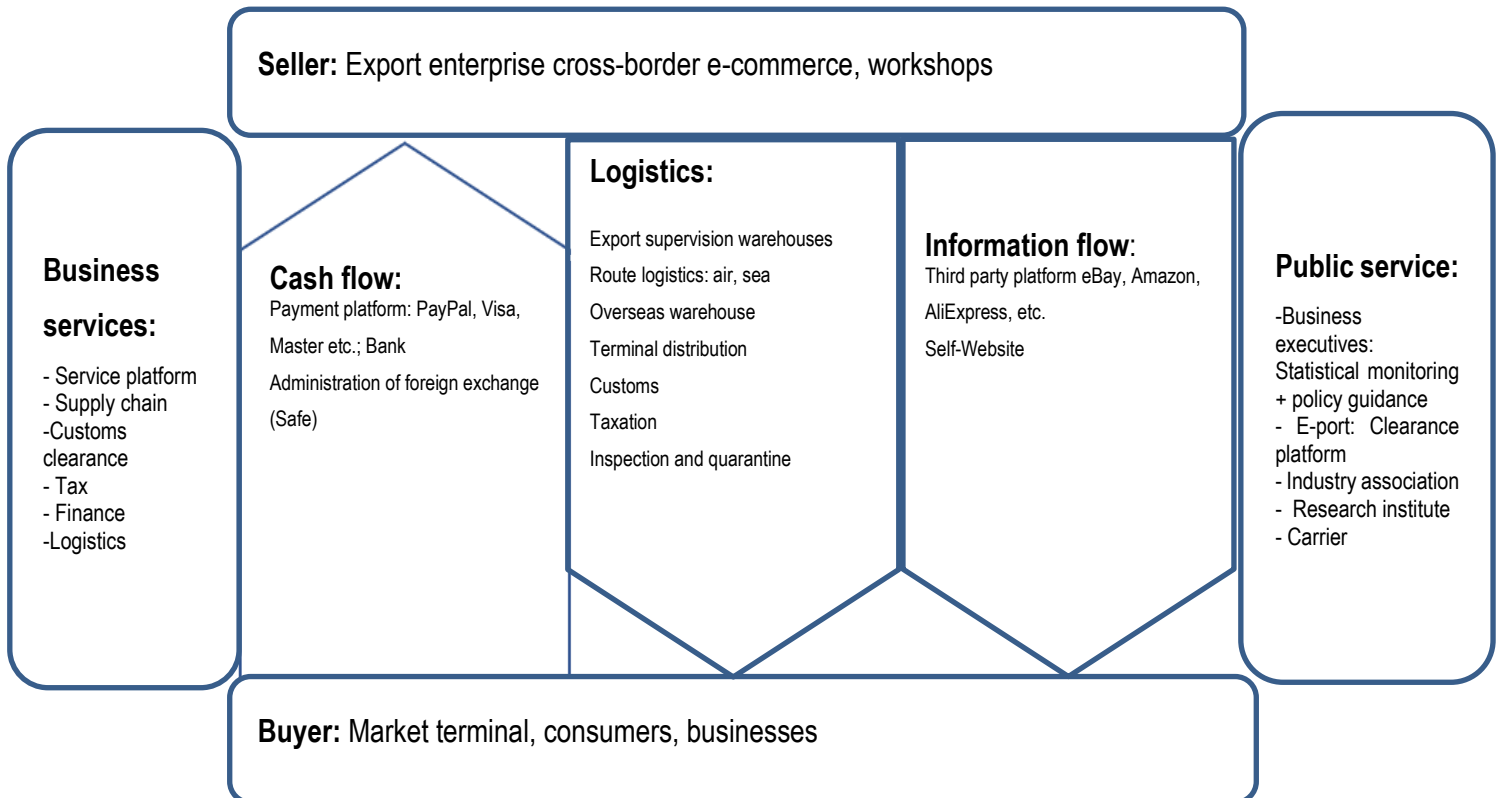
	DESI 2017	Finland		EU	
	value	DESI 2018	DESI 2019	rank	DESI 2019
<b>4a1 Electronic information sharing</b>	<b>37%</b>	<b>39%</b>	<b>39%</b>	<b>9</b>	<b>34%</b>
% enterprises	2015	2017	2017		2017
<b>4a2 Social media</b>	<b>26%</b>	<b>29%</b>	<b>29%</b>	<b>6</b>	<b>21%</b>
% enterprises	2016	2017	2017		2017
<b>4a3 Big data</b>	<b>15%</b>	<b>15%</b>	<b>19%</b>	<b>5</b>	<b>12%</b>
% enterprises	2016	2016	2018		2018
<b>4a4 Cloud</b>	<b>40%</b>	<b>48%</b>	<b>50%</b>	<b>1</b>	<b>18%</b>
% enterprises	2016	2017	2018		2018
<b>4b1 SMEs selling online</b>	<b>17%</b>	<b>20%</b>	<b>20%</b>	<b>8</b>	<b>17%</b>
% SMEs	2016	2017	2018		2018
<b>4b2 e-Commerce turnover</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>		<b>10%</b>
% SME turnover	2016	2017	2018		2018
<b>4b3 Selling online cross-border</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>23</b>	<b>8%</b>
% SMEs	2015	2017	2017		2017

Picture 1. Digital Economy and Society Index 2019, Country Report of Finland (European Commission, 2019).

The quartile e-commerce index concluded by Vilkas Group Oy (2020) to monitor the development of Finnish e-commerce. The background data is gathered from the customer's webstores since 2006 and the sampling is based on hundreds of thousands of generated transactions in Finland. According to the Quartile e-commerce index in Q1 of 2020, the e-commerce market in Finland has experienced 60% increase in quantity of orders in March 2020 (Vilkas Group Oy, 2020). This indicates the fast change in consumer behaviour as well as the preparedness to purchase online has significantly grown during the Q1 of 2020.

## 2.4 Components of cross-border e-commerce

In the book “Death of competition”, Moore (1996) explained that the business ecosystem, in this case, e-commerce ecosystem’s is an economic community that supports each other’s activities, by producing goods and services of value to the customers that are also a part of the ecosystem. He also stated that these so called “organisms”, or the interacting organizations and individuals include suppliers, lead producers, competitors, and other stakeholders (Moore, 1996). In the other words, every ecosystem member is mutually dependant on each other to create a working environment of processes. Picture below represents an ecosystem of cross-border e-commerce ecosystem (Picture 2).



Picture 2. The export model of cross-border e-commerce (Xue et al., 2016).

Xue, Li and Pei’s (2016) export model of cross-border e-commerce shows the interaction of the components between seller and buyer as well as other export related stakeholders are considered. In the model, a seller, that represents a company that provide goods or services to a customer can be connected to the logistics related stakeholders from private or public industries like logistic companies which provide delivery services. Public and governmental organizations, for example customs control and taxes that are accountable (Xue et al., 2016).

Compared to earlier model, Havumäki and Jaranka (2014) conclude that logistics include all the material and information flows from the raw materials to the product's final delivery. In addition, the logistics processes of the webstore relate to purchasing of the product, product management, storing, order delivery, and customer refunds management. The logistics include a wide group of different processes as stated according to Havumäki and Jaranka (2014) below:

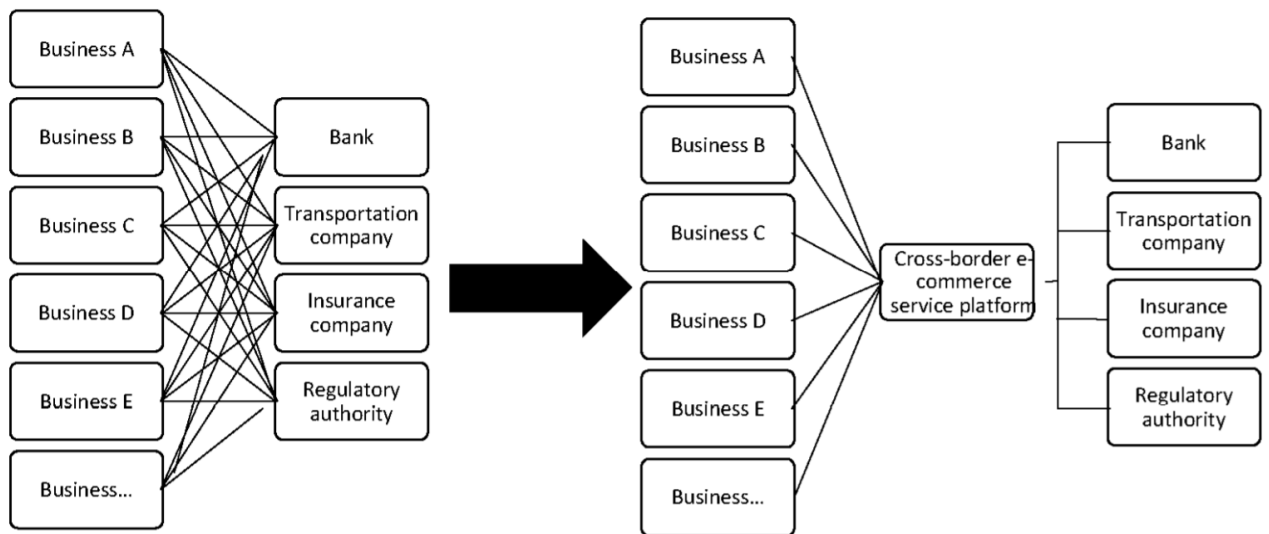
First step is assuring the payment of a product, availability check, delivery arrangements, insuring warehouse supplements and preparing the custom-made orders. The required products can be either self-created or ordered from the suppliers. Secondly, the coordination of an own products or communicating with the client. For example, a company provides a confirmation of an order or state of delivery and customer refunding arrangements. As their information flow model describes the information that is communicated from a seller to a buyer through different types of channels. In this example, the information flow occurs through platforms like third party platform in which own webstore is not necessarily required and all the goods are able to be established in third party service. Other method is creating an own platform (Havumäki & Jaranka, 2014).

