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HOW CAN E-COMMERCE COMPANIES ENLARGE THE BUSINESS AFTER START-UP PHASE?

Case: Ndigo Business B.V. entering Chinese market

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ABSTRACT

The booming of e-commerce has led to a new trend of establishing entrepreneurship: starting up an e-business. However, the course of a new business rarely runs smoothly. The aim of this thesis is to study e-commerce opportunities to enlarge the business after the start-up phase, especially for small e-business companies with limited resources. The study will also try to answer questions on how social media can help to grow the online market, moreover, trying to find out the potential of e-commerce in China. At the same time it also evaluates the benefit of e-commerce for European companies.

The need for this study comes from the commissioner's desire to find new market possibilities in their selected marketplace- China. To fulfill this desire, Ndigo needs inexpensive but effective marketing means that can reach their potential customers in China. Ndigo is a young company that is yet to really define its market position and marketing means, so the aim of this study is to give them ideas how to market their company in China through online resources.

The author chooses the SOSTAC plan model for the empirical study of the case company. It gives logical and objective ways to analyse the current position of the company with the target market, and to develop the business-enlargement plan for the commissioner.

Key words: E-commerce; E-business; Business enlarging method; SOSTAC model; Social media; China's e-commerce market.

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1 INTRODUCTION

1.1 Background

The start of the 21st century has been seen as the revolution of information technology. At the beginning, the Internet was only for scientific, military and academic uses. However, since information and communication through the Internet goes beyond the geographical limits, people get access to almost to all information and resources on the Internet and it is a common phenomenon nowadays to see people read, study, socialise and shop online. This inexorable digital trend quickly became commercialised. Thus, the farsighted entrepreneurs saw the unlimited potential in doing business in this borderless environment. Hence it leads the new trend of establishing entrepreneurship: starting up an e-business, which is doing business using electronic intermediaries especially the Internet (Gunawardana 2006). Just think before the Internet existed, entrepreneurs needed to invest a lot in rent, advertising and printing. Thanks to the Internet, small businesses and organisations now have lower entry level to start up the business. (Martin 2012)

Unfortunately, the course of a new business rarely runs smoothly, the failure rate of new start-up enterprises has never fallen. Therefore, it requires an entrepreneur to conduct much more research and implementations besides the business plan in order to maintain and enlarge the business after the start-up phase. As the number of people connected with the Internet is growing fast, the value of the electronic market is also increasing. Big companies and corporations invested more in e-commerce to seek new markets, this tighten the competition for the small start-up e-businesses.

This thesis was written as the author found her interest in e-business enlargement methods during practical training in the case company. Meanwhile, this thesis is commissioned by Ndigo Business B.V, which is an e-commerce company selling high-tech products. Since the commissioner's business is in the stage of growing, it requires relative research and analysis to help to enlarge the business.

1.2 Objectives and research questions

The aim of this thesis is to find e-commerce opportunities to enlarge the business after the start-up phase, especially for small e-business companies with limited resources. The study will also try to answer questions on how social media can help to grow the online market. Moreover, try to find out the potential of e-commerce in China. At the same time it also evaluates the benefit of e-commerce for European companies.

The need for this study comes from the commissioner's desire to find new market possibilities in their selected marketplace- China. To fulfill this desire, Ndigo needs inexpensive but effective marketing means that can reach their potential customers in China. Ndigo is a young company that is yet to really define its market position and marketing means, so the aim of this study is to give them ideas how to market their company in China through online resources.

Based on the above introduction and problem discussions, the research questions for my thesis will be:

Main question:

How can e-commerce companies enlarge the business after the start-up phase?

Sub questions:

What distribution alternatives are available?

How to utilise social media as part of the business enlargement strategy?

How can social media help e-commerce companies in China?

1.3 Research Method and data collection

Qualitative research method is used for this thesis. Moreover, the business solution research requires analysing various kinds of documents, summarizing, and interviews.

The deductive approach works from the more general to the more specific while inductive reasoning starts from specific observations to broader generalisations (Burney 2008). This paper uses deductive research method since it aims to find marketing enlargement means for the start up e-commerce companies from a large pool of marketing strategies and SOSTAC marketing plan model as the framework for the commissioner. The paper starts from the general background of the definitions of e-commerce, e-business models and distribution channels. Then introduces social media, and suggestions of using social commerce as a marketing strategy for the commissioner when expanding its business to China.

The author collected the essential data during practical training in the case company. And data is based on observing the company operations and interviews with marketing manager/ co-founder Tom Canters. Secondary data, for example, Chinese market's information, was collected through the Internet resources. Relevant existing documents and literature will be also be used in this thesis.

1.4 Scope and limitations

The thesis research will be within the scope of online start-up companies in Europe. It especially points out the companies that run successfully during the start-up phrase.

The interviews and analysis will focus on marketing and distribution within business growth. Financial data and logistic aspects will not be analysis in this thesis. Although many professionals assume that information technology is crucial for e-commerce start-up companies. In this thesis, the author will only concentrate on business operation aspect, creating new strategies to enlarge the business after the start-up phase. Therefore, no technological studies will be included.

Since qualitative methods are used in the research, the business model significantly affects the result. Thus the findings are rather subjective and may not be applicable for all online companies. The advice and strategies contained in this thesis may not be suitable for every business; nothing in this thesis can be constructed as a guarantee of the results or profits.

1.5 Theoretical framework- SOSTAC plan model

A business enlargement plan model is important for the marketer when starting a new plan; it gives logical and objective ways to analyse the current position of the company with the target market. In this thesis, the author chooses the SOSTAC plan model for the empirical study of the case company.



FIGURE 1. SOSTAC strategy plan model based on Dave Chaffey (2012)

SOSTAC is a generic framework for e-marketing planning that can be easily adapted and gives the marketer a critical view of the company. In this thesis, the author chose SOSTAC model since it is rather simple, and logical, perfectly contains vital ingredients of e-commerce.

*S stands for **Situation Analysis** – what is the position of the company/ organisation now?*

*O stands for **Objectives** - where do the company/ organisation wants to go?*

*S stands for **Strategy** - how the company/ organisation going to get there?*

*T stands for **Tactics** - the details of strategies.*

*A is for **Action** or implementation – the daily and weekly activities that putting the plan to work.*

*C is for **Control** - measurement, monitoring, reviewing, updating and modifying. (Smith 2009)*

However, the author divided the SOSTAC model into two parts: the SO- analytical process and STAC- tactical planning. In chapter 4, the author chooses different analysis methods to give the situation analyses and set the objectives of this thesis for the case company. In chapter 5, the author gives an action plan as the outcome of strategy definition and tactical details of the strategy.

The reason the author breaks the SOSTAC model into different chapters is to give a clear view for readers to understand the process of market enlargement. The marketer should first understand the current situation and gradual objectives of the company in able to define a proper strategy, select befitting tactics and lastly design an action plan.

1.6 Thesis structure

The thesis structure is divided into three parts, environment analysis, theoretical and empirical study. In chapter 2, the author initially gives the background study of e-commerce, as it is the big environment of the thesis study objects. Besides, social media will be analysed in the same chapter since it is a crucial subset of e-commerce and also a hot discussed new phenomenon appeared during the recent three years. Chapter 3 contains the thesis theoretical approaches that will be associated with further case studies. Chapter 4 is the presentation of the commissioner/ case company, contains the current situation such as history and products. Moreover, presents the current objectives of the company. Chapter 5 is the empirical study part of the thesis. The author develops a business enlargement solution for the commissioner, which includes defining strategies, marketing means

available and how to utilise them. Chapter 6 is the conclusion of the entire study and proposal for further researches.

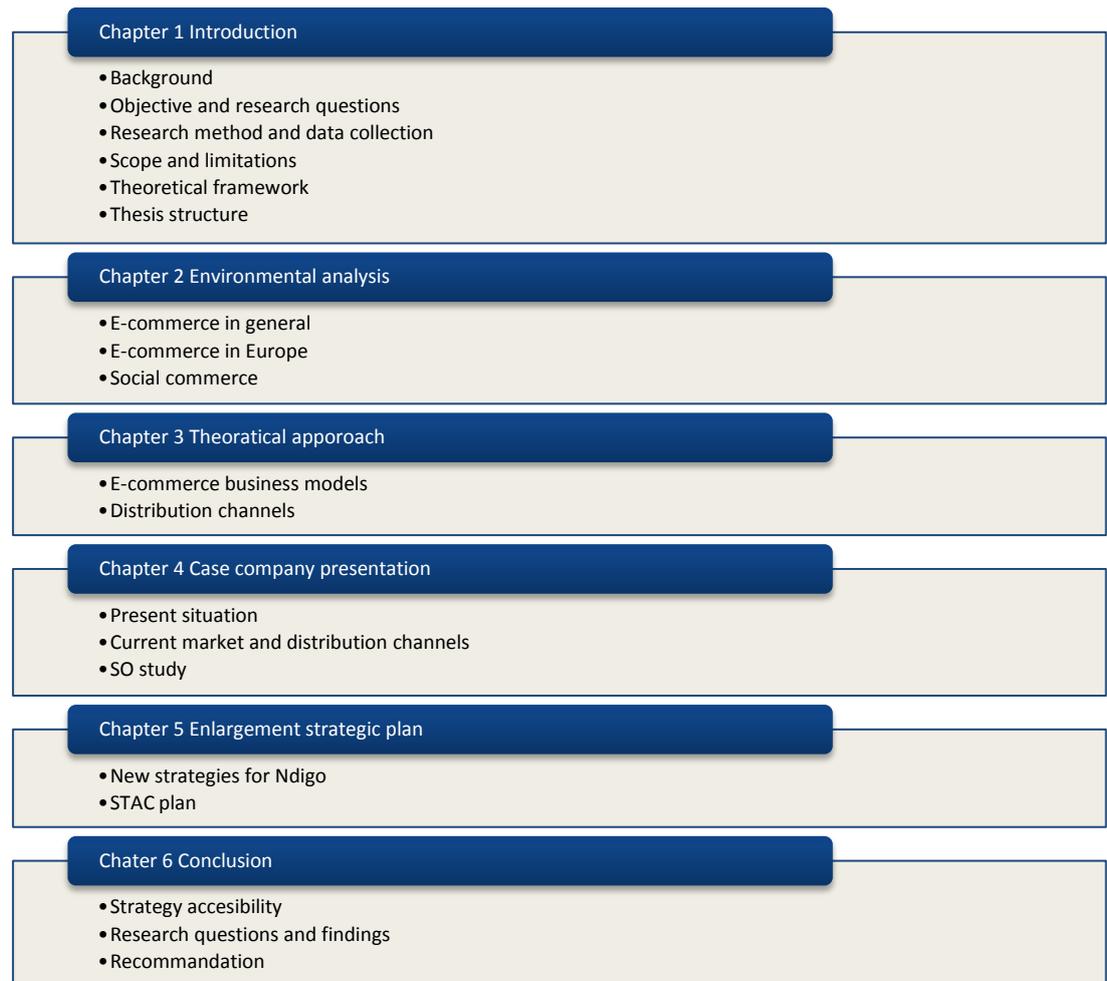


FIGURE 2. Thesis structure

2 ENVIRONMENTAL ANALYSIS

2.1 E-commerce in general

2.1.1 The history of e-commerce

E-commerce or electronic commerce commonly refers to trading products and services through any electronic media such as the Internet. The concept “e-commerce” was first introduced in the late 1970s. Nevertheless, it only became possible in 1990s after Tim Berners Lee invented the world-wide-web and became available for commercial purposes. Therefore, the Internet transferred from the scientific network to a globally everyone daily communication system. Since then, the Internet has been opened to commercial use and companies are brought online.

