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**HOW A SMALL JAPANESE E-RETAILING COMPANY CAN EXPAND ITS
OPERATIONS ABROAD; CASE AGRADE**

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<p>The aim of this thesis is to provide the case company with information on internationalising its operations. Since the company is involved in e-commerce and sells its products online, e-retailing is discussed in a broader sense. Further discussion includes the implications of crossborder e-commerce and online marketplaces as a business model.</p> <p>The research methods used are desktop study and interview. The desktop study is used for the most part of the thesis, while the interview method is applied to complement the SWOT-analysis.</p> <p>Since the case company is yet at the very beginning of its internationalisation process, a compact overview of the topic is given. As an outcome, the company is presented with the theoretical approach to internationalisation as well as with the flow of the general planning process. PEST- and SWOT-analyses map out the external and internal environments. A practical checklist gives instructions on what the company should do and where to start from.</p>	
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1 INTRODUCTION

This thesis is written from the viewpoint of a micro-sized Japanese retail and wholesale company. Their retailing operations are carried out through Amazon Marketplace where customers can easily find their products. There are many benefits by selling on Amazon, but it also has its limitations. Other major marketplaces and their features will be introduced.

The commissioning party would like to develop their retail business, which is why the subject of research in this study focuses on business to customer (B2C) e-commerce. So far they have experience of the domestic market only, but as the competition tightens, they feel that expanding the business further domestically or finding markets overseas could help the company achieve growth. Cross-border e-commerce and the chances it opens for small companies are the main sub-themes of the thesis.

The research questions are how the company can utilise these opportunities and what exactly their chances are. This will be considered while keeping in mind the resources and capabilities that the company has.

As a background theory, e-retail will be discussed and how it differs from normal retailing followed by an overview on cross-border e-retail. The empirical part focuses on defining the company's readiness to internationalise through PEST- and SWOT-analyses accomplished by desktop research and interview methods.

The purpose is to provide the company with accurate and timely facts, by using the desktop research method. The sources are collected from relevant literature and Internet. The findings should help the company in their decision-making and present options that could be taken in the future.

2. RESEARCH METHODS

There are two kinds of research methods; quantitative and qualitative. Qualitative methods were chosen for this study to produce information that is suitable for the case company.

2.1 Desktop research

Desktop study makes use of secondary data, in other words existing information. Simply said, it is a research method that does not require leaving the desk. It is also a very cost-effective way of retrieving information. Each research should begin by creating a detailed plan on how the project is carried out. But in the case of desktop study, the demanded information might not be found and it could become necessary to fulfill the missing pieces by acquiring primary data. (Hague, Hauge 2004)

There is plenty of free information available at libraries and on the Internet. The only problem is the difficulty of finding reliable content and correct information from the vast pool of sources within a limited time. When using search engines, using the right words is vitally important as even slightly different wording affects the results. It is recommended to use more than one search engine in order to avoid missing essential information. Referring to the sources found on the Internet is equally necessary as literature sources, or even more so, to measure the reliability and for further research. (Hague, Hauge 2004)

One method of testing the reliability of information found on the Internet is to use the CARS checklist. CARS is the acronym for credibility, accuracy, reasonableness and support. Each characteristic helps in determining the quality of the information but it is not exhaustive and does not require fulfilling all of them in every case. Checking the background of the information can assess credibility; the author, negative or positive comments, correct spelling as well as choice of wording are attributes to credibility. Accurate information is updated, complete and has a clear audience and a purpose. Reasonableness means excluding emotions and bias. A reasonable source does not state impossibilities and neither the contradictions. A list of sources and the ability to confirm the accuracy are supporting factors for good-quality sources. Additionally, it is advisable to choose a source that also introduces

the author well enough to include name, professional status, contact information and the date. (Harris 2013)

2.2. Interview

Interview is a widely used method in research. It enables the researcher to acquire primary information in a situation that is planned before hand. Interview techniques can be divided into three types; a structured questionnaire-based survey, semi-structured themed interview and an unstructured open interview. The advantage of using the interview as a method is that it is flexible but the succeeding depends largely on the skills of the researcher. (Vuorela 2005)

The interview method was chosen for the SWOT- analysis. The purpose of interviewing the chief operating officer (COO) was to acquire specific information, as well as to introduce the strategic tool to the case company. The COO was asked to familiarise himself with the related material well in advance before the interview took place, and then presented with questions each focusing on the company's strengts, weaknesses, opportunities and threats. The setting for the interview was casual and the discussion was directed with the help of simple complementary questions compiled by Mind Tools.