According to Kenton (2019), cash flow in an e-commerce or a business in general is described as the net amount of cash being transferred into and out of a business. At the most fundamental level, a company's ability to create value for shareholders is determined by its ability to generate positive cash flows (Kenton, 2019). Summarily, a positive cash flow in e-commerce is dependent on an ability to overcome the expenses over the income. One of the mentioned parts of cash flow in the e-commerce export model are payment methods. Tilastokeskus (2017) compactly explains in a following way: a client can make purchases in webstore by using for example, commonly used bank web service payment or credit card as well as purchases can be paid later with an invoice letter. A purchased goods or services can also be available to use immediately after purchasing it like software programs or to be used later like postal package (Tilastokeskus, 2017).

E-commerce platform serves as a solution for an entrepreneur to be able to sell products in an existing webstore that is available for number of other entrepreneurs. According to Luoma-Aho (2013, p.12) the e-commerce platform is designed for consumers to be able to purchase the products in a web shop environment. The platform provides the tools of managing the established items, monitor user activity and adjust the visualization. In addition, an entrepreneur can manage payment methods as well. In his work he states that a small and medium size companies do not

usually start programming internally. The e-commerce platforms are an effective way of distributing their products via either free open source-based platforms or the commercial ones. The commercial platform's advantage is that it ensures the operational reliability of the processes (Luoma-Aho, 2013, p.12)

Picture 3 (Xue et al., 2016) below visualizes the difference e-commerce that is not using an e-commerce platform (on the left), versus the businesses that use an e-commerce platform (on the right). As it can be observed, an e-commerce platform benefits a trader in a way that the work that needs to be develop from each aspect of the process and must be established from the beginning. The e-commerce platform provides the complete opportunity to use its own payment methods, logistic solutions insurance etc. (Xue et al., 2016). To sum up, the e-commerce platforms ensures operational and cost efficiency for the companies through automation or outsourcing some of their processes like transaction management, transportation, insurance, and the other processes related to regulatory authorities or the governmental obligations.



Picture 3. Cross-border e-commerce service platform compared to a webstore on their own (Xue et al., 2016).

## 2.5 Cash flow; Payment methods

An administrator of a web shop in charge of the payment methods that are implemented. A different payment method is obligated of different legal regulations depending on the nature of the provided activity (Kilpailu- ja kuluttajavirasto, 2017). Oksanen (2016) concludes that variability of payment methods in a webstore is preferable because leaving out commonly used payment methods increases the risk of losing the customer because the preferences of the customers varies highly. The more opportunities for a customer to choose the most comfortable way of paying for the product, the better is the quality of the image of the service (Oksanen, 2016). There are different types of payment methods, according to a Competition and Consumer agency of Finland (Kilpailu – ja kuluttajavirasto, 2017) the payment methods are identified in a following way:

Firstly, a credit card payment method, where a customer pays for the goods with debit or credit card. The credit card payment requires a customer to make a credit agreement for the purchase of products where the purchase is added to existing web-purchases related credit agreement debt balance therefore this payment does not require a card. Secondly billing is a payment method where a client receives a bill afterwards after a purchase is made. Thirdly, an online payment button which categorized as a payment method where a company bills its products or services where seller receives a payment details right away which allows the delivery to be executed more quickly for a buyer without a risk. The method is safe for both the seller and the buyer. As an example, the OP provides the service through an agreement with a local member of a cooperative bank. If the customer transfer directly to the webstore account, it is considered as one of the legal payment methods. Fourthly, a mobile payment. It is referred to a purchase where the client is charged for the purchased via telephone bill. And lastly, a payment through an electronic payment account. It is a service where a transaction is made on a separate account by a payment service provider like PayPal account. A mobile payment service is one of the payment methods where the payment is issued through a mobile service that is linked to a payment card or a payment account (Kilpailu – ja kuluttajavirasto, 2017).

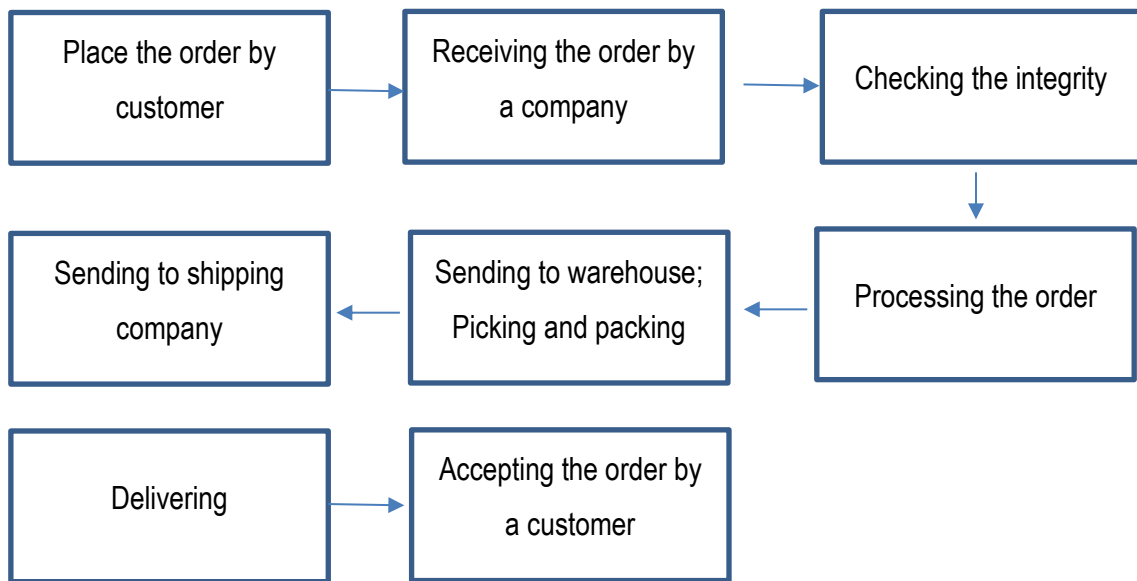
## 2.6 Process flow

Depending on an online store, basic areas of e-commerce process flow are divided into three parts concluded by the Codeless Platforms (2017): First step is receiving an order from a customer after a customer has placed an order. Then, an order is checked for integrity and information about the order is noted and documented into a database or a software. Following step is a processing of an order. Once an order is checked, a warehouse is informed about the order, and then the warehouse picks and packs the items. After the order is packed, the processing an order for shipping will start. Once warehouse has processed the order it is prepared to be shipped. At this stage company informs a shipping company, prints delivery note after which shipment is handed to be delivered. When the customer has got the product, a shipping company confirms the successful delivery to a seller (Codeless Platforms, 2017).

An entrepreneur can decide based on what is the best for a company to outsource, whenever it is logistics, management or programming and domain maintenance. There are various of options for companies to find solutions for their needs to help with the processes and reduce costs or save time. These are for example CMS or CRM. According to Rouse and Churchville (2019) a content management tool, shortly "CMS", is a management tool that helps user to create, modify and maintain web page content. It is commonly used modern tool to customize and embellish the appearance of a domain (Rouse & Churchville, 2019).

Other example is CRM (Customer Relationship management). Salesforce (2020) described it as a software that is used for storing customer and manage contact information, accounts, leads, and sales opportunities in one central location (Salesforce, 2020). According to Lahtinen (2013) delivery costs are unavoidable expenses for a company like packaging and packaging materials, delivery, postal and other related costs. Online stores can operate depending on its logistics, or warehouses that make outsource of logistics possible. Also, it is recommended to evaluate between options if the cost of company's own warehouse is a better option compared to outsourced ones. (Lahtinen, 2013, 37). An example of the steps in a product delivery process from the occurrence of the order to a receiver or an order. Picture 4 represents the whole product delivery process and interaction between a company, warehouse, delivery company and customer.