At first, e-commerce was only related to electronic transfer and business information sharing. Until the end of 1994, security protocols developed and Pizza Hut had the first-recorded Internet sale. From 2000, increasing amount of companies in the United States and Western Europe offered their products through Internet. At that time, people started to describe “e-commerce” as the purchasing possibilities of various products over the Internet using electronic transaction services under the secured environment.

2.1.2 Value of e-commerce

The Internet and computer technologies have significantly changed the way of doing business, and to establish a business in particular. The amount of Internet based e-commerce grew rapidly during the last one decade. Many of the world’s biggest companies started to put the Internet as a vital part of their business strategy. This has been typified by the experiences of General Electric and Microsoft with their new net strategies. (Turner 2002) Moreover, there are increasing evidences that viable online business models are emerging. Business models appear more flexible after adapted their Web sites to support, enhance and improve all segments of the business.

Instead of continuing the analysis of the value of e-commerce, it is important to point out the risk an online start-up company might face in e-commerce age. Many economists today claimed that newly public start-up companies have fallen even more than the rest of the sector on renewed dot-com bubble concerns. (Pepitone 2011) A decade has passed since the dot-com bubble happened in 1995-2000. As the enormously large investment values for hot Internet companies could presage a dot-com bubble rife with unprecedented risks. There is little assurance that today's highflying tech companies can sustain breakneck growth, says Alex Daley, chief investment strategist at Casey Research. Once the e-commerce environment collapse, a start-up company could hardly remain running.

To make effective use of e-commerce instead of being affected by the big environment, companies should focus on the preponderance of Internet based business operation. E-commerce is not about total digitalization of the company operational environment. It is more about utilizing the peculiarity of the Internet to improve profit creation through enhancing company competitiveness and developing a pragmatic attitude towards the business.

2.2 E-commerce in Europe and China

The development of e-commerce varies greatly in different areas due to multiple reasons, such as different technology development and Internet accessibility. For the benefit of the commissioner company, the author chose Europe and China as the studied region in this thesis.

2.2.1 Current position of European e-commerce

E-commerce evolvments vary from state to state, even within the European Union. In general, the main countries interested in e-commerce are Great Britain, Germany, France and the Scandinavian states. These countries also show a high percentage (up to 80%) of Internet users frequently using online platforms for commercial behaviour.

Despite the economic downturn across the Continent, 2011 was a bumper year for e-commerce in Europe. According to CRR research commissioned by Kelkoo, the

total European e-commerce market was worth €200.52 billion in 2011 (up from €169.63 billion last year, and online sales in Europe were €117.84 billion. (Kelkoo 2012) Online retailers in “the big three online countries”, United Kingdom, Germany and France accounted for 71% of European online retail sales, with €48 billion, €39.2 billion and €25 billion separately. The lowest level of overall online sales was in Poland with only €3.4 billion. Poland represents the lowest turnover in this sector, nevertheless its e-commerce market is the fastest growing: in 2011 it has grown 33% against 2010 as in Figure 3.

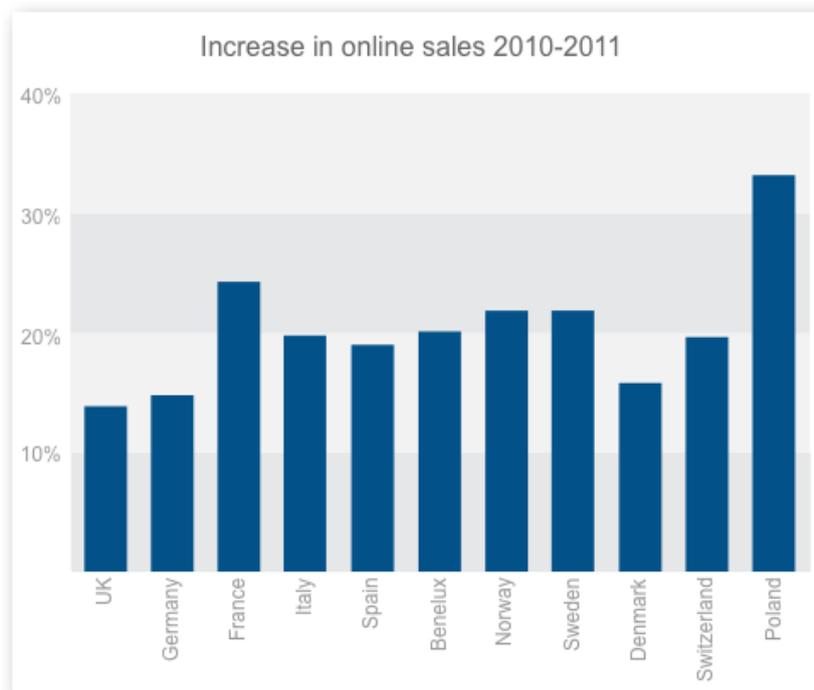


FIGURE 3. Increase in online sales 2010-2011 (Centre for Retail Research 2011)

Figure 3 shows the online sales growth rates in eleven European countries. France is number two with 24% increase after Poland, followed by Sweden (22%) and Norway (22%). To sum up, Europe has shown a great potential of e-commerce

growing in the coming years, especially in Eastern Europe and Scandinavian countries are expected to boom soon.

2.2.2 Current position of Chinese e-commerce

According to a report released by China Internet Network Information Centre (CNNIC) in January 2012, the number of Internet users reached 513 million, which is more than residents who are online in the United States. During 2005 to 2010, the average growth rate of China's e-commerce sales is 250 percent each year, and reached 4.5 trillion RMB by the end of 2010. (China daily 2012) Moreover, the 12th (2010 to 2015) five-year plan of e-commerce released by the Chinese government, China aims to increase e-commerce sales to 18 trillion RMB (€2.177 trillion) by the end of 2015. Thus, China will become the leading e-commerce market in global stage.

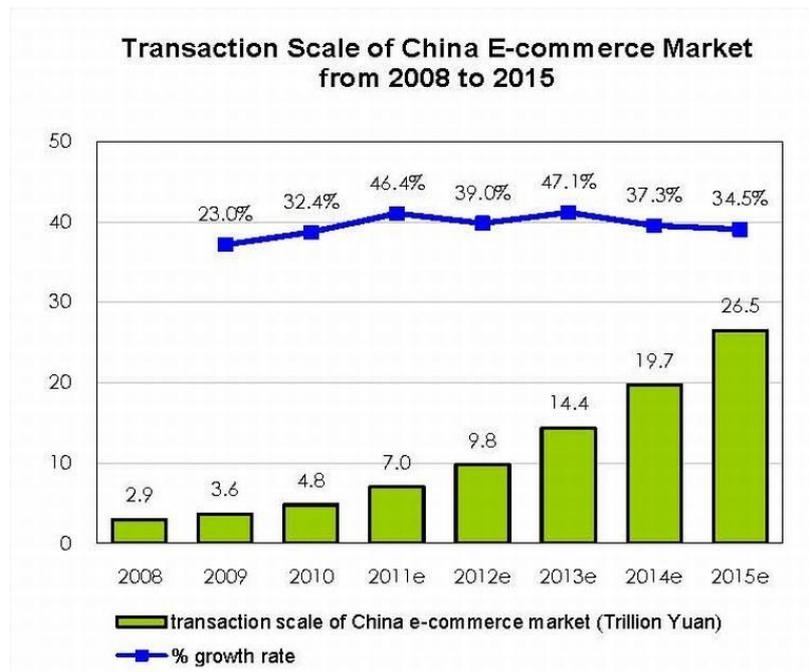


FIGURE 4. Transaction scale of China's e-commerce market (Freshtrax 2012)

Currently, only a small percentage of Chinese people do their shopping online, which means the potential growth is huge. Forecast usage and purchasing power in China will grow in all product categories. (BCG 2011)

2.3 Social media in Europe and China

2.3.1 Social Media

The growth of the popularity of social media undoubtedly has made social media as a natural part of people's daily life. Scott has defined social media features as “provide the way people share ideas, content, thoughts, and relationships online. Social media differ from so-called ‘mainstream media’ in that anyone can create, comment on, and add to social media content. Social media can take the form of text, audio, video, images, and communities.” This definition states the uses of social media and how they benefit online users. Antony described social media as “a group of new kinds of online media.” Antony summarised five main characteristics of social media, which are:

1. Participation
2. Openness
3. Conversation
4. Community
5. Connectedness

These five components of social media are strongly related to each other. The **openness** means social media is open and free opened to everyone; hence users' **participation** and **conversation** (including feedback) are encouraged. While traditional media are more about “broadcast information”, social media focus on creating conversation between individual users. And in the way, create the **connectedness** people, resources and sites together and form up **communities** quickly and effectively. Moreover the features of social media are also the key value of social media.

Moreover, Antony has divided social media into seven types as shown in the Table 2 based on different usages. To give a better understanding, the examples are given in each type.

Table 1. Seven types, usages and examples of Social Media

Type	Usage	Example
Social network	Allow people to build up/ expand personal relationship	Facebook; LinkedIn
Blog	Provide users own page to write online journals or share personal information	Word press
Wiki	Allow users to create/ edit contents about specific knowledge, a communal build database	Wikipedia
Podcast	Allow people to subscript for online digital files updated by other users	iTunes podcast
Forum	Provide online discussion about special area/ topics	forums.coolest-gadgets.com
Content community	Communities that provide and organise particular contents	Youtube
Micro-blogging	Combination of social networks and blog, which allowed users to update their status quickly	Twitter

2.3.2 Differences between Europe and China

Companies wishing to capture opportunities online must customize their strategies to account for the unique behaviours, demands, and challenges of the online ecosystem in China. (BCG 2011)

Facebook, LinkedIn, Twitter and Youtube are the most well known social media platforms used in Europe. Companies and organisations frequently use these tools in European e-commerce. However, most of these websites are not permitted into China due to the different online environment and government regulation.

Companies wishing to use social media as tools to expand their business into China need to understand the different situation in the Chinese social media world.

Companies need to know platforms like renren, sina, and baidu. By understanding the different demand of Chinese, it helps the company to vary communication method in order to reach the target customers. To have a better picture of the different plat e-commerce platforms using in China, the author makes a comparison of different social media platforms between Europe and China.

Table 2. Comparison of social media platforms in Europe and China

Types	In Europe	In China
Social Network sites	Facebook.com	Renren.com Douban.com Kaixin.com
Micro-blogging	Twitter.com	Weibo.com t.qq.com t.soho.com
Professional social network sites	Linkedin.com	Ushi.com Welink.com
Wikis	Wiki.com	Baike.baidu.com Hudong.com
Podcasts	ITunes.com	Xiami.com
Content communities	Youtube.com	Youku.com Tudou.com Ku6.com
Blogs	Blogger.com	Sina.com Tencent.com Soho.com

Social media platforms are found in very different forms with a spectrum of unfamiliar names in China. When using social media as a communication tool, it is important to understand local differences between social media perception and channels. The western social media sites are restricted in China; therefore, local sites are preferred and have grown rapidly and are adapted by the online community. If the company wants to benefit from the rise of China's online market,

it needs to be aware of the different e-commerce environment in China. Also, the e-commerce trend and online users' behaviour are different than it is in Europe. Thus, if a company wants to create brand awareness through social media in China, the company needs to do it in the Chinese way.