3 E-COMMERCE OVERVIEW

There are many definitions for e-commerce and usually it is described as a very large concept that includes all buying and selling of services and products, not just on the Internet, but also through other ICT means. E-business is another term used to describe electronic commerce. It can be extended to include intracompany exchanges, customer service and collaboration between companies. The two terms are often used interchangeably. Purely physical organisations are now equal to old economy organisations, where as virtual companies represent the new economy. A company that has its product, process or method of delivery in a digital form is considered to be an e-commerce company, even if only partially so. A hybrid form, a mixture of both digital and physical, can be said to describe the majority of today's companies. (Turban 2010)

Global e-commerce spending recorded 680 billion Dollars in 2011, which was over 18% more than the previous year. The trend is expected to continue strong as sales are projected to grow for several years into the future. (Report Ecommerce Europe Online Payments 2012) Leading e-commerce countries in terms of average spending by customer in 2012 are the United Kingdom (3, 585 Dollars), Australia (3, 547 Dollars), United States (2, 293 Dollars) and Japan (1, 745 Dollars). When looking at the number of online buyers, China is the first with 219,8 million followed by United States (149,8 million) and Japan (73,7 million). (eMarketer 2012)

What sells online are products that the customer feels comfortable buying without touching or feeling it. These products are often inexpensive, everyday items or products of a well-known brand. Books and music have been the top selling categories for a long time since they are easy to pack and deliver to the customer and are often lower priced online. Consumer electronics and computer software as well as hardware are another big segment of online sales. Other popular categories include travel and entertainment bookings and apparel. Recently the share of grocery sales has been on the rise even though they are considered difficult to sell online for profit. Despite the expenses, grocerers feel that they must try to answer customer needs by offering them convenience. (Turban 2010)

Compared to traditional commerce, technology apparently is the enabler of e-commerce. It involves hardware, software and Internet infrastructure. The extensive adoption of technologies in business and in everyday life has produced a phenomenon called digital economy. It has made processes more efficient, there is more information is available and accessible than ever before and accelerated the pace of new innovations. Although the development has opened new opportunities, there are also negative aspects such as fraudulent behavior and stealing of personal information. Security is one of the main concerns in e-commerce. (Turban 2010)

However, technology creates only the base for e-commerce. The framework consists of people, legal systems, marketing, support services and business partnerships. Together they enable the function of various forms of electronic commerce. (Turban 2010)

The e-commerce environment is complex and the factors influencing it needs to be considered on a global level. Global reach can be seen as a double-edged sword as changes in the environment and markets happen faster and unexpectedly. Furthermore, it increases competition and adds pressure on companies. Consumers have more power as they have access to price information and can make price comparisons easily. (Turban 2010)

There are several business models associated with e-commerce and it is usual for companies to engage in more than one at a time. Common Internet business models are online direct marketing, electronic tendering or reverse auction, marketplaces, viral marketing and social networking. E-tendering is used in large-scale purchases by bigger private or public organisations as well as by the government. Companies can profit from viral marketing through social networks and raise brand awareness at the same time. (Turban 2010)

This thesis focuses on the most typical business models; online direct marketing and marketplaces.

3.1 Globalization and e-commerce

There were around 2.4-2.7 billion Internet users worldwide in 2013, the number varies depending on the source. Despite the differences in Internet penetration rate and technological advances between countries, the Internet connects the whole world together. The interconnectedness is having its effect on businesses as more and more companies are shifting to apply e-commerce into their operations in order to stay competitive. The relationship between globalisation and e-commerce can be seen to work both ways; globalisation is the driving force behind cross-border e-commerce and vice-versa. (Gibbs, Kraemer, Dedrick 2003)