Picture 4: Manual delivery process map

### 3 E-COMMERCE PROCESSES BETWEEN FINLAND AND RUSSIA

#### 3.1 E-commerce in Finland

According to the focus of the thesis, only micro, small, and medium size companies in Finland have been a target group of the survey. based on this the specifications of the company size are determined. Large companies are excluded, however, in this chapter a definition of all the company sizes are explained. The specifications are based on European commission official specifications on SME companies (*Euroopan komissio, 2015, 10*). Current definition concentrates specifically on online stores in Finland that are small and medium sized companies and implements B2C model and it is limited to fit current field of study.

Classification of an enterprise:	Amount of personnel	Annual turnover	Fiscal year balance grand total
Medium	< 250	≤ 50 mil. euro	≤ 43 mil. euro
Small	< 50	≤ 10 mil. euro	≤ 10 mil. euro
Micro	< 10	≤ 2 mil. euro	≤ 2 mil. euro

Picture 5: Classifications of the SME's according to European Commission 2015.

According to Yrittäjät (2018) To start an online shop, like any other form of business it must set a business entity, registered as a company, conclude a business plan, and give an announcement to Finnish Taxation Agency (Yrittäjät, 2018). Online store requires a domain name, an internet address where the online store is located. The registration can be made by purchasing it from a

company that sells the domain addresses. Lahtinen (2013) stated that the service for a domain is not permanent and the subscription must be renewed (Lahtinen, 2013). To sell products online through a webstore it requires an e-commerce platform. According to Webbazaar (2020) The e-commerce platform is the software that is used as a tool to manage the online sale operations. (Webbazaar, 2020)

The most popular e-commerce platforms in Finland in 2019 are WooCommerce, with the 219 webstores, Shopify, with 104 webstores and MyCashFlow, with 87 webstores using the platform. (Kujasuu, 2019). In addition to an e-commerce platform, according to Vilkas Group (2020) the other aspects of successfully implementing the webstore into action is to set up the logistics, bookkeeping, marketing, payment methods and transactions that could be both done by a company's personnel or outsourced where the importance of the good partner is essential. For example, some online platforms in Finland can provide the integrated essentials into their services to reduce the amount of work for an entrepreneur. (Vilkas Group, 2020)

### **3.2 Payment methods in Finland and Russia**

According to Vilkas Group (2020) payment methods need to be clear, diverse, and trustworthy for a customer make a purchase. Common payment methods in Finland for a Finnish customer are Klarna, Paytrail, Paypal or Avarda. These provide a safe for consumers and an entrepreneur way of payment online. (Vilkas Group, 2020). Tilastokeskus (2017) suggests that a client can make purchases in webstore by using for example, commonly used bank web service payment or credit card as well as purchases can be paid later with an invoice letter. A purchased goods or services can also be available to use immediately after purchasing it like software programs or to be used later like postal package. (Tilastokeskus, 2017)

According to Verkkokauppaopas (2015) most Finns pay for their products from webstores by using following payment methods; bank's webservice, credit card, invoice, cash on delivery, virtual wallet, and mobile pay. From the point of view of webstore, it is very important to provide a client with variety of options that the customer trusts in and the items are cost efficient. The familiarity and variability of a payment method in webstore plays an important role, for customer prefers using familiar and safe payment method, rather than a new one. (Verkkokauppaopas, 2015). According

to Oksanen (2016) customer values the efficiency, availability of the products as well as cost and time efficiency. The reason why customer uses web shops to buy the products rather than brick and mortar type of stores that the webstores are always open, it saves time and it is easy to make a purchase, prices are lower in webstores. Among the other there was stated that items cannot be found elsewhere, and webstore users say that variety of products is larger. (Oksanen, 2016)

Comparing to Russian payment methods, Russians tend to prefer cash payments more than Finns. According to Kangastolkka (2018) all the physical goods sold online in 2017, almost 60% of the payments are done by cash on delivery. The reason behind it is that Russians are cautious about paying online, the webstore or the local delivery service. On the other hand, the Russians do also pay online in advance. By paying in advance Russians pay by card including Visa, Master Card, and other credit cards. In addition, it is advisable to have the contract with the payment service provider in Russia. The most used service is Yandex Checkout. The service can account the payments to the seller also in rubles if preferred. (Kangastolkka, 2018, 105).

### **3.3 Delivery**

The logistics is one of the key factors that affect the delivery time which is one field of competition in the industry. The faster the service, the better is the customer satisfaction and probability of such to a commitment to the service. The logistics process could be established by the e-commerce company themselves which results in total control of how efficiently can the delivery be made, however it is not a cost-efficient way and majority of SMEs cannot afford the transporting abroad nor it is an environmental solution compared to using the next way of arranging the logistic process to the customer that is outsourcing it to a carrier companies like DHL, FedEx or United Parcel Service. Kangastolkka (2018) explains that Finnish postal service for example provides fast delivery using Express Mail Service (EMS). Sending the product to the customer in Russia is basically the same as sending the package inside the Finnish borders, however the customs document CN23 must be attached in two pieces as well as invoice in 3 pieces. The package can be delivered straight to home by EMS- service or to the nearest Russian postal office using Priority-service. (Kangastolkka 2018 p.106).

In terms of the Russian habits, according to Odinstrov (2010) they do not prefer going to the Russian postal services office to receive the package but receive the package to home or to the

nearest pickup machine. The technology of package receiving is evolving with a development of more client-friendly ways. Automated pick up stations are becoming very common in Russia since the end of 2010, when first pickup station was built in Moscow. Nowadays these stations are all over Russia. (Odinostrov, 2010). Purpose of pick up kiosks is to execute the need of going to postal office and pick up the package from the closer, automated stations that a customer chooses him/herself. According to the Pickpoint, the pickup stations are growing at the fast rate and the competition among companies in that field is pushing technology and service quality at the fast rate. Also, the service provides monitoring of a package to inform the client of the location of the package. Customer can also return, pay, contain, send message through the service. Using the service is an effective and competitive method compared to courier service. (Pickpoint – это просто 2019)



Picture 06: Map of Pick up points of PickPoint company in Russia 2019

Kangastolkka suggests that the returning policy should be according to the local principals. According to law in Russia, the customer has seven days to return the goods purchased in a webstore. If customer decides to return the items, he or she must pay the cost of returning themselves. The refund is payed to the customer after the item is physically back to the sender. (Kangastolkka, 2018, 106).

### 3.4 Considerations of Russian purchasing behavior

The purchasing behavior of Finns and Russians is different in many ways. Therefore, it is important to get familiar with the customer behavior of the target group that items are sold to. According to

Saarto, compared to the Finnish consumer, Russians tend to be less economical and they tend to save less when it comes to purchasing items or services that provide experiences and memories. Russian consumer also values the goods that are associated with their children wellbeing as well as personal wellbeing (Saarto, 2018, 93).

Saarto stated that Finnish companies tend not to compete with the low prices and rather concentrate on the medium to high-end price range. A wide price segmentation can also be profitable in the times of recession when consumers tend to choose more affordable goods. It is also important to recognize the value of Finnish products in Russia. The Finnish products and services are widely associated with the high quality, reliability, and trust. This provides a good basis for the Finnish products on a Russian market (Saarto, 2018, 93).

### **3.5 Digital marketing and social media in Russia**

Digital marketing is increasingly becoming more common in Russia. The internet marketing is cost efficient channel, however the digital marketing in Russia has specific characteristics that are developed in the result of different demographics, language, and localized internet services. In terms of social media in Russia, according to Saarto (2018), VKontakte is more commonly used in Russia than Facebook, therefore it is more suitable for the promotion of consumer goods. VKontakte is especially better to reach female consumers than Facebook. It can also be used in targeted marketing because for example based on age, gender, geographic location, occupation, hobbies and other. Second relevant social media channel is Twitter. It provides swift and cost-efficient way of distributing the information. The most suitable way of using Twitter in Russia is to promote campaigns, new product releases, competitions, and redirect users to the other webpages. Typical Twitter user is a marketing specialist, company management, journalists as well as officials. Twitter is also suitable as a communication tool between a customer and a customer service (Saarto, 2018, 95).

According to Saritas, Gokhberg, Bakhtin a Kuzminov, (2016) The significance of m-commerce and web store customization into mobile and tablet versions are gaining more importance in Russia as of the global comparison, the m-commerce sector has shown the rapid growth In Russia in the recent years. The growth opens opportunities for domestic and international enterprises which should be also recognized in Finland (Saritas et al., 2016). A state of using a mobile device as a

purchasing tool, Russia is increasingly expanding from desktop shopping to a mobile commerce as well. According to Russian search marketing (2017) the convenience and growing reliance of mobile devices generates the m-commerce growth in Russia. While desktops are still the most popular method of buying for Russian consumer, m-commerce in Russia will continue to grow, increasing the Russian consumer's trust in mobile devices in Russia (Russian search marketing, 2017).

### **3.6 Legislation**

It is important to take into consideration the laws that are applied inside the European Union, Finnish law. It is highly important to take into consideration the legislation of the target country. These can include for example refunding and terms of delivery related regulations. According to Kekkonen (2019) the delivery is one of the most challenging aspects in e-commerce, this is why it is important to find out the legislation related to the goods that the company is selling and the regulations that are related to these goods. (Kekkonen, 2019).