3 BUSINESS ENLARGEMENT MEANS

3.1 E-commerce business models

3.1.1 Business model

For a systematic study of e-commerce business models, the study of business models' definition is needed. The company's policy, operations, technology and ideology define its business model. (Weill 2005) To extract value from an innovation, a start-up (or any firm for that matter) needs an appropriate business model. Business models convert new technology to economic value. Henry Chesbrough and Richard S. Rosenbloom present a basic framework describing the elements of a business model. Based on the theory presented in the book, the business model can be described as follows:

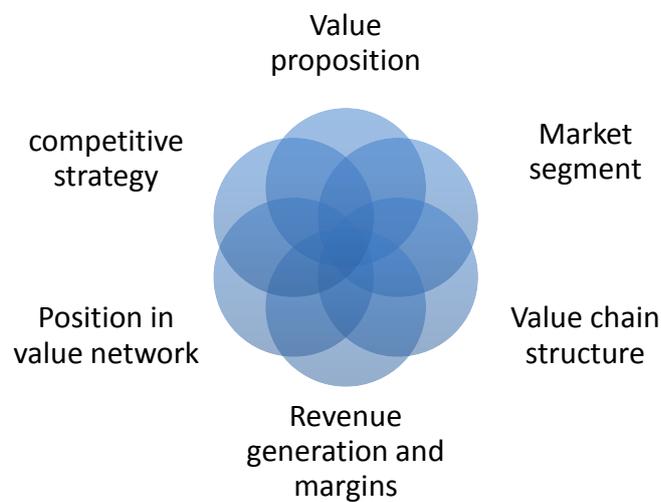


FIGURE 5. Components of the business model (Weill 2005)

3.1.2 E-commerce business models

The Internet has given rise to various new kinds of business models. There is a lot of confusion of e-commerce business models; in fact, e-commerce business models are just the fundamental methods explained how a web company makes wealth online. The author summarised the most common seen e-commerce business into six models as showed in the diagram below:

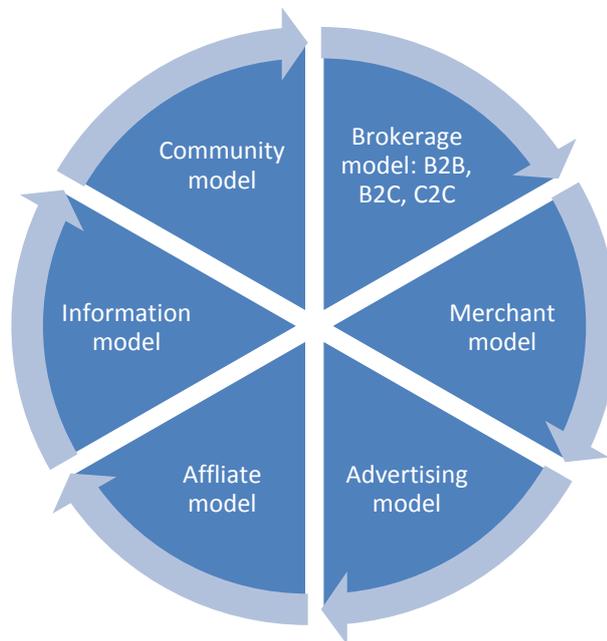


FIGURE 6. Mainstream e-commerce business models

3.1.2.1 Brokerage model

The Brokerage model is a website that brings buyers and sellers together to conduct business. Business-to-Customer (B2C), Business-to-Business (B2B), and Customer-to-Customer (C2C) models often represent it. These three e-commerce

business models together shared over 90 percent of the total e-commerce revenue in 2011. (Oracle 2012)

B2C is the most common business segment in e-commerce. As the name indicates, B2C describes a company serve products/ services to customers as end users directly through Internet or other electronic networks. Today, more companies and organisations began to cater to the B2C market, sought for new market and customers.

B2B indicates two or more companies which have created electronic business relationships, which is the largest form of e-commerce. It involves commerce transactions between different enterprises, for instance, between a factory and a wholesaler or a retailer and a distributor. In this form, both the buyers and sellers are business entities and do not involve an individual consumer. It is like the manufacturer supplying goods to the retailer or wholesaler; end users will not be evolved in this model. Recent few years, the B2B segment grew significantly as more manufacturers and wholesalers are moving their business onto the Internet. (Dvorak 2006) Due to the big amount of order quantity happened in this form, it creates the highest finance transaction in e-commerce.

C2C is the goods or services transactions which take place online between customers through a third party. For example, one customer posts a product on Amazon for auction, and other customers bid to buy it. The site (in this case “Amazon”) is just an intermediary, which provide a platform to let customers meet with each other.

3.1.2.2 Merchant model

The merchant model is commonly divided into *virtual merchant* and *click-and-mortar merchant*. The former segment refers to the companies that operate solely over web online business practices. (Wang 2007) While the latter one means a company operating with both offline store and a web storefront. It can be a local store moved online or the other way round. More establishing companies are moving their business online attempt to achieve the majority of the business

online. By this action, it helps company to cut down operating costs, and lower the investment risk at the same time.

3.1.2.3 Advertising model

The e-commerce advertising model is the digital extension of traditional media broadcasting business. (Wang 2007) To collect revenue, a) web sites can provide space for advertising contents like daily newspapers and magazines; or b) get paid by every click through the link in content. For example, Google advertisements, Google gets paid by the click through rate.

3.1.2.4 Affiliate model

The online affiliate model is based on commission sales. The affiliated partners /website owners do not need to purchase the commodity to resell, only provide products' information, no logistic services evolved. Handling and shipping is provided by the parent company that affiliated to. The affiliated partners redirect the customer from their own website to the parent companies website and earn a commission on revenue. It is a business model that is paid for performance. If an affiliate does not bring revenue, the parent company makes no loss. Thus, it is an electronic-suited business model, which is also the popular business model in e-commerce as well. For instance, Amazon is the first merchant to use this method of selling, allowing anyone to sell and offering financial incentives. More and more companies generated this model into the business after seeing the outcome over low risk evolved.

3.1.2.5 Information model

The business of information model is based on large databases of specialized information on a particular subject. In e-commerce, information is the most valuable thing, especially when information is carefully, academically analysed. An e-commerce company desires to know information about customers and their consumption habits. These websites attract a large amount of users interested in

their specific field of information and create revenue through advertisement or sell information.

3.1.2.6 Community model

The web suits the community model business running inherently. It is also the most fertile e-commerce business model developed during recent years, as can be seen in spread of social networks. It is strongly connected with users' loyalty. Under this business model, revenue is collected on the sale of ancillary services/ products or revenue is based on contextual advertising and subscriptions for premium services.

The presented taxonomy is not an attempt to be an exhaustive or definitive edition. Internet business models continue to evolve. New and interesting variations are expected in further development of e-commerce.

3.2 Social strategies

3.2.1 Business value of social strategies

The social media provide a chance to allow both parties to create communications, which in other words is, to allow marketers to reach the customers *directly*! Before the Internet available for commercial uses, traditional marketing approaches to catch attention, which can be basically summarised as *advertising* and *media journals*. The former one commonly requires big investment, while the latter one requires a marketer to have build-up relationships with media editor. (Scott 2010) However, both of these approaches failed to reach customers directly. The advertisement and printed journals are still important means for marketing, as many big companies still take these approaches precedence over online marketing when making a promoting plan for their products.

Therefore, the objective of this thesis is to find business solutions for start-up companies that generally lack marketing budget for advertising. Thus, social media became the best choice for promotion, marketing and public relationship management in the early stage of the business.

3.2.2 How to develop good social strategies

As social commerce has been seen as the emerging marketplace of online marketing, since the booming use of social media.

The value of social media is all initially concentrated on the *interaction* between individual users, so a good social strategy should help users feel they are connecting with other people, not companies. However, still there are poor social strategic performing companies merely broadcasting commercial message on social media. In contrast, a good social strategy should help people create or strengthen relationships/ interactions. (Piskorski 2011) The companies using right social strategies have found significant returns on their investment. Successful social strategies will increase customers' willingness to pay and do free work for the companies' benefit. Social strategy, according to Judy Strauss, should be created based on both strategic aspect and tactical possibility, so social strategies should be formed using *specific, measurable, attainable, realistic and timely* analysis (commonly known as SMART). In FIGURE 7, SMART social strategies are listed based on "IAB social media buyer's guide" indicates how social media could help sales to grow as well.

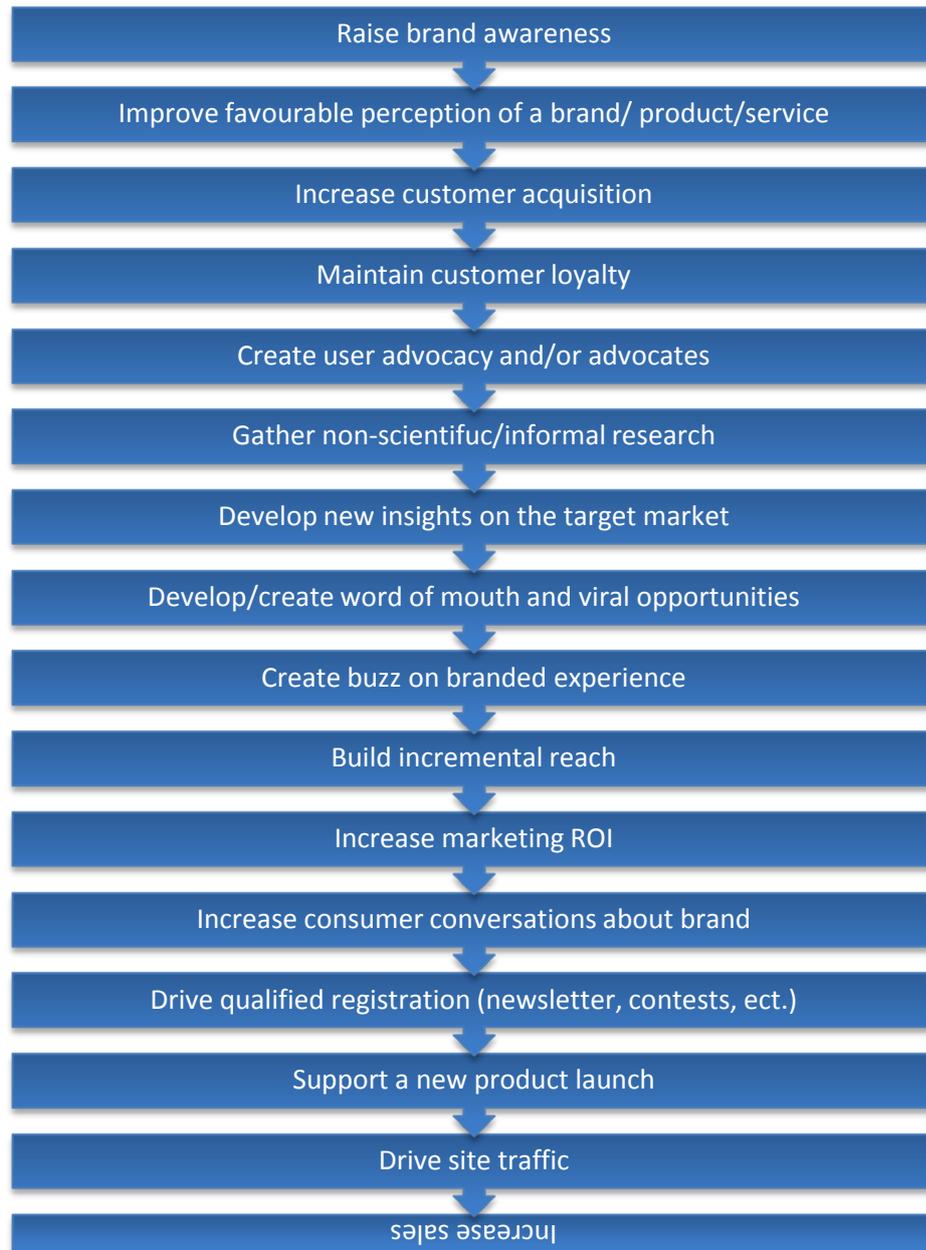


FIGURE 7. Social strategies and Tactic based on IAB (2010)