It appears that business to business (B2B) e-commerce is being forced to globalise due to competitive pressure, but the B2C dimension is still very much local and differs to a great extent country by country. Each local consumer market has its specific cultural aspects and unique consumer preferences that slow down the globalisation forces. Nevertheless, consumers worldwide have same uniting force of wanting convenience and affordable prices that is demanding local companies to engage into global e-commerce. (Gibbs, Kraemer, Dedrick 2003)

Purely by becoming aware of globalisation gives companies a headstart in competition, keeps them up to date with technological innovations and helps them to identify new opportunities. (Daniels, Daniels 1993)

There are also negative aspects brought by globalisation and e-commerce. One is the unbalance in adopting e-commerce between developed and developing countries. Developing countries may lack the resources and readiness to take on the newest trends that may result in increasing the so-called digital divide. (Gibbs, Kraemer, Dedrick 2003)

Another concern is the difficulty of regulating the flow of global e-commerce. The byproducts of black and grey markets working in the background include; theft of private information, intellectual property infringements such as counterfeit products and parallel importing. Cybercriminals and hackers situated anywhere in the world find ways to break through

security systems and profit from stealing or selling personal data such as credit card, passwords and IDs. (Turban 2010)

While counterfeit products are strictly illegal copies of trademark products, parallel imports are genuine products that are sold or resold to a another country by taking advantage of the price difference without an authorization from the intellectual property owner. While parallel importing is prohibited largely through Europe and the Western world, in Japan for example it is considered not to be an offence to intellectual property under certain conditions. (AACD)

3.2 Cross-border e-commerce

Internet and globalisation enable the flow of information and also links to the growing prospects of e-commerce. However, when it comes to selling goods abroad, there are still a few problems to be overcome with different payment systems and taxation. The lack of trust between the buyer and seller is another common issue. The shipment and delivery costs may also become quite high when exporting to another country. Nevertheless, the proposed advantages such as more freedom of choice for the buyer and growth opportunities for the seller encourage both to engage in cross-border e-commerce. (Daniels, Daniels 1993)

Paypal, a third-party payment service provider (PSP) owned by eBay, published a study conducted by Nielsen called Modern Spice Routes covering United States, United Kingdom, Germany, Australia, China and Brazil. These markets differ quite substantially from one another, but represent the current and future key markets in terms of e-commerce, hence the title. The survey participants consisted of over 6 000 Paypal users who had placed an order at a foreign online shop during the passed year. The aim of the research is to recognize common characteristics and behaviour of "the 94 million modern spice route shoppers". (PayPal)

The main reasons to shop abroad for the survey participants were to save money and interest in products that are not easily available locally. The study identified five types of shoppers; fearless adventurer, efficient explorer, value voyager, safety seeker and deal hunter.

Adventurers entertain themselves by seeking unique items and they do not pay so much attention to price. The other four types of shoppers are more price-conscious and they take advantage of the price differences between countries. Explorers and safety seekers are more hesitant in their purchase decisions and buy from trusted merchants. Deal hunters only shop online if they can find a good price. The most popular product category for cross-border online shoppers is apparel-related items. (PayPal)

According to PayPal's data, currently one in four of the payment transactions made through it are cross-border transactions. The study emphasizes the increasing popularity of shopping through a mobile device and expects the volume of purchases to triple by 2018. (PayPal)

3.3 Japanese e-commerce market

Japan is now the third largest economy in the world. The Japanese economy has suffered from recession for almost two decades, but the new "Abenomics" policy that aims to increase public as well as private spending, has managed to restore confidence in consumers. In fact, retail spending, which has been declining steadily for years, recently has shown signs of recovery. The economic policy has also affected the value of the national currency in order to enhance exports. (Dementriou 2013; Grant 2013)

The first graph (Figure 1) illustrates consumer spending in Japan between 2010 and 2013. Consumer spending presents the health of the economy by measuring the amount of money that consumers use in goods and services. Decline in the figures would mean that there are problems in the economy and a sign of the danger of recession. (Trading Economics)



Figure 1 Quarterly consumer spending figures 2010-2013. Unit is billion Yen. The highest figure in July 2013 is 314417.60 billion Yen. (Trading Economics)

The second graph (Figure 2) shows the changes in gross national product. GNP is the value of all the goods and services that are produced in the country by its workforce. (Trading Economics)