KPMG described the Russian data localisation law characteristically like European Union regulation on a general data protection (GDPR). Both EU's regulation and Russian earlier mentioned regulations purpose to secure an individual's personal data and combine the regulations on processing personal information. The aim of the regulation is to clarify the justifications and to enhance cooperation with authorities. Owners of the registers are obligated to work systematically and show their capability of following the regulation. Russian data localization law is targeted to the enterprises that have business in Russia, including daughter companies, representative office, offices and plants. The law affects the e-commerce also. A webstore must comply to Russian law, if webpage is in Russian language, a domain is Russian, for example ".ru", its marketing is targeting Russian customer or webstores payment transactions can be done in Russian currency. A company must assure that storing the personal information are following the principals of valid Russian legislations. (KPMG, 2020).

According to Finnish Customs (2019) In terms of clearing export goods through customs is required when the goods are sent outside the European Union by using a transport operator. In that case, export declaration to Customs must be sent before dispatchment of the goods. In addition, the export declaration can be provided personally, or it can be given to a forwarding company to provide

it on your behalf. In some cases, the export declaration must be made to the Customs if the goods are sent by postal service and the value of the goods are more than 1000 euros. The customs declaration also must be sent to Customs in some cases even when their value is below 1000 euros. For example, if the goods are export restricted or prohibited. Also, the goods under 1000 euros must be declared in special cases for example in a situation when the goods had been sent to Finland for repair and then sent back outside the EU.

(Suomen Tulli, 2019)



## 4 SURVEY RESULTS

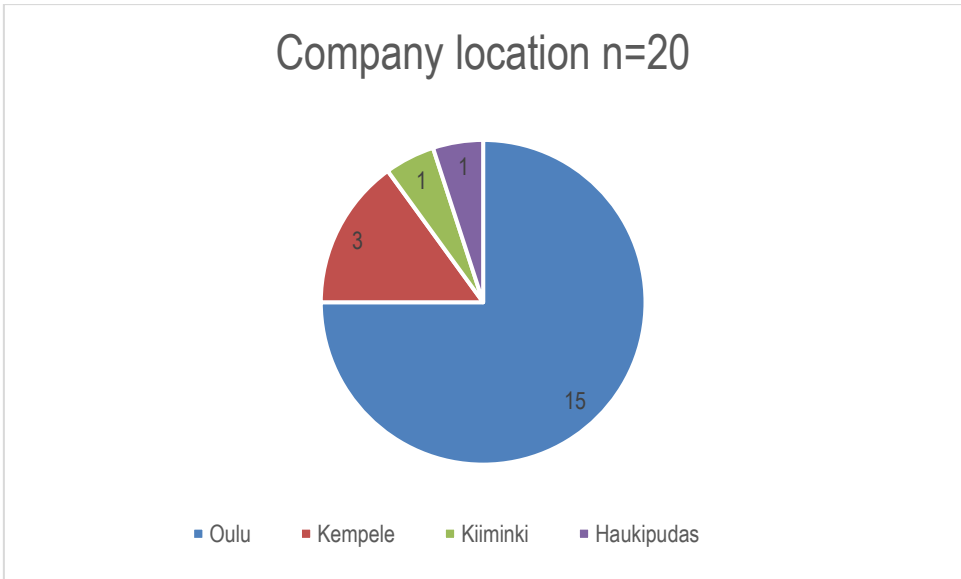
A questionnaire was concluded using an online form and in execution and association of Karelia ePro project altogether succeeded to get 20 companies to participate in the survey in Northern Ostrobothnia about 120 by email, but also printed questionnaires were used in seminars and meetings where potential respondents were present. Also, 7 interviews through a phone have been collected using a direct headhunting method as well as one face-to-face interview, that has been later converted into a survey answer. Social media as Facebook was also used to attract the respondents through an e-commerce group, however the attempt was unsuccessful despite that the group had over 5000 participants at the time. The receivers of the questionnaire were chosen mainly based on their potential; Firstly, the existing e-commerce business in domestic markets (located in Northern Ostrobothnia) that are actively practice cross border. Secondly, companies that are not active, but have done, tried, or considered practicing trade to the Russian market. Localization of the survey had to be taken into account to increase the probability of the companies to participate in the survey. The results then have been translated into English. Survey consisted of 15 questions, most of them multiple-choice or scale questions and some open-ended questions.

### 4.1 Background information of the responding companies

Among the respondents 45% were high level executives like CEOs or company owners and entrepreneurs. 40% are managers in marketing, export, and sales. Also, the part of participants are professionals in the field of customer service, search engine optimization and production.

In the survey 20% of participants were in a company that sells to the consumers while majority of respondents had both, the consumers, and companies as a client. Vast majority of these companies are mostly micro companies or small companies. (90%).

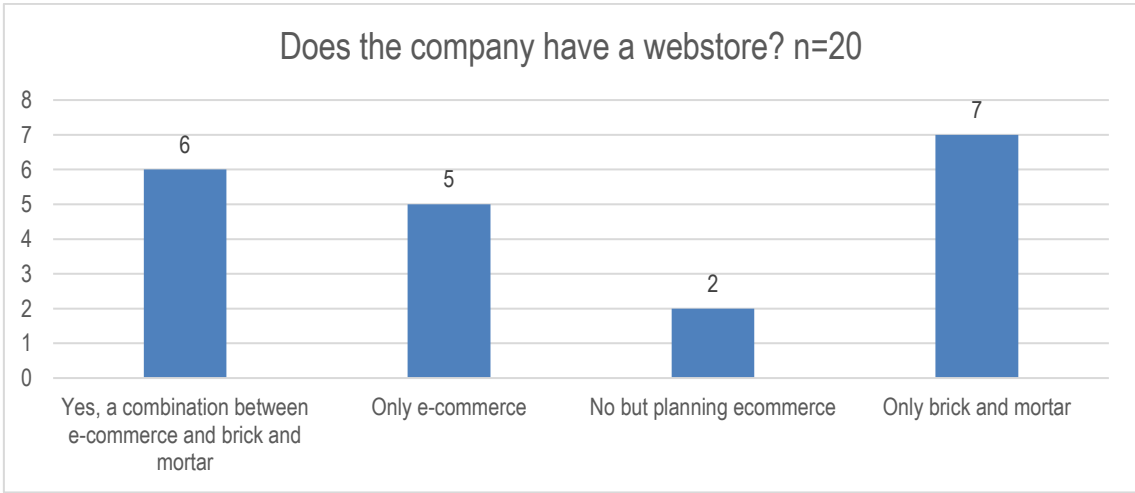
The companies that participated in the survey were operating in various of industries, which provides different point of views from the different industries and share their experiences to crystalize the problems that the companies have observed or expect on a Russian market. From the production of metal and medical machinery industry to education export, marketing services, hospitality services, and consulting.



Picture 4: A location of the surveyed companies. (n=20)

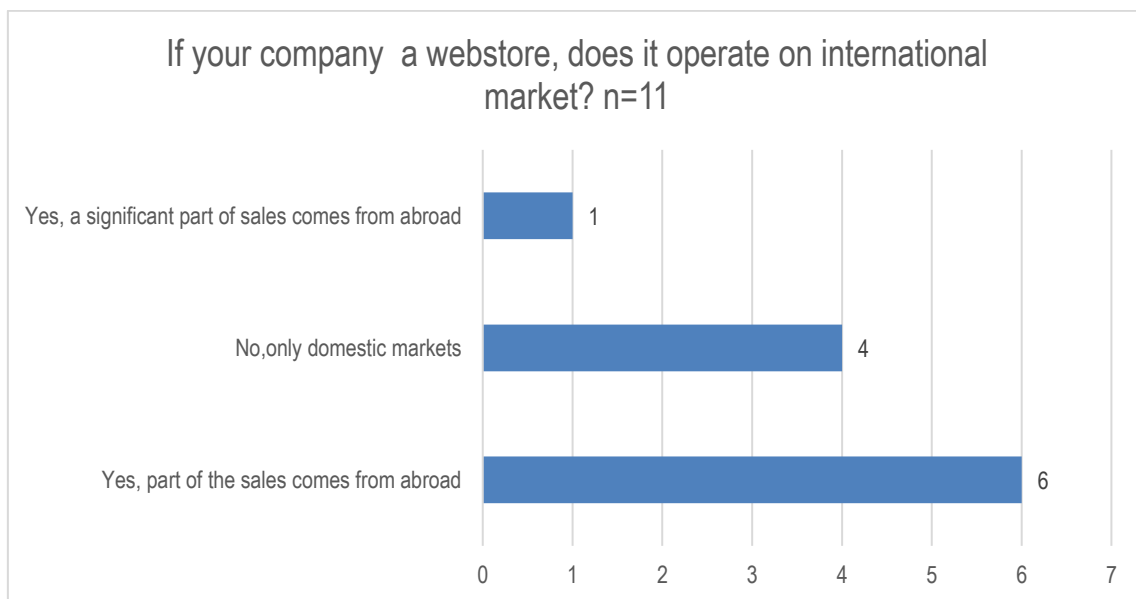
Companies location in Northern Finland regions. 3 out of 4 of all participants are located Oulu. These companies are actors from the industries of technology, education services, digital marketing, services, and machinery. Other representatives of their companies were from Haukipudas, Kempele and Kiiminki. These cities are in Northern Ostrobothnia area in Finland.