A social strategy is best started with the company's objectives. The social media are especially well suited at raising brand awareness and creating a buzz. (Stauss 2012) FIGURE 7 clearly demonstrated how high brand awareness would result in the rise of sale in detailed tactical steps. Participation and supervision is important for social strategy management. Brand image is transparent online, what others say

about the brand in the way, could build or break a reputation within a very short period. To build up a successful online social community was never easy. Since more and more companies have involved in social media for commercial benefits, a single company's online profile are competing with 160 million other pages. (Strauss 2012) Thus, to build up a successful social community online needs precise research and planning. A seven-step program suggested by Larry Weber to online marketers, includes:

1. Observe: A well-performed marketer should, first, observe on social medias to find the largest and most active company industry-related communities;
2. Recruit: suggest the active users to be a part in company created new community;
3. Evaluate platforms: decide which format the company community should be, in the way fulfilled both company and users' need;
4. Engage: plan ways to get the community members to talk and create valuable content, increase the user engagement;
5. Measure: identify appropriate way to measure the outcome of the input;
6. Promote: plan ways to advertise and build a buzz in the social media with company product/ service, to attract new users;
7. Improve: continuously improve the community.

To sum up, social media strategies should be a continuous process of building awareness and shaping perceptions rather than adjusting the company's behaviours based on the users feedback.

3.3 Distribution channels for e-commerce companies

In this thesis, the author defines e-distribution channels as all possible intermediaries an e-commerce company should consider when distributing its products or service to consumers, and should constantly change. The distribution channel is also a key part of the marketing mix- strongly related to "place".

3.3.1 Five levels of e-distribution channels

Distribution determines how the customer receives a product or service. Most businesses use third parties or intermediaries to bring their products/ services to the market. Chen defines distribution intermediaries as “firms/ organisations that match an e-commerce company and buyers, and mediate the transactions among them”. (Chen 2001) Generally, companies always try to reach new distribution channels as it leads to increasing publicity in market and more accessibility for consumers. Hence, reaching more distribution channels normally can be seen as one step forward to a successful business.

The following text will give the distribution channels of common business. A company’s distribution structure can range from two (manufacture directly to end-user) to five levels. (Encyclopedia of Small Business 2002)

3.3.1.1 Retailer- third level

The retailer is the intermediary between a company and its products’ end user, which includes independent stores as well as local and regional chains. Retailer places orders directly from the manufacturer, and then sells the products directly to the consumer. This three- level structure is applied when retailers have big purchasing quantities such as Wal-mart and Tesco.

3.3.1.2 Wholesaler- fourth level

In most situations, companies sell to wholesalers rather than retailers. In a four-level structure, retailers place an order from wholesalers instead of the company. Wholesalers generally order goods in large quantities, warehouse them, and then break the goods down into smaller quantities for their partnered retailers to purchase them.

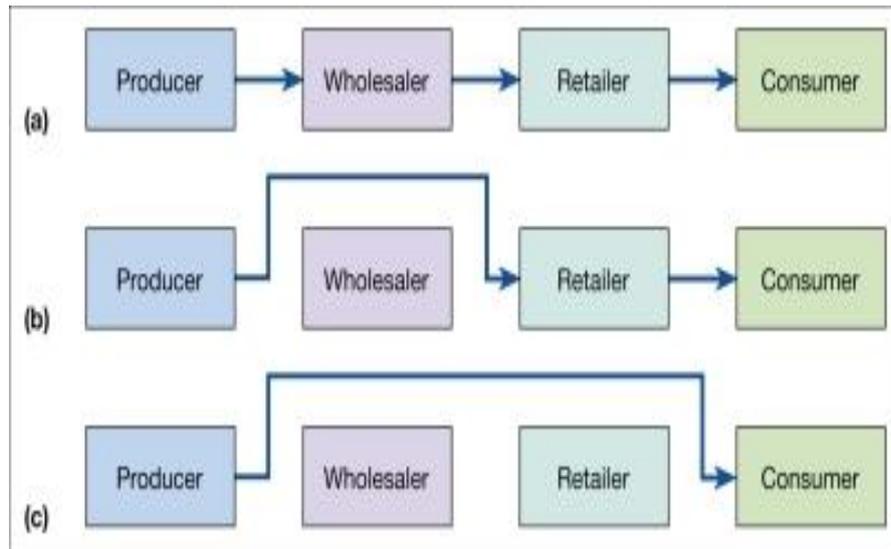


FIGURE 8. Disintermediation of a consumer distribution channel (Chaffey 2012)

The growth of e-commerce allows a company to be its own wholesaler and retailer online, in that way to keep more profit for the company. Dave Chaffey (2012) named this change as disintermediation as shown in Figure 5. Although disintermediation has occurred, this does not mean an e-commerce company can get rid of wholesaler and retailer. In fact, wholesaler and retailer are key factors of the company's distribution management. They bring professional knowledge of the market, the customer demands and behaviour of a specific region. And help the manufacture to promote the product, negotiating with customers and also bear some business risks.

3.3.1.3 Agent- fifth level

A company's agent is the intermediary between the company and its wholesalers, creating a five-level channel structure consisting of the manufacturer, agent, wholesaler, retailer, and consumer levels. The agent is crucial for small e-commerce companies when trying to enter an overseas market. Companies rely on agents to facilitate the business when do not have any presentence. In small

e-commerce companies' case, the five-level distribution channel helps a company to develop remote markets and sometimes offer financing and legal services.

3.3.2 Enlarge distribution channels

The Internet has brought birth to various distribution channels such as B2B, B2C channel alternatives. However, in the current era, online channels still cannot replace traditional offline channels.

E-commerce companies should never only focus on online distribution channels if wishing to expand the market. Different sets of intermediaries are needed depending on the classification of the e-commerce companies. If the business does not involve exchange of physical objects, such as service provider, the offline channels might not be necessary. However, in most cases, multiple channels are needed, as it will increase the publicity and accessibility of the company's products.

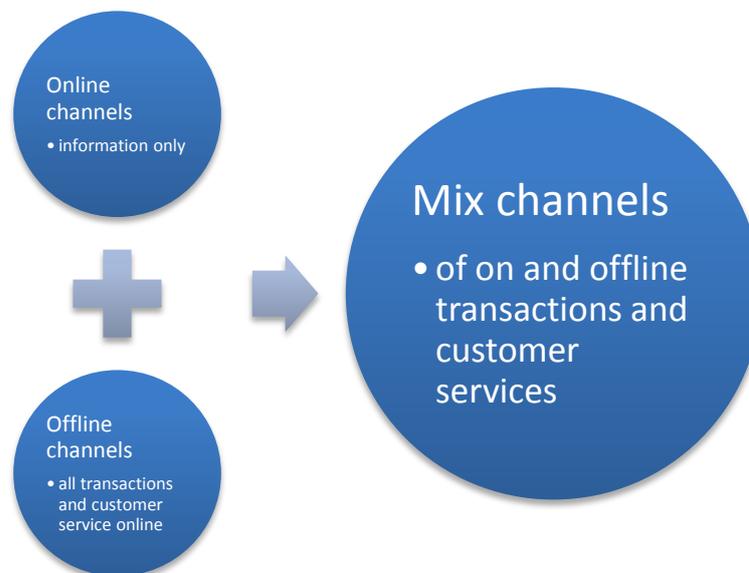


FIGURE 9. E-commerce company distribution channels mix

Figure 9 is designed for e-commerce companies which are running a business and are not purely information based services. Thus, mixing channels of online and offline transactions and customer services are the optimum distribution scenario. Multiple channels may each serve a different business function in different ways.

4 CASE COMPANY: NDIGO BUSINESS B.V.

4.1 Present situation

Ndigo Business B.V. (Ndigo) was founded in 2009, based in Venlo, the south of the Netherlands. Ndigo has three co-founders: Tom, Robin and Remy, they started the business together initially as the premium wholesaler and retailer of Onxy e-reader in Europe. One of the co-founders Tom started his own business of distributing e-cigarettes in the Netherlands in 2005. He realised the huge potential of e-commerce and China's potential possibilities, and started looking for new products in China. Remy and Robin are senior web developers with collectively over 5 years e-commerce knowledge. Ndigo quickly came online and has good business performance on the Internet marketplace. As one of the first distributors of e-readers in Europe, Ndigo has gained a high reputation in the e-reader industry. The company saw the advantage of their position in the e-reader market and start co-operation with other brands of e-readers and accessories, to earn more return on investment. Thus, Ndigo expanded the business by partnering with other companies, for examples: Entourage eDGe, Mobi and Pocket Book during 2010.

As a young and creative start-up company, Ndigo wanted to have its own branding products, to capture more business profit, therefore Ndigo brought its own innovations to the market. In 2010, Ndigo launched its own brand-GETPOWERPAD™, and Qubeee™ came to exist in the beginning of 2012.

Ndigo is still in the growth stage of the business life cycle. The company's net profit for financial year 2011 is 47,586 EUR. However, a major part of the revenue still came from the sales of e-readers. The company is facing a business-restructuring since the e-reader market became more competitive and the decrease in profit has been foreseen. Ndigo currently put major marketing resources on its own brand development. The analysis in following paragraphs is concerning both GETPOWERPAD™ and Qubeee™ since they both belong to the consumer electronic product category and share similar product image as high-technical innovation.

4.2 International involvements

In 2010, Ndigo decided to set up a joint venture with HK Brother union Co., Ltd to achieve economies of scale and strengthen their position in the international market.