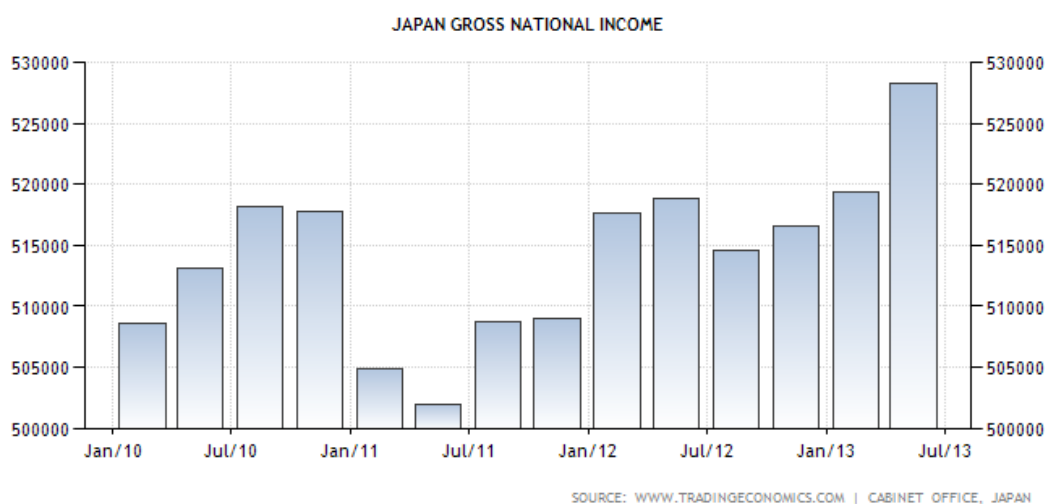


Figure 2 Quarterly GNP 2010-2013. The unit is billion Yen. The highest figure in July 2013 is 533789.00 billion Yen. (Trading Economics)

Although the retail sales have been unstable for quite some time, the online business has been growing rapidly. According to a study made by Euromonitor, the growth rate in 2012

was 11% and it is forecast to continue at a similar pace until 2016. (Euromonitor 2013; Inside Retail Asia 2013)

comScore (2013) released a report on the current and future situation of the Japanese digital world. Japan is the world's fourth largest online population of 73.6 million people and 34% own smartphones. What is special about the Japanese market is that the users are older when compared to the global age divide. The usage rate by males is higher than females. That would mean that the average user is a male over 35 years old. (comScore 2013)

Another remarkable finding is that online retail is relatively very popular in Japan. 86% of Internet users have shopped online. It appears that comparison shopping, in particular, is twice as popular as the global average. Kakaku.com (kakaku means price) attracts the fourth most unique monthly visitors after Amazon, Rakuten and Yahoo shopping sites. In addition to basic product information, users can write reviews on the products they have bought which can be helpful when making a purchasing decision. Kakaku also shows the price data in form of a graph over two years so it is easy to see price fluctuations and when it is an ideal time to buy the product. The Japanese e-shoppers like to pay by credit cards, but cash on delivery (COD) and convenience store payments are alternative favorites. (comScore 2013; Kakaku)

The Japanese population is getting older, and as mentioned before, the average Internet user in Japan is over 35 years old. E-retailers see the shrinking and aging population as a chance. The elderly need convenience, which is the main advantage of online shopping. (De Angelis 2013)

Considering the implications of the situation for the case company, the current environment appears favorable and insinuates a promising future. There is still room for growth, which is anticipated to last for a couple of years to come. The depreciation of Yen in order to boost exports by the government provides a competitive advantage for Japanese companies selling abroad, which is what the company has been contemplating on. Nevertheless, the situation might change and it is necessary to follow the direction of the progress of e-commerce in a global context.