Company representatives were asked about their physical or digital presence. Most of the answerers either has a combination of e-commerce and brick and mortar type of presence or only does e-commerce, these sum up to 55%. A combination of e-commerce and brick and mortar type of businesses means that they have both, a webstore and a physically located store, so that the customer can purchase goods or services either from the web or at their physical store. 45% has no webstore at all, however 22% of those who does not have a webstore, considering or planning to start selling their products or services through an e-commerce. The adjusted data visualized below:



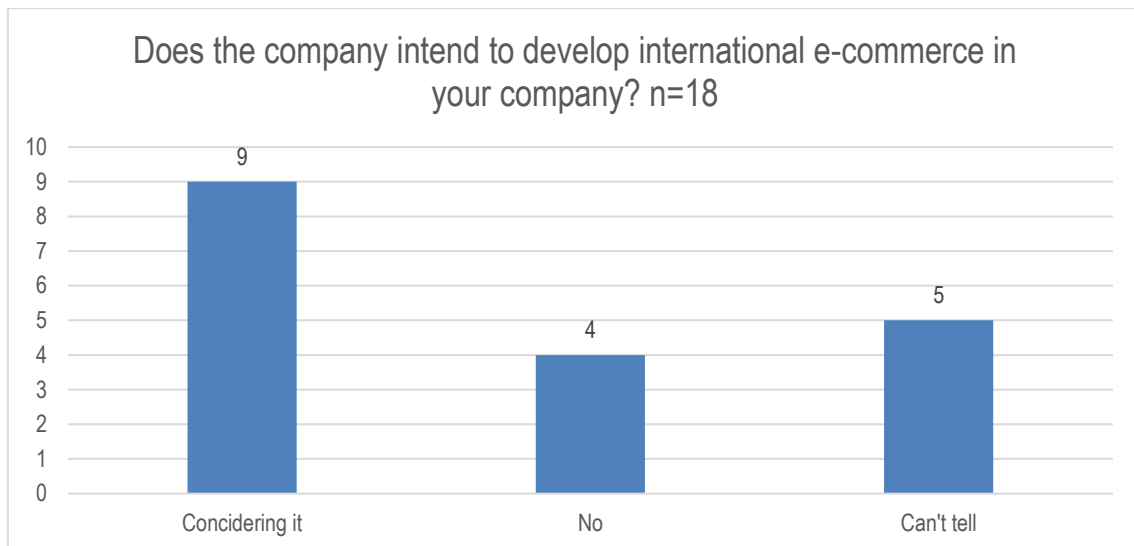
Picture 5: Companies asked about type of presence. (n=20)

Companies were asked if they had experience of having e-commerce on an international market. 63,7% of survey participants either receives some or the significant part of income from abroad operating on an international market. 36,3% only operate on a domestic market. It appears that 68,8% of Finnish entrepreneurs who has e-commerce, also have either some or significant part of sales made to foreign countries. It states that over half of surveyed companies attract customers from abroad.



Picture 6: A Bar chart about companies with e-commerce that is on an international market (n=11)

In relation to the intentions towards developing international e-commerce results are following: The companies who did not operate in the other countries were asked their intentions of developing e-commerce on the other market. 50% of respondents are optimistic about expanding to the international market. 28,8% of repliers were not sure of the development or intentions of their business in that context. This could be considered as unknown topic or not willing to say confidentially, for it requires research, effort, resources, and willingness to take the risk of such a decision.



Picture 7: Participants was asked their intentions towards developing international e-commerce (n=18).

Companies were asked about the markets that the companies look forward to expanding to. The companies were asked about the markets of which countries were mostly potential for them to do e-commerce, and the results are following: The Scandinavian countries are the mostly mentioned. Sweden was mentioned most of the times when asked about which countries are having the most potential to develop international e-commerce. Other outstanding countries were Russia, the Asian countries (were written as different parts of Asia), especially China has attracted our respondents. In addition, various Western/Middle European countries were mentioned such as Germany.

The potential of Russian market from Finnish company's point of view has received a following reply: Vast majority of answerers have not done export to Russia (76,4%), while 23,6% has either some activity, or significantly exporting to Russia. From the point of view of this study, it is as important to have both, the experience from where the identification of the challenges is made, and the views and the reasons behind the unwillingness or opinions about the expanding on the Russian market.

An answer to how interesting the Russian market is from the company's view, the overall major opinion on this question is that the Russian market seems to give mostly a neutral appearance. It seems like no significant, one-sided bend towards negative or a positive attitude on that topic.

Through this question we are aiming to get the attitude of Finnish entrepreneur's towards Russian markets, how interesting are the markets to do business in, the visual representation of answers shown below:



Picture 8: How attractive Russian market from a perspective of a company (n=17)

## 4.2 Challenges in Finnish-Russian e-commerce

In the last part of the survey, the level of different e-commerce challenges was evaluated through various of fields where the potential problems could be revealed. In the questionnaire there were 10 different variations from where answerer had to evaluate the significance of each obstacle mentioned and the respondents were asked to rate them from 1 to 5 (1 = Nonsignificant challenge – 5 = Very Significant challenge). After the questions are answered, a respondent gave open comments and thoughts or additions to their answers to share the knowledge and experience on that topic.

	5	4	3	2	1	n=
1.Other markets seem to be more important than Russian markets strategically	16,7	50,0	11,1	0,0	22,2	18
2.Understanding the Russian markets, demand and customer	44,4	5,6	33,3	0,0	16,7	18
3.Understanding of company's product's competitiveness on Russian markets	22,2	16,7	38,9	0,0	22,2	18
4. Russian legislation on e-commerce	41,2	35,3	17,6	5,9	0,0	17
5.Localization of e-commerce content to fit Russian customer	17,6	35,3	5,9	11,8	29,4	17
6.Marketing and customer relations management on Russian markets	12,5	31,3	25,0	12,5	18,8	16
7.Preferred payment methods by a Russian customer	16,7	16,7	22,2	16,7	27,8	18
8.Delivery and refunding of the products to the Russian customer	17,6	11,8	23,5	23,5	23,5	17
9.Product delivery through customs to Russia (customs, regulations, tariffs etc.)	11,8	23,5	23,5	29,4	11,8	17
10.Lack of Know-how resources or funding to plan e-commerce to Russian markets	38,9	16,7	16,7	0,0	27,8	18

Picture 9: A percentual values provided by replies.

A visual representation of Picture 9 as shown below:



Picture 10: Evaluation of Finnish-Russian e-commerce challenges and how there were rated in the survey.

According to the respondent's opinion, the most outstanding challenges in the e-commerce on a Russian market are following:

Russian legislation was the most significantly problematic as 76,5% of all respondents have chosen 5 or 4. As the most significant challenge when doing business on a Russian market. Participants of the survey specified it as the legislation in Russia can be quite complicated or the information about company related export requirements is cumbersome.

Some companies replied that having a partner in Russia is vital or very important to operate on the Russian market. It saves a lot of time when there is either an office, a consultant, or a supplier, depending on a company that can take a responsibility of a legal questions on the Russian side. It is important to mention that when respondents were asked opinion of finding a partnership, some say that the communication with a Russian partner is done in English and there are no problems with it. As an example, finding the partnership could be done by participating on the business networking events in Russia or Finland, searching the partner from existing networks such as Business Oulu or participating to other relative events for matchmaking.

Over half of the survey participants prefer other countries as a target market. 66,7% of all the replied companies think that markets from the other countries seem to be more attractive for their company than Russian market. According to respondents, the problem is that for example micro and small companies is that they have to allocate their resources prioritizing their own business operations and existing target market preventing their ability to start researching on an expansion opportunities because it is time consuming and requires a lot of effort to do it.

Lack of knowledge, funding or other resources and localization challenges was also seen as a problem as 55.6% (38,9 replied 5 and 16,7% replied 4) of responses agreed that the above-mentioned subjects play a significant role that is seen as a challenge for Finnish entrepreneurs to do business on a Russian market.

Survey participants are asked about political cross border relations impact on attitude towards Russian markets and entrepreneurship on a Russian market. To rate the significance on a scale from 1-5 (1 = not at all, 5 = Serious impact on motivation) The most frequently answered reply was that political relations does not affect the attitudes of the Finnish entrepreneurs (50%). 4 and 5 were total of 25% of replies so there are also some that the political related concerns.