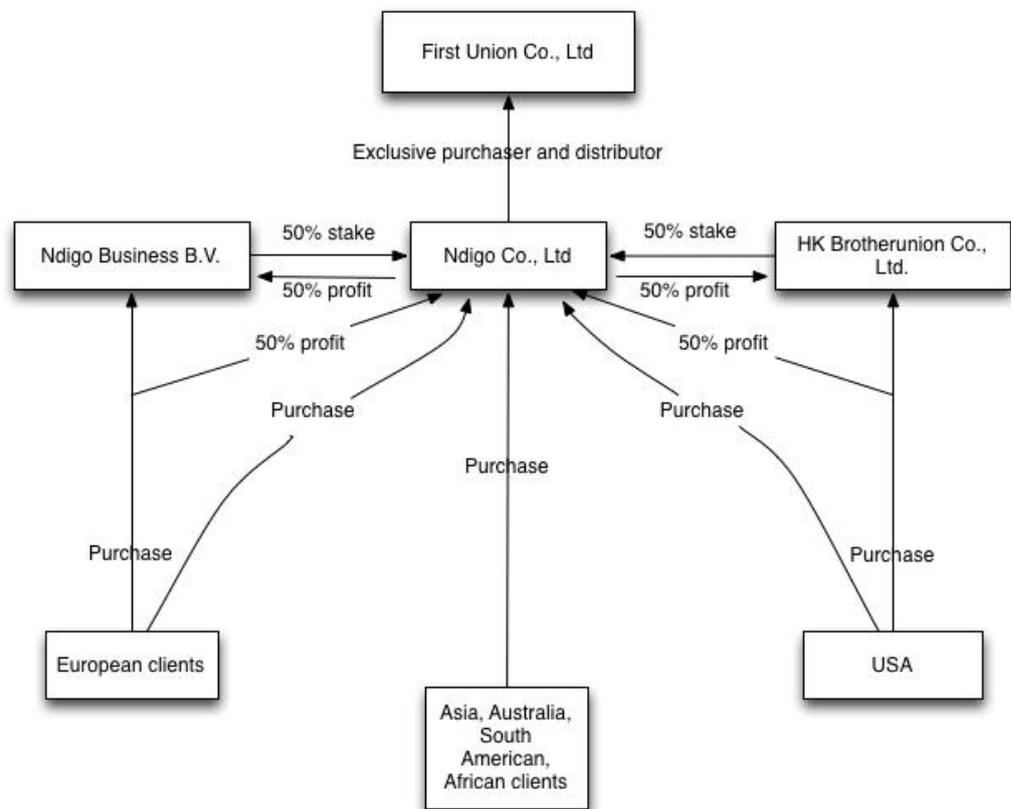


FIGURE 10. Ndigo's business partnership map based on Ndigo

Figure 10 demonstrates how the international business was handled in the company. The initial intention of setting up the joint venture is to save costs.

However, the profit is also divided since both of the companies are not operating in Asia, Australia, South America and Africa.

4.3 Products

Ndigo Business B.V. currently owns two brands/ product lines: GETPOWERPAD™ and Qubee™:

GETPOWERPAD™ produces wireless chargers for iPhone and other mobile devices. Ndigo Business first introduced GETPOWERPAD™ in September 2010 during the IFA in Berlin. Ndigo strives to build up a high-technical innovation brand image of GETPOWERPAD™. The most attracting feature of GETPOWERPAD™ is the concept of “wireless”. As one of the first companies that evolved in the wireless charging industry, GETPOWERPAD™ joined Wireless Power Consortium (WPC) in the same year. The WPC is an association of independent companies. A Consortium charter that defines rules for confidentiality, intellectual property and decision-making governs the association. The members of the Wireless Power Consortium cooperate to make it possible that their mobile phones can charge wirelessly on each other's chargers. WPC introduced Qi standard, by implement Qi standard allows products to work together seamlessly, independent of manufacturer or brand.



FIGURE 11 GETPOWERPAD 3 (Ndigo 2011)

GETPOWERPAD (GPP) 3 is the first generation wireless charger introduced by GETPOWERPAD™ also is one of the first wireless chargers that are under mass production. It allows users to charge maximum 3 mobile devices wirelessly at the same time.



FIGURE 12 GETPOWERPAD Qi 1 (Ndigo 2011)

GETPOWERPAD Qi 1 (shorten as Q1) was developed at the end of 2011, just 6 months after GETPOWERPAD 3. Qi 1 is a single wireless charger with global wireless charging standard introduced by WPC, which makes Qi 1 a universal compatible charger. The other Q1's media pitch has been drawn to its sleek and compact design, with ultra lightweight. (Wireless Power Planet 2011)



FIGURE 13 Qubeee vaporizer cigarette photo (Ndigo 2012)

Qubeee™ introduced the portable vaporizer for people who smoke or want to quit smoking. Qubeee can be used by anyone, anywhere, anytime. It provides a convenient, reliable and efficient alternative to smoking. The Qubeee vaporizer is the world's first 100% herbal alternative to conventional cigarettes, without any harmful ingredients such as nicotine, which is used in, for instance, electronic cigarettes.

4.4 Current distribution channels

As a typical web based company, Ndigo reached its distribution channels through the Internet. And the majority of them are e-wholesalers and e-retailers located in west Europe including Germany, French, the Netherlands and etc.

The reasons that the distribution channels located mainly and only in west Europe are:

1. Linguistic barrier. The product descriptions are only available in English, Dutch, French, German, Italian, Spanish and Chinese, while the service languages are only in English, Dutch, French, German and Chinese.
2. Market priority. Ndigo set west Europe as the priority market focus, since the company is located in this region.

3. Distribution preference. Companies always turn to place orders with suppliers from the same region, as it will decrease both distribution costs and distribution lead-time.

4.5 SO study of Ndigo

4.5.1 Situation analysis- SWOT

The aim of situation analysis is to understand the current position and the future possibility of a company. A better understand of the company's position in the marketplace helps to set realistic objectives. The SWOT is an analytical tool that can be applied in situation analysis. The term SWOT is an acronym of *strength*, *weakness*, *opportunity* and *threat*. Strengths and weaknesses refer to the company/organisation's internal environment, while opportunities and threats refer to the external environment. (Gbadamosi 2010)



FIGURE 14. SWOT analysis of Ndigo Business B.V.

Essentially, a SWOT analysis identifies the opportunities for, and threats to, the company in the marketing environment, and acknowledges its strengths and weaknesses against the marketing competitors. (Ekwulugo 2010) Before create appropriate strategies for Ndigo Business, the understanding of their current situation is needed. Conducting a SWOT analysis enables the company to be more focus and leads to the articulation of company objectives.

Strengths

As mentioned in the previous company presentation part, Ndigo Business is based in Venlo- southern of the Netherlands, which is next to Düsseldorf in Germany. The great location brings the company their strength: **1) the distribution advantage-**

low cost and multiple choices when making shipments. The other premium strength of Ndigo is **2) the language advantage**. Linguistic difference is one of the biggest barriers of business trades in Europe. However, Ndigo overcomes this obstacle easily since the co-founders Robin and Remy are French- Dutch bilinguals while Tom writes and speaks fluent German. Moreover, the three co-founders are professional English speakers. German and French are the two biggest European languages, as the result, language skills allow Ndigo Business to reach the online user in Germany, France, Switzerland, Belgium, and Austria instead of only in the Netherlands.

As mentioned before, Ndigo Business is the wholesaler and retailer for Onyx e-reader in start-up phase of the business. Being a distributor, Ndigo Business **3) created important contacts** with Chinese manufactures, moreover **4) build good relationships** with consumer electric related wholesalers in different European countries.

The production of Ndigo business is outsourced in Shenzhen, China. The owner of the manufacture of GETPOWERPAD™ is a business friend of co-founder Tom. Since relationship management is important in China, Tom successfully gained the new technology information share from the manufacture's investment in R&D, which brings Ndigo business a relatively **5) lower production costs**.

Weaknesses

As a start-up company, Ndigo faces the same problem of **1) limited budget** as all the other start up companies faces. Ndigo lacks of financial budget for marketing research and promotional campaigns. Limited budgets also lead to **2) poor R&D investment**, since Ndigo does not own the technology itself, the company is strongly depended on the other company, which increase the business risk and profit earning. For example, if the GETPOWERPAD™ products are well promoted and selling well, then the manufacture might ask for the higher purchase price for the second order. Ndigo owns neither the technology nor patent, while the product market is too niching to find another reliable supplier for back up. Ndigo might have to cede shares to competitors.

The **3) lack of product identity** is related both the industries- wireless charging, and the vaporiser cigarette. Moreover, the company's brand identity is weak.

Opportunities

Despite the fact that industries' identity of wireless charging and vaporiser cigarette is weak; there are expected to have a **1) significant market growth** in the coming years. For example, the forecast revenue of wireless charging market is going to hit \$23.7 billion, which is 616% growth compare to 2010, according to the market research firm IHS iSuppli (as shown in Figure 15). Same market growth is forecasted in vaporiser cigarette industry. The second opportunity of Ndigo is that both product lines will **2) change the customer needs/ tastes**. As both product lines are defined as innovation products, appearances of wireless charger changed the way of charging and vaporiser cigarette can be seen as new generation e-cigarette. Moreover, **3) new uses of the products** are expected, for example, GETPOWERPAD™ are expected to be a public wireless charging spot allows consumers to charge their mobile devices in public places without bringing the cables and Qubee™ is a great replacement of smoking cigarette to help people quit smoking. Moreover, Ndigo's **4) business life is in growth**.

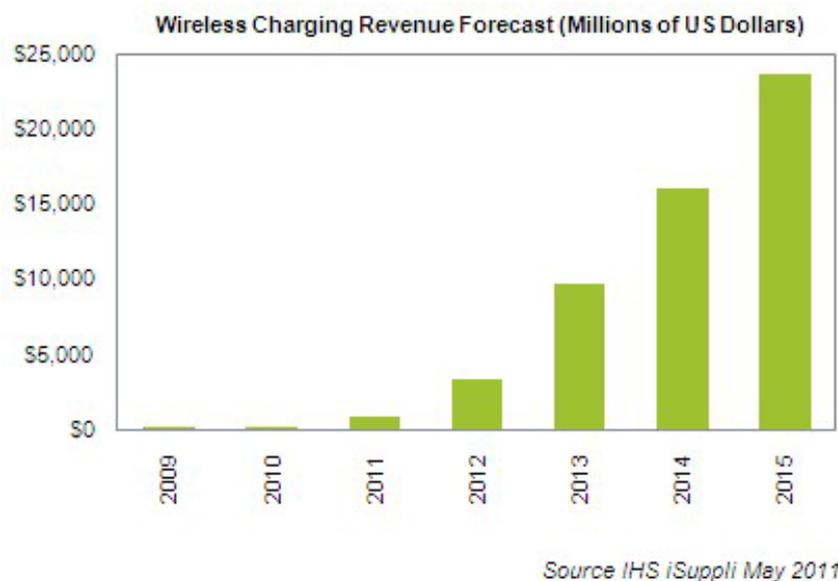


FIGURE 15. Wireless charging revenue forecast. (IHS iSuppli 2011)

Threats

As a small company strives to build up brand awareness, the 1) entry of **well-known competitors** will easily drive away the consumers' attention. Consumers' preferences play an important role in high-tech products; well-known brands usually represent the higher quality of the products. Tough base on the opportunity analysis, the business life of Ndigo is in the growth stage, the 2) **introduction of new substitute products** will have dramatic effects on the product. In current stage, solar charging is assumed to be the greatest subtitle products of wireless charging. Moreover, technology never stops revolution, 3) **new technology may represent wireless charging** in the coming future.

4.5.2 Objectives of Ndigo

Effective business enlargement plans are based on clearly defined objectives since these will form the strategies and tactics and help in communicating the strategic aims to the workforce and investors (Chaffey 2012). Common agreed objectives setting of the company would support reaching the business short-term business targets and long-term goals. The objectives should be formed using *specific, measurable, attainable, realistic and timely* analysis (commonly known as SMART).