4 RETAILING AND E-RETAILING

To begin with, it is necessary to introduce the concept of e-retailing. The term is generally used when referred to an online B2C transaction of goods or services and everything that results in to that transaction. The process of selling online differs from traditional retailing in many ways. Opening a website compared to opening a physical store is much easier and less costly. However, there are various challenges that face e-retailers. The importance of efficient supply chain and logistic system that enables quick order fulfillment is multiplied. Furthermore, attracting visitors to the website and providing a pleasant shopping experience with supporting services better than competitors do are just as important. (Dennis, Harris, Merrilees 2002; Turban 2010)

From the multi-channel point of view, on one hand selling online supports offline operations, but on the other hand these channels might compete with one another. Shops are becoming showrooms for customers to try out the products which they will then search online to compare prices before making the purchasing decision. (Dennis, Harris, Merrilees 2002)

It is argued which one has the biggest advantage, a well-established bricks store going online or a "pureplay" online store. Many traditional retailers may think that e-retailing is some form of an extension in order to reach for the customers who want convenience or, live too far away from the physical store. A webstore faces many challenges, as it must be able to handle the orders effectively, provide excellent customer service and have a logistic system. This might become a problem for bricks and clicks stores, when the online shop does not generate the anticipated profits. (Dennis, Harris, Merrilees 2002)

Many customers prefer to make comparisons on the Internet and form a decision before going to the actual store to buy the product. In this sense, the multi-channel approach has an advantage. It should be noted that this applies for some specific products rather than to be generalised. An example could be sports shoes that must be tried on before knowing how they fit. In fact, the pattern can work both ways. A customer goes to the store to fit on the shoes and once he or she has found the pair that fits perfectly, the customer then goes online to find the place that has the lowest price. (Dennis, Harris, Merrilees 2002)

In traditional retailing, it is common knowledge that place is the most important ingredient of the marketing mix. However, when it comes to e-retailing, one could think that the place does not matter anymore, as customers are able to shop online regardless of the location. From a different perspective, it could be said that Internet has become the new and invaluable place for retailers to be. (Dennis, Harris, Merrilees 2002)

The next subchapter will introduce the marketing mix for e-commerce.

4.1 Retail mix for e-commerce

Dennis, Harris and Merrilees (2004) have created an E-retail mix, which better suits the online environment. Instead of the 4Ps known in marketing, the E-retail mix constitutes of 4Cs and can be extended to 7Cs. The first 4Cs converted from the 4Ps, by place meaning to convenience for the customer, product translating into customer value and benefits, price becomes cost to the customer and promotion turns into communication and customer relationships. (Dennis, Harris, Merrilees 2004)

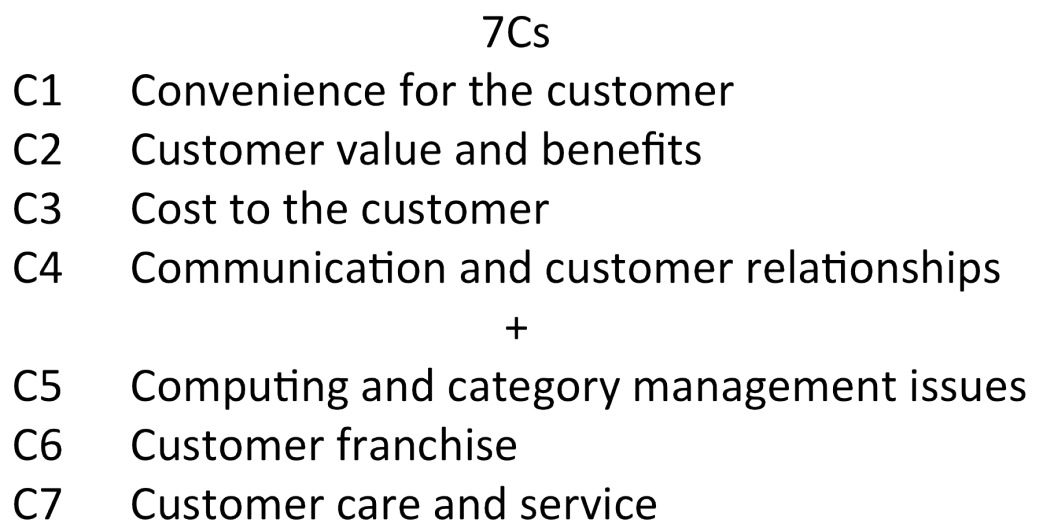


Figure 3 The 7Cs in e-commerce

The link between place and convenience is clear. Online retailing is all about convenience for the customer. First of all, customers should be able to find the site without difficulty and then be able to navigate through it easily. The page layout and design have the same effect as instore layout and shelf space. In case the online shop is situated in another country, the customer may have doubts on the reliability of the seller. (Dennis, Harris, Merrilees 2004)