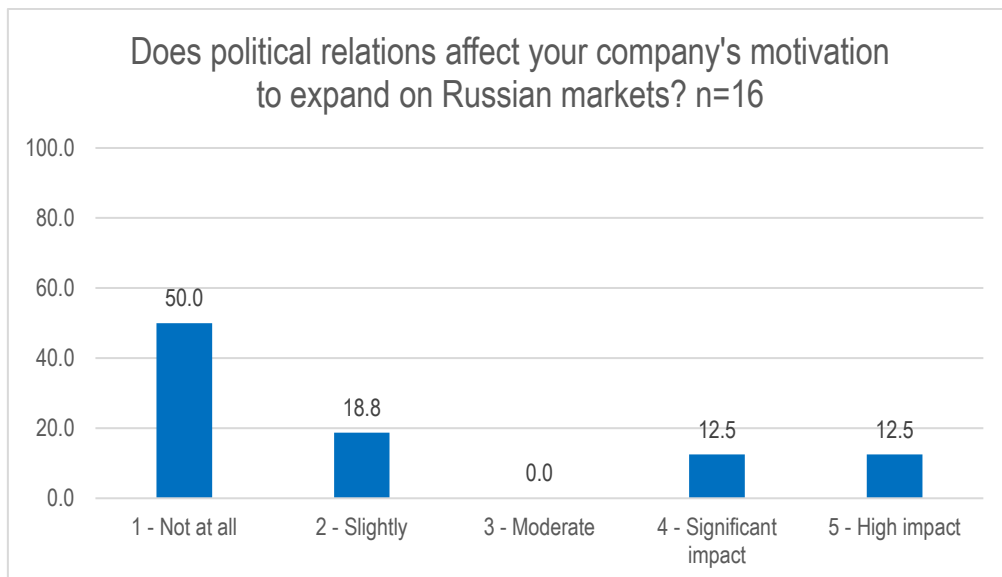


Figure 11: Participants are asked if political cross-border political relations affect the motivation (n=16).

## 5 INTERVIEW RESULTS

During the interview with the entrepreneurs, the different topics are discussed, and the results has been analyzed and concluded into the categories that has been repeated the most. All the other challenges that were mentioned during the interview are also included in this chapter. In addition, results of the survey and interviews differ in a way that legislation related challenges were not on the top consideration of the entrepreneurs like it was in the survey. The reason why it is not the top issue is that in the interview, participants mentioned that language challenge is the most significant challenge as it was not asked in the survey as an option and in the interview participants could freely describe the challenges that concerns them the most. Also, in the interview there was many new points that were made by the interviewees that are important in terms of receiving wider broad of problems that hinder in the Finnish expectations and experiences about operating on Russian market.

### 5.1 Lack of knowledge, resources, and localization challenges

During the interview, the problems related to the challenges related to the complexity of the processes, financial and human resources and localizing their products or services to a Russian customer.

Entrepreneurs lack Russian language skill that is vital for communicating the products for the customer. The lack of resources can be the issue to hire Russian speaking personnel, however employing a person with Russian language knowledge makes it more convenient to communicate with the Russian customer.

Small Finnish businesses lack the resources in the several ways; The company has no employees who can speak Russian language and either there are no resources to go through a localization process or hire a person with the language skills or lacking financial resources to create a webstore for Russian customer.



According to interviewee, in tourism and hospitality industry, marketing and sales requires a lot of effort and resources to reach the customer. In addition, the competition is tough and small size company located in rural areas is hard to compete on the market against big chains.

According to interviewee the limits of the resources cannot allow allocating them in a way that the service is competitive as even utilization of online payment requires extra effort and resources.

*” Some sort of special and interesting product must be invented in order to attract the customer, but it is not possible for a small business even if they wish for Russian customers”*

The interview has revealed that the lack of knowledge about doing business on a Russian market, customer, legislation, and customs regulations in relation to the topic is hard to find. Entrepreneurs find the information is fragmented and difficult to find and it is time consuming which is seen as an obstacle in Finnish entrepreneur’s point of view. One of the interviewees stated that he has no motivation on doing business on a Russian market as the whole process seems to be very complicated and uncertain. The assumption of complicity of doing business on Russian market is also related to the next mentioned concern which is that the motivation to other markets is higher than going on a Russian market.

## **5.2 Other markets are more preferred than a Russian market.**

One of the interviewees concluded that the Russian market has a great potential, but the result of spending resources on a process is unknown. It is hard to predict the return on investment to start selling on a Russian market. The interviewee added that the information is not found related to the topic. In some other cases, the interviewees described doing business on other markets is seemed to be easier. The reason is described for example lacking human resources in a company that is already operating on an international level in other countries.

During the interview it is revealed that the companies comment from the interview stated that it is much easier and straight forward to sell to for example to Sweden, in Russia on the other hand, the process is complicated and hard.

*"We do a lot of cooperation in Sweden and it is very straight forward and easy – just sending one email, they send the request for quotation, we send a quote, they order and we send the goods and then we send the bill. With Russian customer on the other hand and many steps in the process of making the deal"*

The other interviewee was also referred that it is easier and more scalable to concentrate only on a Finnish customer because going on international market is costly.

*"Our company has not considered the opportunity to widen our business on Russian markets, because we concentrate more on other ones. Therefore, related obstacles and problems are significant. A small business can only concentrate on a certain area at a time. Russia can of course be our target market one day; however, we should get more up-to-date information about the Russian market."*

During the interviewing, it is mentioned that the Finnish e-commerce and expansion cross-border states that the potential of the Finnish products on a Russian market is significant. Russian customer generally has a good image of Finnish products, however Finnish entrepreneurs lack the willingness of taking calculated risks when the Russian market was constantly growing.

*"Lack of courage and capability of calculated risk-taking. Actual companies that act are very rare. Back in 2012-2014 there would have been a niche and less competition. Slow and fearsome Finnish companies have lost the opportunity. On the other hand, there is still an opportunity to success on Russian markets because of good Finnish reputation and image of high quality. Trust is a high in value in Russia."*

In relation to the risk taking from the other point of view, the other interviewee replied that it is hard to calculate the return on the investment. In other words, there is no reliability in their experience that the invested money will provide profit. Therefore, that is why it is discouraging to start investing on doing business on Russian market.

### **5.3 Customs regulations and legislation**

In many cases that have been asked if they had a challenge in relation to customs regulations and legislations challenges. The participants who sell on a Russian market has a native representative or an agent that takes full responsibility of the required documents and legislation. The outsourcing is also used in localization and sales of the products by having a distributor in Russia. One of the survey participants however, had experienced challenges and explained the process to be complicated.

Customs legislations for exporting to Russia can be highly expensive for the companies that export heavy items like machinery. It is also complicated process to the entrepreneur and one possibility to make the process easier is to find a partner who owns the right to export to Russia and use his export service in order to export.

*“Of course there could be some challenges in terms of legislation, especially in our case, our products require very expensive certificates and to overcome this we must have some sort of partner that have the certifications to export so we could use his services to export to Russia, but to be honest the whole process is odd to me.”*

### **5.4 Economic and political challenges**

One of the interviewees underlined that economic instability affects purchasing power of the Russian customers which leads to decrease of willingness to buy the Finnish entrepreneur's products. When the purchasing power of the customer decreases, the customer becomes more concerned about the spending on the products and spends less money.

It was also mentioned that political aspects have also indirect impact on the decision making of the entrepreneurs as for example sanctions and political relations have been mentioned during the conversations, however it is revealed that the sanctions does not have direct impact on the interviewed companies

## 5.5 Finnish preconceptions about Russia

According to a comment from one an interview, a cooperation between Russia and Finland is a win-win for both countries. In addition, the interviewee has shown discomfort in Finnish people's sometimes negative attitude according to the experiences. The interviewee added that the negative attitudes should be changed be changed by the cooperation and constructive political discussions.

*“One of the biggest problems in Finnish politics is that the media places Russia in a position of the threat to Finland's security and through these negative image building, people's attitude towards doing business with Russia and resulting in higher threshold for Finnish entrepreneurs to go on Russian markets.”*

The interviewee continued: *“Finland and Russia are in need of both political and economic cooperation in order to develop the cross-border relations in the better way and also to benefit economically.”*

## 6 CONCLUSION AND DISCUSSION

To overcome the challenges of the Finnish entrepreneurs it is important to listen to their challenges and expectations and based on the results, providing the support and information and training to the entrepreneurs. It is also important to be involved in the processes providing the related training in order to make the entrepreneurs begin to sell on the Russian market independently. The reason why the supporting of the companies is important is because the opportunity of increasing the sales through availability of the products on the other markets increases the capability for the company to grow and become more productive, creating new jobs and regional prosperity as small local companies grow. The companies could be supported with the aid for example of a research and development project that is concentrated on the development of competitive advantage of the SMEs. Other possible opportunity for eliminating some challenges that are related to the lack of knowledge about the processes and the Russian market is for instance, to outsource the process to the company that provides this type of service.

The research question “What are the concerns and challenges on a Russian market from the point of view of a Finnish entrepreneur?” can be concluded that there are various of different types of concerns among the survey and interview participants. Most mentioned challenges are lack of resources, lack of knowledge about selling on a Russian market, language barrier and other markets over Russian market. In addition, political aspects were also mentioned by some companies.