For the purpose of enlarging the business, the author discussed with the co-founder of Ndigo, Tom Canters and together, set the current objectives of Ndigo are:

1. Create brand awareness on Chinese online communities;
2. Bring traffic to the company's web-store;
3. Reach local distribution channels.



FIGURE 16 The objectives' details of Ndigo

The objectives need to be narrowed to one country/ region to be carried out effectively, and the target country is China. The company chose China based on the following reasons:

1. The manufactures of Ndigo's products are in China, so, sales in China can minimise the distribution costs.
2. China as a booming e-commerce player in the global market has huge online purchase power.
3. There are already existing partner companies in China from previous business. By having existing contacts in target market will help Ndigo to move forward easier.

5 ENLARGEMENT PLAN FOR NDIGO BUSINESS B.V. IN CHINA

In this chapter, the author will give her own recommendation to the case company of how to enlarge the business in further stages. SOSTAC is applied to the analysis of the current position of Ndigo. The following part will continue the STAC process out of SOSTAC six steps provided. The aim is to give a logical and actual business enlargement plan processes for the commissioned company. The author assumes it will also help the commissioner with its further business enlargement planning.

5.1 Strategy- Social strategy

The strategy element of SOSTAC model defines how the e-marketing objectives will be achieved. Strategy definition has to be tightly integrated into the marketing enlargement planning process since the plan is a process outcome from situation analysis to objective setting to strategy definition. (Chaffey 2012) In this thesis, the author will apply social strategy to Ndigo.

The author chooses social strategy because the company has seen the value of social strategies and has experiences with using social media as a promotional tool in Europe. The value of social media and ways to develop effective social strategies are described in chapter 3. To avoid overlap here, the reader is referred to that section. Furthermore, social media requires time, creativity, and specialist know-how, however it is extremely easy to entry, meaning that almost anyone can participate successfully if preserving and committing to it. (Leena 2010) This means that the technological barriers involved are low and social media is therefore focused more on sociology. Moreover, the company should not only present on social media, but also be an active participant.

In reference to Chaffey's (2012) theory, the author developed a detailed social strategy for Ndigo in China as showed in FIGURE 17.

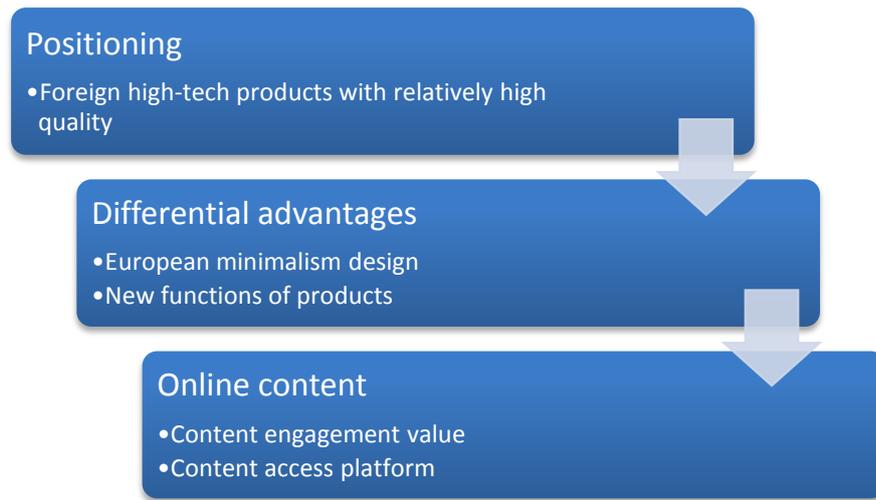


FIGURE 17. Stage in Social strategy for Ndigo in China based on Chaffey (2012)

To create a proper social strategy for Ndigo, the author will apply a three-step strategy development method introduced by Chaffey (2012). This strategy development method contains: **1) Positioning** which will influence customer's perception of the product within target market; **2) differential advantage** which means the product offering that current competitors does not offer. Companies need to decide how to highlight the differentiation as benefit; **3) define online content** is the outcome of positioning and differential advantage. It states what the company offering in the way of products, services and experiences that the competitors should not be available to offer in order to engage online customers. (Smart Insights 2011)

5.2 Tactic- Marketing mix

The concept of the marketing mix- the 4Ps of *product, price, place and promotion* was originally formulated by McCarthy in 1960. Until now, it is still used as the foundation of the marketing tactic. (Vignali 2001) The marketing mix is applied frequently when developing marketing strategies since it provides a clear view of varying elements of the offer that affect the target customers' demand for products.

(Chaffey 2012) Since the 4Ps can generally cover the company's current business operations, it will be applied in the current situation analysis for the case company.

E-commerce has provided new opportunities for marketers to vary the marketing mix. Allen and Fjermestad have summarised e-marketing mix as showed in FIGURE 18. The 4Ps present clearly the essential elements of e-commerce marketing and how to make changes on them in order to reach objectives. For example, to increase sales, can choose to lower the price or change the method of promotion or can be some combinations of these elements.



FIGURE 18. Marketing mix for Ndigo Business B.V. based on Jobber 2010

The 4Ps that will use in analysing the marketing mix of Ndigo Business as follow:

5.2.1.1 Product

In general, the product is a tangible good or intangible service offered to a customer to fulfil his/her demand. Every product has a limited life cycle including growth phase, maturity phase and eventual period of decline as sales falls. A good marketers need to do researches to define which stage the product is with the product life cycle. Then focus on different challenges that arise as the product moves through each stage. Currently, GETPOWERPAD™ and Qubeee™ are in the growth stage of the product life cycle.

Image and package:

The product image is barely known by consumers in China, which means big potential growth is expected. Ndigo marked both product lines as creative consumer electronic product in China.

The design of Ndigo's products use the same package around the world, which means the products' package in China would be exactly the same as in Europe and USA. The reasons behind using a global standard package are: 1) to save production/ package costs; and 2) to add an international image of the products.

Feature:

The features of GETPOWERPAD™ and Qubeee™ are described in Chapter 4.3, to avoid significant overlap here, the reader is referred to that section. The marketer needs to always focus on differential features of the products in the social media contents or press releases. For example, the press releases of Qubeee™ should contain a media pitch about "Nicotine free and cigarette replacement". By having eyes-catching keywords, consumers are willing to learn more about the product.

Quality:

Products are designed by Ndigo and produced by First Union Co. Ltd. There are existing doubts about the quality of Chinese factories. Therefore, Ndigo supervises

the quality of the samples and every order. Thus, the marketer needs to emphasise the certificates on the products, for example, CE as a European certificate confirms the quality of products. This will give the consumer more confidence when considering shopping online with foreign infamous companies.

5.2.1.2 Price

Place is concerned with various methods of transporting and storing goods, and then making them available for the customer. (The Times 100 2006)

The price level of GETPOWERPAD™ and Qubeee™ is relatively high, as the products require high technology invested and are still in the growth stage of the product life. The company sets the products' price using value-based and cost-plus methods. Value-based method is pricing the product price based on the value it creates to customers, if the customer is also willing to pay a certain amount. Moreover, Ndigo studies the competitor prices in order to set competitive prices in the marketplace. Thus, Ndigo need to set different prices in China. Since

New price in China:

However, by positioning Ndigo as a company in China, it is barely known.

Furthermore, the price level in China is rather lower than in Europe, so, the price in Chinese RMB should be lower than Europe.

For example, in Europe, the retail price of GPP 3 starter kit is €84,62 and wholesale price is €43,67 with minimum order of €5000, excluding VAT and shipping costs. After discussing with the financial manager, the retail price of GPP 3 in China will be CN¥ 639,00 (equals to €76) and CN¥ 330,35 (equals to €39,30) for wholesale, excluding VAT and shipping.

Besides, the company can offer an introductory price of the products in China, which intends to simulate more early brand adapter of the products.

Payment methods:

Payment will be accepted by bank transaction, credit card, Paypal and Alipay.

Alipay is a Chinese money transaction intermediary developed by Taobao.com. It

works similar to Paypal, which will secure the online money transaction and is highly adaptable by all online customers.

Free or value-added elements:

The company also needs free or value-added elements to satisfied customers with the price they paid for the product. For example, free delivery is highly recommended, since the post cost in China is commonly only €1 for parcels under 2kg. Also, quick customer service and support will be appreciated as in Europe; while the difference is that people expected 18 hours customer support available in China. The products of Ndigo are usually seen as new technology of users, so customer support will be needed frequently.

5.2.1.3 Promotion

Promotion is the business communication with target customers. The specification of the promotion is usually part of a communications strategy. This will include selection of target markets, positioning and integration of different communications tools. (Akunuri 2011) The Internet has offered a new business communication channel to inform the target customers of a product and assist in the buying decision. (Scott 2011) The appearance of the social media is one of the revolutionary communication channels of Internet communication, as the author has introduced in Chapter 2. In this paragraph, the author will give the suggested promotion means for Ndigo in China.

Social media provide an excellent platform for Internet users to share ideas and comments and helps companies to increase their brand awareness, listen to customers and benefit from the power of viral marketing. (Growglobally 2011)

TABLE 3. Promotion elements of Ndigo

Target customer	Before starting any promotion activities, it is important to define the target customer group, as it will increase the
-----------------	--

group	<p>efficiency of markers. After careful studies of the product features, and the target customer group in Europe, the author defined the target customers in China as young people in urban areas. To be more detailed, the target groups are: trend leaders, fashion watchers, technology followers, and people who usually are willing to try new products. Generally these people are 20-35 years old, and should be at least Internet users.</p>
Sales promotion	<p>Sales promotion aims to motivate customers to purchase a certain product. Starting sale promotion will help to increase short-term sales and create long-term brand awareness and market share.</p> <p>The suggestion for Ndigo is to offer special “introductory” sales promotion in China. The emphasis of sales promotion should not be on “discount”, instead the marker should emphases the offer is only valid for the first 100 purchasers. A detailed plan of how to make a sales promotion on Chinese social media will be carried out in the following “Action” section.</p>
Public relationship	<p>The elements of public relationship include: media, organisations, and partners. Good public relationship management will enhance the company’s image and the flow of information between the company and the publics.</p> <p>For example, based on the product category, there are thousands of related Chinese online communities such as websites, forums and blogs. These are all public sectors the company need to build up the relationship with.</p>

5.2.1.4 Place

The concept of “place” is usually related to “distribution channels”. It is also the last steps of a marketing action. Customers only get access to the product through

distribution channels. In Chapter 3, the author defines the possible distribution channels for e-commerce companies. In this chapter, the main concentration will be on discovering possible distribution channels for Ndigo in China. Here the author will list her findings of suitable possibilities and the recommendations of how to reach these channels.

Retailers:

To reach individual retailers in China directly requires a lot of physical work and time investment of marketers, thus, in the marketing entry stage, it would not be seen as the first choice of enlarging the business in China. However, the author gives her own suggestion to open up retailer distribution in China. Select only reliable retailers in related industry in the chosen area. Although there are still numerous electronic retailers in China, Ndigo needs to research the capacity of the retailer in order to start a cooperation that would not have negative presentation of the products.