Instead of focusing on the product, customer value and benefits should be put first. This begins from offering a wide selection of products that answer the customers' needs and wants. As the customer cannot see or feel the product in reality, there must be enough information on the product available. Good quality photos and videos tell more than a thousand words. Depending on the features of the website, a possibility to read reviews from other buyers may also help the customer in forming a buying decision. (Dennis, Harris, Merrilees 2004)

Price or cost to the customer is perhaps the most critical point. Prices are expected to be lower online, but the cost of delivery may become a deal breaker. Additional fees that show up at the checkout process are one of the most common reasons for shopping cart abandonment (Appleseed 2011). Unless it is a special item that is in question, price conscious customers will continue searching for a more affordable place, or find out that the price difference with the neighboring store is not that big after all (Dennis, Harris, Merrilees 2004).

Compared to bricks stores, online shops need to work hard in building their customer relationships as the buyer and seller cannot see each other. The absence of face-to-face selling is often seen as a disadvantage to e-retailers. The customer has to be convinced by other means and the importance of the emotional side of shopping can be easily forgotten. However, e-retailers do have the advantage of having recorded user data, which they can use for promotion purposes. (Dennis, Harris, Merrilees 2004)

The additional Cs deepen the requirements for successful e-retailers. As e-retailers are dependent on technology, they should be able to utilise it cost-effectively and create the lead to bricks stores. Logistics and stock management are vitally important to e-retailers and the fifth C is for computing and category management issues. The ideal case is that the retailer

has everything connected starting from supply chain. It would help cutting costs and enable fast service and delivery to the customer. (Dennis, Harris, Merrilees 2004)

Customer franchise means the image that has been built in the minds of the customers. It is connected to the brand image, and bricks and clicks retailers have the advantage of stronger brand image. Pureplays need to work harder in creating a good and reliable image by offering service that exceeds customers' expectations. The final C is for customer care and service. Good service in terms of e-retailing in addition to competitive prices and comprehensive product categories also include quick delivery and a fair returns policy. (Dennis, Harris, Merrilees 2004)

4.2 Payments

As pointed out earlier, it appears that security is a major concern in cross-border online shopping. Although the amounts of money in B2C are far smaller than B2B, many feel uncomfortable in giving out their credit card or banking details online. Even within the EU, buyers are still hesitant to place an order in a shop that is situated in a member state. If the customer cannot find a comfortable payment method, it is likely that he or she will abandon the shopping cart. Businesses use different payment methods that are more secure when handling large amounts of money but they cannot be applied to B2C. (Report Ecommerce Europe Online Payments 2012; Turban 2010)

Online payment systems and consumer preferences vary greatly country by country. The preferred payment method online and offline might not be the same. Paying by cash in stores is still the most common method in some regions such as the Asia-Pacific, while credit or debit cards are used for online shopping. Other alternative payment methods are internet banking, bank transfers, COD and non-card PSPs (payment service provider) such as Paypal. (Report Ecommerce Europe Online Payments 2012; Turban 2010)

The popularity of credit cards globally is undeniable as plastic payments have outcome cash payments since 2005. Despite the popularity and convenience for customers, it is a rather expensive and problematic method, especially for smaller merchants who cannot afford to

decline credit cards and lose customers. Credit card companies usually charge a fixed fee per transaction in addition to a percentage of the purchase price. Some sellers restrict accepting credit cards and may reject the card if the purchase is below a certain amount. (Turban 2010)

As there are many different payment methods available with their own benefits and costs, the seller needs to consider which ones to choose to best serve its customers. By offering as many methods as possible, the seller ensures that the customer is able to choose his or her preferred method. (Turban 2010)

New payment methods are expected to emerge as cross-border e-commerce becomes more common. Paypal is a relatively convenient alternative for accepting payments from abroad. It requires users to register and create an account but charges only a percentage of the purchase price. Through Paypal it is possible to accept global payment methods without having a local merchant account. (Turban 2010; Paypal)