Among the respondents it is mentioned that it is hard to start business on a Russian market for it is a complicated process and the lack of knowledge is seen as a challenge. The complexity is mentioned to be related to legislation and customs. The challenge is stated to be a demotivating factor as there is no easy solution to get the needed information for the entrepreneur.

Due to limitations of financial and human resources, a small company must concentrate on the certain market at a time. The activity can be on a domestic market or some are concentrated on other markets and not considering on expanding. The companies that have participated in the survey suggest that they rather maintain an existent market than begin the expansion on the other markets.

In relation to the language barrier, Russian language skill is important for localization of the product to Russian market and in terms of finding information about Russian market and understanding the Russian customer. Lack of language knowledge makes a market analysis harder which makes the expanding on a Russian market more challenging. Also lack of language knowledge restricts the company to handle the customer service in the Russian customer's preferred language as well as dealing with cases of refunding or other issues that requires common understanding. Lack of language skills restricts a company to get the access to valuable information related to Russia. For example, the information in Russian language provides deeper knowledge about Russian customer behavior and trends. In the other words open source search of information without Russian language skill is less versatile.

## **6.1 Recommendations to the recognized problems**

The possible solutions to support Finnish entrepreneurs to overcome the challenges that are discussed in the research are described in the following chapters.

An example for a possible solution to overcome the problems related to selling on a Russian market is to outsource the processes to the broker company. In Finland there is only one company of this kind called Flying Lynx. Located in Lappeenranta the core activity of the company is to enable the Finnish entrepreneurs to sell on the Russian market easily by taking responsibility of distributing the products on a Russian widely used e-commerce platform called Ozon. Flying Lynx also takes responsibility of transactions and delivery chain. It also includes commission-based service and the payment is sent to a client's bank account. According to Flying lynx webpage (2019), the creation of the account on an Ozon platform with ten products costs from 1935 euros and administration cost is from 189 euros per month (Flying Lynx, 2019).

E-commerce as a secondary source of income is less risky than full investment on the Russian market and the online presence is more important than before. The experience of using an e-commerce platform has received a positive feedback. One of the representatives has commented that utilizing the existing joint online platforms for web selling directly to the Russian customer is seen as an effective and cost-efficient way of distributing their goods. As recommendation, the e-commerce platform should be as a secondary source of income as it is easy to set up. In addition, for not having an e-commerce during COVID-19 pandemic can impact drastically on a business. For example, a cloth store Primark sales has dropped from £650 million per month to zero in result

of not having a webstore according to Lizzy Hillier and Nikki Gilliland in their article “Stats roundup: coronavirus impact on marketing, e-commerce & advertising” (2020).

Risk management is important on a swiftly changing economy. The other topic that has emerged is that according to survey results and based on the discussions about experiences of the entrepreneurs on a subject I have come into conclusion that the entrepreneurs should take into a consideration the risk management point of view. Economic instability and changes in customer purchasing power requires thoughtful approach to ensure safety of the business. It is been suggested that the entrepreneurs should choose short-term way of transactions and not concentrate own business completely on the Russian market, because in case of quick decrease in sales, the impact on a business is less drastic. The deeper analysis on the return on investment (ROI) is unknown, also it is unknown that how much Finnish micro entrepreneurs are willing to invest into the internalization process. Perhaps, in later researches, this should be included into the survey.

Cooperation with RDI projects and higher education institution support services related to cross-border cooperation is beneficial for the entrepreneurs to find partners as well as receiving the information about business on Russian market. The process of selling on the Russian market should be well researched from the point of view of a company. To ensure the effectiveness of the sales, exploring the potential of the Russian market, evaluating own competitive advantage, and creating value for a Russian customer. As found in results of the survey, companies tend to lack of knowledge or human resources that could conclude a market analysis. The higher education institutions provide the opportunity to co-create and overcome the challenges that a company faces in the cooperation with the students. A company could also consider utilizing different forms of information sources for example contacting other companies, utilizing various networking events, workshops in the related field. By that creating knowledge and ideas for the solutions as well as valuable information for the company to work on the Russian market. In relation to that, during the interview it has been mentioned the point of view of the involvement of Finnish public organizations' development projects. One of the interviewees stated that development projects should assist companies more closely through co-working between Finland and Russia. In other words, the projects should support the entrepreneurs for example to create an environment for a trade and provide assistance with legal agreements and arrangements. It is also mentioned that public sector training projects are beneficial in finding partners and networking as well as piloting and kickstarting the co-operation.

Utilizing the high-quality image of Finnish product in marketing as the Finnish quality is valued by Russians. In relation to Finnish quality products, “Evroremont” or translated as “Euro-renovation” is a term used in Russia that describes the renovation of an apartment or business office with the materials imported from Europe. The image of higher quality and good standard materials from Europe is still present. Survey respondents have also stated that they believe that Finnish products in Russia are believed to be high quality. However, a Finnish company that is considering selling their products on a Russian market should be able to communicate and sell it. The description, distribution, and payment of the product differ in relation to Russian common habit of buying compared to Finnish customer behaviour. Therefore, the customer research is important because it helps to clarify the customer behaviour and platforms that are used in Russia. To support Finnish entrepreneurs by further research, the next phase should be concentrating on a research of the Finnish products from the point of view of Russian potential customer. To find out what the habits of Russian customer are and what could be the most convenient way to purchase the Finnish products in Russia.

## **6.2 Implementation process of the thesis and suggestions for improvement**

The survey results should be used to familiarise with the viewpoints of the entrepreneurs and raise a social discussion and perhaps consider possible ideas of further research.

The survey and the interview are made based on experiences, and expectations of the Finnish entrepreneurs on the Russian market. The results are meant to give an overview to the reader about the main challenges that brought up by the interviewees. The subject is wide and there are different kind of problems depending on an industry, size of the business, resources, online presence, transactions, logistics, the liabilities of taxation, custom regulations etc.

My topic was wide and required time to focus on the definitions and decide what to include and what to exclude from the thesis. Surveyed companies are not necessarily having e-commerce and some companies had B&M and e-commerce. Some again had only B&M. Some companies sell their products, and some are selling services. the theory of the topic and structure in a way that one size fits all. Perhaps, narrowing the survey to include only e-commerce enterprises is more efficient way of gathering the results related to e-commerce.



Personally, I have learned a lot about the process of thesis writing that I see beneficial in practicing the academic writing also in the future studies. In terms of the topic, I have now understanding towards my personal goal to learn more about the Finnish-Russian commerce and its further development. I have noted that it was also important to have conversations with entrepreneurs, participating in seminars and events that are related to the field. Through the conversations with professionals in the field, I found it easier to understand the processes and challenges of the entrepreneurs. The thesis topic has provided me with a good overview about Finnish-Russian trade through interview and the information sources reviews. The topic made me realize the complexity of the Finnish-Russian trade and I find it genuinely fascinating and important to research more on a subject and perhaps make it more accessible and easy for Finnish entrepreneurs to begin selling on the Russian market.

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## 8 APPENDICES

Microsoft Forms survey

Appendix 1

### Kysely Venäjän verkkokauppamarkkinoiden piirteistä

Kyselyn tavoitteena on tunnistaa keskeisiä venäjälle suuntautuvaan verkkokauppaan liittyviä esteitä ja ongelmia Pohjois-Suomalaisten yritysten näkökulmasta.

#### 1. Vastaajan taustatiedot

- Yrittäjä/omistaja
- Toimitusjohtaja
- Markkinointijohtaja/pääliikö
- Verkkokaupasta vastaava
- 

#### 2. Mikä on yrityksenne pääasiallinen toimiala?

#### 3. Yrityksenne pääasialliset asiakkaat

- B2C
- B2B
- Sekä B2C, että B2B

#### 4. Yrityksenne koko

- Mikroyritys (henkilöstö 10 tai alle, liikevaihto 2 milj. tai alle)
- Pienyritys (henkilöstö 50 tai alle, liikevaihto 10 milj. tai alle)
- Keskisuuri yritys (henkilöstö alle 250, liikevaihto 50 milj. tai alle)
- Suuri yritys (henkilöstö yli 250, liikevaihto yli 50 milj.)