Online retailer- 360buy.com

360buy is the biggest online consumer electronic B2C website in China. The website came online in 2004, and the growth rate is over 200% each year. The company stick to the click-only business model to cut down the extra cost may occur in between. The website currently has 25 million registered users, and over 6,000 suppliers, with over 300,000 orders per day.

However, based on the research with 360buy.com, the company needs to be a Chinese registered company to start cooperation. The six different kinds of business cooperation models of 360buy.com can be found in appendices. The author translated them into English for the reader's benefit.

Wholesalers:

1. WPG C&C

The company was established in 2005, located in Shanghai. The author placed it as the first choice because it is a rather newly established company, which means they are also in business enlarging phase and willing to cooperate with

foreign small companies. Thus, Ndigo has a big chance to start a partnership with WPG C&C.

The contact should be done preferably by phone, which is seen as respect in Chinese culture. After the phone call, send a business proposal via e-mail to show the sincerity and market potential of Ndigo.

2. Synnex 聯強國際

Synnex is the biggest consumer electronics wholesaler in China, and also has its branches in other Asian countries such as Singapore and Malaysia. The company currently distributes 34 brands and 1332 products.

The distribution network of Synnex will significantly help Ndigo to enlarge its business. It will increase direct marketing promotion and public awareness of Ndigo. However, it will not be easy to start a partnership with such big wholesalers.

3. Founder Century 方正世紀

Beijing Founder Century Information System Co., Ltd. is a foreign-venture high-tech enterprise. The core business of the company is distribution agency in China for internationally well-known IT products. Founder Century is also one of the largest, most experienced and mature professional agencies in IT field, has built up a stable multi-dimensional distribution network over 30 provinces and cities nationwide and thousands of dealers. The company ranks the first place in IT distribution industry in China. (Founderit 2009)

Agents:

1. ECS Technology (China) Ltd. 佳杰科技

The company was established in Singapore in 1985 and entered the Chinese market in 1992. The head office in China is located in Beijing. The company has 19 subsidiaries and 14 offices across China, together over 9000 sales channels in IT industry. The sales revenue of 2011 reached 20 billion RMB, ranked the second place of ICT agents in China. (ECS 2012)

The cooperation with ECS kind multinational company, which domains big shares of the Asian market, will even help Ndigo to entry another country after China.

2. Changhong IT 长虹佳华

Changhong is one of the leading IT agents in China, it is also one of the biggest wholesalers, and collectively has over 30,000 selling points across China.

However, as a big company in China, it normally would not cooperate with small brands like Ndigo. The author suggests the co-founder to visit the Changhong headquarters in the next business trip to China with a proper proposal. After negotiation, it might bring some possibilities, and help understand the market better.

Other distribution channels- Airlines tax-free offer.

Another modern distribution channel the author suggests is starting partnership with airlines or airport tax-free shops, as the tax free menu is available for every passenger.

The author contacted one of the airport duty-free retailers, and they require 45%-55% gross margin percentage. (refers to appendix 1) Ndigo needs to consider if the offer can be carried out. However, the author suggests Ndigo takes this channel even with low profitability; it will help the product promotion and can even reach the return as more product awareness.

5.3 Action- Chinese online market action plan

In this section, the author develops a detailed action plan to help Ndigo enter the Chinese online marketplace. The plan includes selecting social media platforms, content development, define the structure and responsibilities of Ndigo and how to utilise internal resources and skills.

5.3.1 Platform selection

Among all kinds of social media, the company needs to prioritise which websites are best suited to the company to promote their products. Especially in the case of Ndigo, which brings creative products with attractive features, the market segmentation is clear and distinguished. Moreover, to give an objective suggestion on platform selection, the author conducted related interviews with over 20 years old Chinese Internet users. The survey took place through online questionnaires.

Social network website- weibo.com:

Weibo is generally the Chinese version of Twitter, since Twitter is restricted in China due to political reasons. Weibo quickly became the biggest microblogging website in China. According to the research result of questionnaires, 96.7% of the respondents have a Weibo account, and 100% of them check it daily.

To open up a Weibo account, it needs a user name and e-mail confirmation. Each Weibo post must be shorter than 140 words.

Blog- www.ifanr.com:

Getting the company visible on blogs is becoming increasingly important. Nowadays companies do not only to reach the customers through blogs, but also reach the mainstream media that cover the company related industry. Hit the influential blogs would get a chance of reporting by the mainstream media. This means the company can easily get noticed in the marketplace. Nowadays, marketers are more aware of the remarkable effects of blogs. Scott (2010) mentioned in his book “the new rules of marketing & PR” that “if you are in the consumer technology business, getting your product mentioned in Gizmodo.com and getting a link back to your site from Gizmodo.com are probably more important than even a mention in the Wall Street Journal.”

To find out the Chinese version of Gizmodo.com, the author also conducted a reflective research through the online survey. As shown in the questionnaire received results, ifanr.com is suggested. It is the biggest technology blog in China. The goal of ifanr is to explore leading tech and cool gadgets, creates content and actually do research on the newest technology for their articles, instead of easily

copying other website's contents. Moreover, every article in ifanr.com will be posted on Weibo.com, and it has over 10 thousand followers in Weibo.com. In able to be reported by ifanr.com, Ndigo need to contact the editor of ifanr.com, give them a specific description of Ndigo's products and links of foreign reports would be a plus.

Forum- bbs.ifanr.com:

Ndigo is in the business of consumer electronic products, thus the forum should be related to electronic industry as well. The author suggests bbs.ifanr.com/forum.php as a suitable forum for Ndigo. It is powered by ifanr.com.

5.3.2 Content development

Social media works best when it is part of an overall marketing strategy that uses many different marketing tools. Online line PR and marketing are two tools that integrate very well with social media. Social media is primarily a personal networking opportunity. (Martin 2012) On Weibo, the emphasis is meeting people users do not know as acquaintances to friend or follow them, so that they can get to know them better. Though it is true that social media is a conversation instead of a one-way broadcast, it is possible to announce news, upcoming events and significant activities within the framework of that conversation. The key of good social content is to approach social media with a light touch instead of a blatantly promotional push.

Based on the content strategy Chaffey (2012) introduced in his book of "e-business management", the content engagement value and the content access platform are key elements of online content of a company.

By analysing the questionnaire results, the author developed the following content:

位于荷兰的 Ndigo 公司是一个主营高新技术产品的互联网创业公司。今年年初Ndigo 协旗下品牌 Qubeee 进入中国市场。Qubeee是全球首个以蒸气为原理的电子烟。Qubeee 虽然是电子烟，却完全不含尼古丁成份，采用中草药

取而代之。推出特别价100份，特别适合姐妹们做为爱心礼品送给老爸或男朋友噢！

This content contains only 123 words and can be translated into English as:

The Dutch high technology web start-up company- Ndigo decided to come to China with its newly released product Qubeee! Qubeee is the first portable vaporiser, which is a replacement for a cigarette. However, the difference between Qubeee and other e-cigarettes is Qubeee does not contain any nicotine. Instead it is 100% herbal. Now Ndigo offers the first 100 products at a special price. It is a healthy gift for your father and/or boyfriend! Show your love with Qubeee now!

In this content, the company image is emphasised in the beginning. Meanwhile, it presents clearly the advantage/ difference with existing products, it is nicotine-free and good for health. Moreover, it contains a discount promotion (refers to the “promotion” section in tactic element) and enlarges the product identity from a cigarette replacement to the best gift.

5.4 Control- getclicky.com

The “control” process of the e-marketing plan can be achieved through traditional techniques such as marketing research to obtain customer views and opinions. While more preferably, e-commerce companies use novel techniques such as analysis of web-server log files that use technology to whether objectives are achieved.

In the case of Ndigo, the company’s objectives are: create brand awareness and drive traffic to the web store, and to increase the customer demand and reach the local distribution channel in China. The result of brand awareness and traffic to the company website can be seen as online marketing effectiveness, which can be tracked using getclicky.com. It is a real time web statistics tracking system, which can demonstrate the incoming visitors’ locations, click-through links. (Drupal 2010) While reaching a local distributor can be seen as business operation contribution, can be evaluated based on channel profitability including revenue, costs and return on investment.

Furthermore, one of the features of social media is transparency, as people are sharing information and comments freely. The other important part of the control element is to keep tracking the social media contents and user interaction. This is extremely important for the online reputation of the company. Since social media allows everyone to participate in online discussions, companies cannot control all the information and comments of the products. Therefore, companies need to deal with negative feedback and take corrective action when needed. Ignoring this information may result in bad reputation or even business failure. Thus, in general, the control involves proper response to customer feedback, for example, if a customer complains about product defect on Weibo, the company should quickly respond to the customer through Weibo by comments or reposts to his/her post. This will show the company's sincerity to all online. To sum up, control is a process of building awareness and shaping perceptions rather than adjusting company behaviour based on the users' feedback.

5.5 Other suggestions

The author describes different e-business models in chapter 3. Most successful online businesses do not limit themselves to just one of the models. Instead, a successful entrepreneur should find an optimum combination of different e-commerce business models that can help the business operation.

In the case of Ndigo, it is a brokerage business company. However, the business should be diversified to utilise the potential of e-commerce. The author suggests Ndigo open an online affiliate business model in China. By opening an affiliate business model in China, it gives the company a chance to reach the potential customer group with no investment. Especially, it allows customers to reach the product in the biggest C2C platform- Taobao.com. In this way, it allows more customers to notice the existence of the product as well. However, when opening an affiliate model, the company needs to be ready with small quantity orders.

Furthermore, Ndigo could also consider the information model as a support of the brokerage model. This means building up own forum related to new technologies. By creating the company's own forum, the company could actually have better control on the marketing feedback and better communication with potential

customers. Having an own running related industry forum will also help the company promote the products without a push advertisement. The potential users would know the company by checking the forum's topics and discussions. Despite the fact that the outcome of creating the company's owned forum could be great, it requires lots of time and work force input. However, if the forum runs well, it might also bring extra income to the company, for example, advertising fees.

6 CONCLUSION AND PROPOSAL FOR FURTHER RESEARCH

This chapter presents the conclusions of the entire research study. Moreover the author summarises the suggestion for the case company and gives her proposal for further research on related subjects.

6.1 Suggestions for Ndigo Business B.V.

In this research paper, the author studies business enlargement possibilities for small companies after the start-up phase. More specifically, the author developed a detailed marketing enlargement plan for the commissioner as a possible solution using the plan model SOSTAC. The study provides practical solutions for the commissioner for starting to expand the business in China. Based on the result of the online survey conducted, the author also developed useful information for the commissioner for entering the China's market using social strategy.

The author also gave other business enlargement suggestions during the study. Reaching new markets does not mean sending a press release in the local language, instead, it requires lots of time and capital invested. A business enlargement plan should always follow a professional model, in this thesis it is SOSTAC, which includes: the current situation analysis for both internal and external factors; the business objective setting process; define strategy section- in this paper is social strategy; selecting a tactic, for example, marketing mix; making a detailed action plan and controlling the performance. Altogether, six elements are all necessary processes for any successful business enlargement. However, besides using social media as the promotion channel for the company, there are other ways to build up brand image. Other strategies could be applied to the SOSTAC model for future developments of the business.

Furthermore, business enlargement is a continuous task for companies. Companies always need refresh business ideas to renew the business life cycle.