4.3 Order fulfillment and logistics

Compared to traditional retailing, the order fulfillment process and delivery is more complex in e-retailing. The value and volume per shipment is relatively small and the frequency can fluctuate being influenced by holiday seasons. Also the pivotal importance of accurate and punctual deliveries to the customer needs to be acknowledged. Arranging such a process may prove to be expensive and time-consuming, especially when shipping abroad. That is why the delivery process can be seen as a downside of e-retailing. It is arguably the biggest cost involved and requires careful planning. (Turban 2010)

Logistics, both inbound and outbound, is an important part of the e-commerce infrastructure and the growing volume of B2C e-commerce is changing logistics. Transport companies need to be able to provide speedy and exact home deliveries of small quantities to customers who may also appreciate a tracking service. This difference to traditional logistics can be defined by using the term e-logistics. Smaller companies are more likely to outsource their logistics operations to third-party logistics providers. (Hultkrantz, Lumsden 2001; Turban 2010)

The supply chain encompasses the complete flow from raw materials to manufacturing, and from suppliers to intermediaries until to the final customer. It also includes the flow of information. E-commerce allows a better automatization of processes that will make the supply chain work more efficiently. (Turban 2010)

The most simple form of the order fulfillment process usually begins with ensuring payment from the customer, after which stock availability will be checked. In case the item is available, it is packed and shipped to the customer. The flow of the process may differ depending on the type of business and the product. It may include replenishing components and ordering out-of-stock items from suppliers that can prolong the process. The customer is informed of each step of the order processing either online or by e-mail. (Turban 2010)

Customers value an effortless returns process that is made easy and the absence of it can make the buyer hesitate if it is safe to place an order. Returns are called reverse logistics and it should be an integral part of the logistics system. There are several ways in dealing with the returns process. Online shops often leave the responsibility to the buyer to pack the unwanted product back carefully and send it back to the seller at the customer's own expense. Handling the refund may take several weeks. This option is undeniably the least favored by customers and also requires an effort from the seller. In case of a faulty item, the merchant is accounted for replacing the item or providing a complete refund. Brick-and-mortar stores have the advantage of being able accept returns at the physical store where the customer brings the item by him- or herself and receive a refund immediately. (Turban 2010)

Due to the complex nature of the order fulfillment process, there are a few common problems that may occur. One is trying to prepare for fluctuating demand which is difficult to predict, and results in further problems as it has implications on inventory costs and can cause delays of deliveries. The so-called bullwhip effect disrupts the whole supply chain that stems from an inconsistency at one point in the supply chain. There are several factors that affect demand, ranging from more obvious reasons such as sudden changes in consumer behaviour as well as preferences, to surprising weather conditions. These problems can be solved by conducting regular demand forecasts and collaborating with business partners and

logistics companies to create a more efficient supply chain and improve the flow of information. (Turban 2010)

Shipping orders abroad naturally makes the supply chain longer and the whole process more complicated. It will increase the costs as well as extend delivery times since customs procedures and international carriers are added to the equation. Furthermore, certain items cannot be shipped by airmail because they are considered dangerous or because of the size and weight exceed limitations. There can also be country-specific restrictions and prohibitions. (Turban 2010)

Choosing a carrier should be done considering the product features and the necessity of fast delivery. Customers generally prefer to have a choice in the method and cost of delivery and it is advisable to offer several options. Providing a calculator to estimate the shipping costs before placing an order can help to avoid unpleasant surprises for the customer. (Pierce 2012)

When shipping abroad frequently, making a contract with logistics companies can help in bringing down the costs. DHL, FedEx and UPS are currently the market leaders in the global express-package industry. Another option is to use Express Mail Service (EMS) operated by the Universal Postal Union (UPU) EMS cooperative, which is the most affordable option. Both offer tracking service, but using global courier service often provides a faster alternative and are considered more reliable. (Turban 2010)

A company that has established international shipments can consider using a fulfillment services. E-fulfillment companies are specialised in handling the irregular flow of small packages and delivering them on time. They have warehouses in different parts of the world and are partnered with couriers which enables the fast service. Depending on the service provider, e-fulfillment companies often take care of the returns process and customs procedures as well. (Turban 2010; Banker 2014)

The figure below (Figure 4) demonstrates the fulfillment process for reference.