#### 5. Yrityksenne sijainti (kunta/kaupunki)

6. Onko yrityksellänne verkkokauppaa?

- Ei
- Pelkkä Kivijalkatoiminta
- Ei, mutta verkkokauppa suunnitteilla
- Kyllä, pelkkä verkkokauppa
- Kyllä, kivijalkatoiminnan ja verkkokaupan yhdistelmä

7. Jos yrityksellänne on verkkokauppa, toimiiko se kansainvälisillä markkinoilla?

- Ei, pelkästään kotimarkkinoilla
- Kyllä, jonkin verran myynnistä tulee ulkomailta
- Kyllä, merkittävä osa myynnistä tulee ulkomailta

8. Onko tavoitteenanne kehittää yrityksenne kansainvälistä verkkokauppaa

- Harkitsemme asiaa
- Ei ole
- En osaa sanoa
- Kyllä on

9. Mitkä maat ovat yrityksenne kannalta potentiaalisimmat verkkokauppamarkkinat?

Kirjoita vastaus

10. Onko yrityksellänne tällä hetkellä vientiä Venäjän markkinoille?

- Ei
- Kyllä, jonkin verran
- Kyllä, merkittävästi

11. Kuinka kiinnostavana pidätte Venäjän markkinoita yrityksenne kannalta?  
(1 = Ei kiinnostusta – 5 = Erittäin kiinnostavana)

- 1
- 2
- 3
- 4
- 5

12. Kuinka suurena esteenä koette Suomen ja Venäjän välisessä verkkokaupassa seuraavat asiat?  
(1 = Erittäin vähäinen este – 5 = Erittäin erittäin merkittävä este)

	1	2	3	4	5
Yrityksen strategiassa muut markkinat nähdään tärkeämpinä kuin Venäjän markkinat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Venäjän markkinoiden, asiakkaiden ja kysynnän ymmärrys	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ymmärrys yrityksen tuotteiden kilpailukyvyistä Venäjän markkinoilla	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Venäjän lainsäädäntö verkkokauppaan liittyen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Verkkokaupan sisällön lokalisointi venäläisten asiakkaiden vaatimuksia vastaavaksi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Verkkokaupan markkinointi ja asiakashallinta Venäjän markkinoilta	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Venäläisten asiakkaiden suosimat maksujärjestelmät	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tuotteiden toimittaminen venäläiselle asiakkaalle ja tuotepalautuksen hoitaminen Venäjällä	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tuotteiden vienti rajan yli Venäjälle (esim. tullimuodollisuudet)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Osaaminen, resurssien ja rahoituksen vähäisyys Venäjän verkkokaupan suunnitteluun	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Kuvailkaa vapaasti mahdollisia muita esteitä tai tarkentakaa edellisen kysymyksen teemoja

Kirjoita vastaus

14. Vaikuttavatko kansainväliset poliittiset suhteet (esim. talouspakotteet) yrityksenne motivaatioon siirtyä Venäjän markkinoille? (1 = Vaikutus erittäin vähäinen, 5= Vaikutus erittäin suuri)

1   2   3   4   5



## 15. Jos haluatte kyselyn yhteenvedon, antakaa sähköpostiosoitteenne

Suuret kiitokset vastauksistanne!

Kirjoita vastaus

CN23 customs document

Appendix 2

Posti Ltd		CUSTOMS DECLARATION			CN 23		
From	Name	Sender's Customs reference (if any)	No. of item (barcode, if any)	May be opened officially		Important! See instructions on the back	
	Business						
	Street						
	Postcode	City					
	Country						
To	Name						
	Business						
	Street						
	Postcode	City		Importer's reference (if any) (tax code/VAT No./Importer code) (optional)			
	Country			Importer's telephone/fax/e-mail (if known)			
	Detailed description of contents (1)	Quantity (2)	Net weight (in kg) (3)	Value (5)	For commercial items only		
					HS tariff number (7)	Country of origin of goods (8)	
			Total gross weight (4)	Total value (6)	Postal charges/Fees (9)		
	Category of item (10)	Commercial sample	Explanation:		Office of origin/Date of posting		
	<input type="checkbox"/> Gift	Returned goods					
	<input type="checkbox"/> Documents	Other					
	Comments (11): (e.g.: goods subject to quarantine, sanitary/phytosanitary inspection or other restrictions)					I certify that the particulars given in this customs declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations	
	<input type="checkbox"/> Licence (12)	<input type="checkbox"/> Certificate (13)	<input type="checkbox"/> Invoice (14)		Date and sender's signature (15)		
	No(s) of licence(s)	No(s) of certificate(s)	No. of invoice				

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**Täyttöohjeet**

Osoitemaassa tapahtuvan tullausten nopeuttamiseksi lähettäjän tulee täyttää maakohtaisesti ilmoitettu määrä tulliluetteloa CN23. Tulliluettelo on täytettävä **osoitemaan haluamalla kielellä** (tavallisimmin englantia tai ranskaa). Settimuotoiseen pakettikorttiin sisältyy yksi tulliluettelo. Lähetysten sisältöä koskevien tietojen tulee olla selkeästi ja luettavasti kirjoitettu. Lähettäjä on velvollinen ottamaan etukäteen selvää osoitteen tuontimääräyksistä, rajoitusten ja lisensien alaisista tavaroista, hankkia ja liittää mukaan muut tarvittavat asiakirjat, kuten alkuperä- ja desinfiointidokumentit, tuontilisenssit jne. **Vaaralliseksi luokiteltuja aineita tai esineitä ei kansainvälisessä postiverkossa hyväksytä kuljetettavaksi!**

From: Lähettäjän tiedot; nimi, yritys, katuosoite, postinumero, paikkakunta ja puhelinnumero  
 To: Vastaanottajan tiedot; nimi, yritys, katuosoite, postinumero tai -koodi, paikkakunta ja maa sekä yrityksen arvonlisäverotunniste ja puhelinnumero

Oikeassa yläkulmassa olevalle alueelle (No. of item) merkittään paketin yksilöivä tunnus tai paketin yksilöivät tunnukset, jos kyseessä on monipakettilähetys. Seuraavat numerot viittaavat tulliluettelon eri kohtiin:

- (1) Tarkan tavarankuvaus, esim. men's cotton shirt
- (2) Kunkin tavarann määrän, esim. 8 pcs
- (3) Kunkin tavarann nettopaino kiloina, esim. 1,6 kg (8x200 gr)
- (4) Kokonaispaino = sarake yhteen laskettuna
- (5) Kunkin tavarann arvo ja vakuutus, esim. 186,50 EUR
- (6) Kokonaisarvo = sarake yhteen laskettuna
- (7) Harmonisointu tullin tariffinumero, joka tulee ilmoittaa kaupallisessa tarkoituksessa lähetettävälle tavaralle
- (8) Tavarann alkuperämaa, jolla on usein merkitystä tuontimaksuja ja veroja laskettaessa
- (9) Lähetysten kuljetusmaksu
- (10) Lähetysten sisältö: Gift = Lahja, Documents = Asiakirjoja, Commercial sample = Kaupallinen näyte, Returned Goods = Palautettavaa tavaraa tai Other = Muu, Explanation = Selitys
- (11) Lisäkommentteja tavarann liittyen, esim. karanteenin alaisia, sanitaariseen tarkastukseen tms.
- (12) Mahdollisen tuontilisenssin numero
- (13) Mahdollisen alkuperäidokumenttien numero
- (14) Kauppakassan numero
- (15) Lähettäjä vahvistaa tiedot allekirjoituksellaan

**Anvisningar**

För att underlätta införfattningen i adresslandet skall avsändaren fylla i det antal tulldeklarationer CN23 som gäller för adresslandet i fråga. Tulldeklarationerna skall fyllas i på det språk som adresslandet fastställt (vanligen engelska eller franska). Adresskortsatsen innehåller ett exemplar av tulldeklarationen. Uppgifter na om försändelsens innehåll skall vara tydliga och läsbara. Avsändaren är skyldig att på förhand te reda på adresslandets importbestämmelser, varor för vilka gäller begränsningar och licenser, skaffa och bifoga övriga erforderliga dokument, t.ex. ursprungs- och desinfektionsbevis, importlicenser osv. **Färliga ämnen eller föremål accepteras inte för transport i det internationella postnätet!**

From: Avsändarens namn, firma, postadress, postnummer, ort och telefonnummer  
 To: Mottagarens namn, firma, postadress, postnummer eller -kod, ort, land, moms- och telefonnummer

I övre högra hörnet (No. of item) skrivs paketets nummer eller paketens nummer, om det gäller en multipaketsändring.

Följande nummer hänvisar till angivna punkter på tulldeklarationen:

- (1) Detaljerad beskrivning av varann, t.ex. men's cotton shirt
- (2) Varann mängd, t.ex. 8 pcs
- (3) Varann värde i kilo, t.ex. 1,6 kg (8x200 gr)
- (4) Totalvärdet = kolumnens slutsumma
- (5) Varann värde och valuta, t.ex. 186,50 EUR
- (6) Totala värdet = kolumnens slutsumma
- (7) Tullens harmoniserade tulltariffposition som skall anges för alla varor som skickas i kommersiellt syfte
- (8) Varann ursprungsland som ofta påverkar beräkningen av importavgifter och skatter
- (9) Försändelsens transportavgift
- (10) Försändelseinnehållets natur: Gift = Gåva, Documents = Dokument, Commercial sample = Kommersiellt prov, Returned Goods = Returvaror eller Other = Övriga varor, Explanation = Förklaring
- (11) Tillägsinformation om varann, t.ex. i karantän, för sanitär kontroll
- (12) Nummer på eventuell importlicens
- (13) Nummer på eventuella ursprungsbevis
- (14) Handelsfakturas nummer
- (15) Avsändarens bekräftelse uppgifterna med sin underskrift