6.2 Research questions and findings

Table 4. Research questions and findings

Research questions	Findings
How can e-commerce companies enlarge the business after the start-up phase?	Course of enlarging the business is the cornerstone of a company. The enlarging methods could be both expand to new marketplace and deepen the existing marketplace.
What distribution alternatives there are available?	Distribution alternatives are the possible intermediaries that bring the product/services to target customers. The e-commerce companies should focus both online distribution channels and offline physical channels.
How to utilise social media as part of business enlarging strategy?	Social media belongs to the “promotion” element in the marketing mix. Moreover, a good social strategy can help the company to minimise the cost of business enlargements.
How can social media help e-commerce companies in China?	The action plan designed for the commissioner with using social media as a tool of entering China as the target market.

The first research question has been answered in chapter 3 and through the enlargement designed for the commissioner. To enlarge the business after start-up phase, the company needs to start from discovering new business possibilities for example, establishing new business operation models. Also, having more distribution channels can also be seen as business enlargement.

The second question is solved in the theoretical study of the thesis. Then in chapter 5, the author listed the possible and suitable distribution alternatives in China for the commissioner's benefit. The distribution alternatives include all the possible intermediaries transferring the company's product to the customers. Thus, for an e-commerce company, the distribution channels should never be limited to online wholesaler and retailer. The company should also actively try to reach more physical distribution channels both in the existing marketplace and the new marketplace.

The third question is answered in both the chapter 3 "social strategy" section and chapter 5 when developing the enlargement plan. Social media is a promotion tool especially suited to small e-commerce companies. It helps the business to build up brand awareness with low costs. Moreover, social media is a good platform for customer service and managing customer feedback. It provides a way for companies to communicate with the customers directly.

The last question is the demand of the commissioner; in order to solve this problem the author developed a detailed action plan in chapter 5. Moreover, for the purpose of understanding better the online social media users' behaviour and the usage of social media, the author conducted relative surveys. The results received from the survey are used when developing the action plan.

6.3 Proposal for further research

As business enlargement is a wide and deep subject to study for all companies, the author only focuses on one small aspect out of the big pool of possible solutions. However, business enlargement does not always mean entering a new marketplace, it also means enlarging the market share in the existing market.

Furthermore, the social strategy might vary dramatically in different countries due to different customer online behaviours. To fulfil the commissioner's demand, this thesis only studies the social strategy in China. Thus, the questionnaires are only designed for Chinese online users and the social contents are developed based on the result received. If any interest is drawn to the social media possibilities in China, the cultural background study is also important to study in that case.

7 SUMMARY

The objective of this thesis was to find effective market enlargement means for small companies after start-up phase, focusing on the current status of the commissioning company. The research objectives and questions were selected to focus on how to help the case company's current market operation with low investment.

A business enlargement plan should always follow a professional model, in this thesis it is SOSTAC, which includes: the current situation analysis for both internal and external factors; the business objective setting process; define strategy section- in this paper is social strategy; selecting a tactic, for example, marketing mix; making a detailed action plan and controlling the performance. Altogether, six elements are all necessary processes for any successful business enlargement. However, besides using social media as the promotion channel for the company, there are other ways to build up brand image. Other strategies could be applied to the SOSTAC model for future developments of the business.

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APPENDICES

Appendix 1: E-mail content with China Airline store

From: 
Subject: RE: GETPOWERPAD x 
Date: 16 August 2011 04:46:21 EEST
To: Elise Lu

Hi Elise,

The margins of 30%+ is too low for us as an airport retailer.
Airport shops' rental & operations costs are much higher than even in city centres.

Most of brands sold in our shops, we have margins ranging from 45% to 55%;
also, purchases are on Sales-Or-Returnable condition.

Appendix 2: Business cooperation models of 360buy.com

商家合作模式 Cooperation models	京东店铺 Online store	京东交易系统 Transaction system	京东仓储 有 Stock service	京东配送 Delivery service	买家自提 Buyer self collection service	京东货到付款 Payment collect delivery service	第三方货到付款 Third party payment collect delivery service
FBP	有/Yes	有/Yes	有/Yes	有/Yes	有/Yes	有/Yes	无/No
LBP	有/Yes	有/Yes	无/No	有/Yes	有/Yes	有/Yes	无/No
SOP	有/Yes	有/Yes	无/No	无/No	无/No	无/No	无/No
SOPL	有/Yes	有/Yes	无/No	有/Yes	有/Yes	有/Yes	有/Yes

Appendix 3: ifanr.com

The screenshot shows the ifanr.com forum homepage. The browser address bar displays 'bbs.ifanr.com/forum.php'. The page title is '爱范社区: 关于设备和应用的真实点评 - Powered by Discuz!'. The forum is organized into several sections:

- 玩家 & 用家**
 - 拇指设备和应用点评 (4)**: 我们都喜欢智能手持, 它们from Palm, Nokia, Google, Apple, RIM, Microsoft...让我们谈论我们所喜欢的这些玩意。 版主: GOLDENW, kkk, zhangh109. 5630 / 65457. 来自 Instagram 分享灵感瞬间, 求互... 半小时前 yibie
 - 爱范会&爱创会: 本地线下聚会咯 (1)**: 宁德 办证Q:1.7.7.0.5.0.2.7.8. ... 半小时前 bqboa
 - iPad Kindle & 平板设备 (1)**: iPad, Kindle, 电子书, 平板设备 版主: SoPudge. 166 / 1987. 纠结到底是买kindle 3、kindle 4 ... 半小时前 euffo
 - 社交媒体及应用**: Web App 应用, 软件或是 Web X.0 有趣网站的讨论。 版主: today, zerob13. 605 / 4604. 手机Gravity上下载新版本后不能安... 昨天 13:08 农家御品vcr
- iflea.爱互易 | 与 Twitter 互通的自助广播发布平台** 分区版主: yibie
 - 范儿集市 | 交易 交换 团购**: 各种有趣的gadgets, 新品, 二手物件。 366 / 7547. 转让正版gravity认证 (40元)。 昨天 22:08 0安江0
- HotTalk & CoolMind**
 - 范儿Talks | 有趣生活的碎片**: 新闻, 闲聊, 杂碎, 传言, 考古, 酷品, 影像。 版主: 肉夹馍范, nothing, ridden, se7en. 640 / 3200. 到这里就好了, 我懂得 昨天 20:25 战神刑天
 - 我们 fan的人和事**: 范儿模事, 值得仰视的人, 值得纪念的事 版主: streetsmart, yibie. 75 / 293. 你所不知的 Steve Jobs 昨天 18:46 0撒洪0

Powered by Discuz! X2. 官方微博 | 手机版 | 范科技 | 联系我们 | ifanr.com

Appendix 4: Questionnaire in English

<http://app.fluidsurveys.com/surveys/elise-5/chinese-social-medias/>

Chinese social medias

General Information

1. Gender

- Male
- Female

2. Age

- 18-22
- 23-27
- 28-32
- 33+

Social media usage

3. How often do you use Weibo.com?

- Daily
- Weekly
- Monthly
- I do not have a Weibo account

4. How many friends do you have on weibo?

- 1-150
- 151-300
- 301-450
- 451-600
- 600+

5. How many public accounts are you a fan of?

- 1-10
- 11-20
- 21-50
- 50+

6. For what reasons do you become a follower of some profile?

Please rank your score as 1=not important, 5=very important

	1	2	3	4	5
To receive information on special promotions	<input type="radio"/>				
To follow up on status updates and news	<input type="radio"/>				
To follow up on the latest pictures	<input type="radio"/>				
To join conversations (on the wall, comment pictures, videos, status updates, etc.)	<input type="radio"/>				
Because a friend invited me	<input type="radio"/>				

7. How interested are you in these types of promotions?

Please rank your score as 1=not interested, 5=very interested

	1	2	3	4	5
Product gift samples	<input type="radio"/>				
Company's events	<input type="radio"/>				
Product user comments	<input type="radio"/>				
Product discount information	<input type="radio"/>				

8. Which social media do you use?

Please rank your score as 1=not at all, 5=very often

	1	2	3	4	5
Weibo.com	<input type="radio"/>				
Renren.com	<input type="radio"/>				
Douban.com	<input type="radio"/>				
Read forums	<input type="radio"/>				
Read blogs	<input type="radio"/>				

9. What consumer technology blogs you often check?

Please indicates the name in following blank

Submit

Appendix 5: Questionnaire in Chinese

<http://app.fluidsurveys.com/surveys/elise-5/fiq2k44tx9rn0ttwhnxa565e/>

中国社交网络调查

0%

基本信息

1. 性别

- 男
- 女

2. 年龄

- 18-22
- 23-27
- 28-32
- 33+

社交网络使用情况

3. 您使用新浪微博的频率是?

- 每天
- 每周
- 每个月

4. 微博上有效互相帮助的人数是?

- 1-150
- 151-300
- 301-450
- 451-600
- 600+

5. 微博上关注了多少宣传性质用户?

- 1-10
- 11-20
- 21-50
- 50-70
- 70+

6. 关注宣传性质用户的原因是?

请给出分数 1- 不重要 5-很重要

	1	2	3	4	5
以获取特别促销的信息	<input type="radio"/>				
以获取当下趋势或新闻的更新	<input type="radio"/>				
以获取相关方面新的照片/讯息	<input type="radio"/>				
以加入相关讨论 (通过评论 转发等)	<input type="radio"/>				
因为朋友邀请我一通关注	<input type="radio"/>				

7. 你觉得以下宣传手段能否吸引你

请给出分数 1- 不感兴趣 5-很感兴趣

	1	2	3	4	5
免费的样品机会	<input type="radio"/>				
公司相关活动状态更新 (图片 视频等)	<input type="radio"/>				
其它用户对产品的评论 (用户体验, 用户拍照等)	<input type="radio"/>				
产品折扣信息	<input type="radio"/>				

8. 经常使用社交平台么?

请给出分数 1- 完全不用 5- 经常使用

	1	2	3	4	5
新浪微博	<input type="radio"/>				
人人	<input type="radio"/>				
豆瓣	<input type="radio"/>				
各大论坛	<input type="radio"/>				
各种博客	<input type="radio"/>				

你平常会关注电子产品相关博客 论坛么?

如果有 请给出名字

Submit

Appendix 6: Example of questionnaire English result

1. Gender	Male
2. Age	18-22
3. How often do you use Weibo.com?	Daily
4. How many friends do you have on weibo?	1-150
5. How many public accounts are you a fan of?	50+
6. For what reasons do you become a follower of some profile? To receive information on special promotions	4
6. For what reasons do you become a follower of some profile? To follow up on status updates and news	5
6. For what reasons do you become a follower of some profile? To follow up on the latest pictures	4
6. For what reasons do you become a follower of some profile? To join conversations (on the wall, comment pictures, videos, status updates, etc.)	4
6. For what reasons do you become a follower of some profile? Because a friend invited me	5
7. How interested are you in these types of promotions? Product gift samples	4
7. How interested are you in these types of promotions? Company's events	5
7. How interested are you in these types of promotions? Product user comments	5
7. How interested are you in these types of promotions? Product discount information	5
7. How interested are you in these types of promotions?	4
8. Which social media do you use? Weibo.com	5
8. Which social media do you use? Renren.com	5
8. Which social media do you use? Douban.com	1
8. Which social media do you use? Read blogs	1
9. What consumer technology blogs you often check?	Mashable