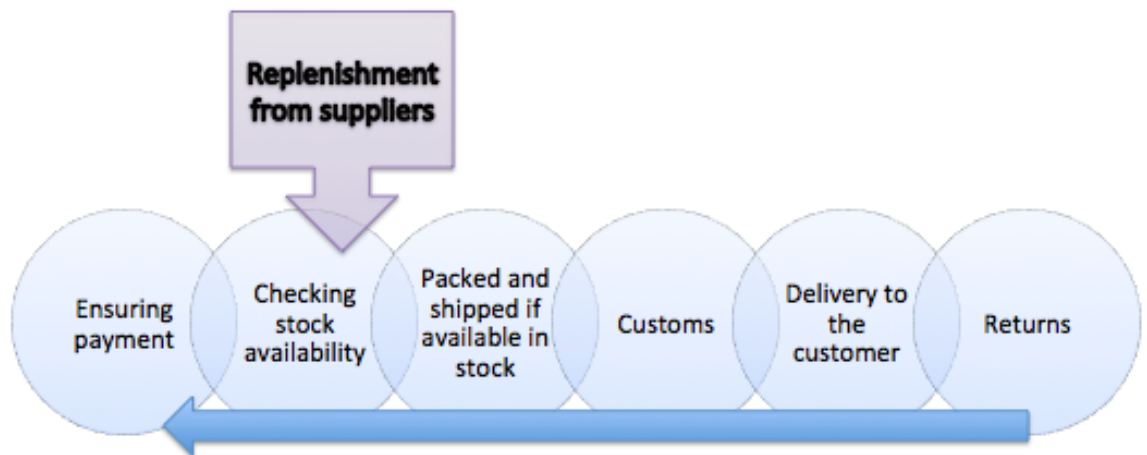


Figure 4 The fulfillment process

4.4 Social media

Social networking has become an important marketing tool for contemporary companies, regardless of their involvement in e-commerce. It has made the environment more interactive, increasing communication with customers. Allowing customers to comment and post reviews on products and on their buying experiences has become a new way of building and maintaining the company image. Positive reviews, especially those made by close friends, work as sales promotion that encourage customers to make purchase decisions. The main advantage in utilising social media is that it can be done completely free of charge. (Hirvonen 2011; Salminen 2012)

Customers can give feedback directly and make suggestions on how the company could improve its services and products. With the help of social media, companies can carry out research on customer preferences as well as levels of satisfaction at a lower cost than by using traditional methods. It is also possible to gather information faster and more accurately since internet users are often divided in communities of shared interests. (Turban 2010)

The saying "good news travel fast - bad news even faster" is very true in social media. The value of information has increased and the power has shifted from companies to consumers. Research on social media users have found a phenomenon called 20-80 rule, according to which only 20 percent of users create 80 percent of the content. This creates a risk of one active customer's bad experience to grow out of proportions, that can deteriorate the company's image. Controlling the social media environment is practically impossible since the amount of web content is massive. However, there are tools that enable companies to search what is written about their products and services and take action to prevent the negative aspects. (Turban 2010)

The most well-known and frequently used social networking tools at the moment are Facebook, Twitter, Youtube, forums and blogs. Facebook, Twitter and Youtube are global services that have millions of users in many countries and that make them essential channels for any company. It is possible to create shop window in Facebook that links to the company's homepage. Customers that have had positive experiences or are interested in the company's updates can push "like-button" that is showed to the user's friends. Twitter and Youtube are perhaps less used by companies, but tweets (short messages) and videos are also effective supplementary marketing tools. (Hirvonen 2011)

The popularity of different social media networks varies country by country and there might be local noteworthy equivalents. For example in Japan LINE, a smartfone application allowing registered users to make free phone calls and messages, has 45 million users in Japan compared to 21 million Facebook users in 2013. The service enables mobile gaming as well as companies to create public profiles that users can add to their friends and receive benefits such as campaign information and discount coupons. (Kamiguchi 2013)

Blogs have become an increasingly trendy channel for marketing. Companies can cooperate with bloggers and have them introduce their products and services. As customers are seeking information on the internet, a favorite blogger telling about a product or a service may be perceived more approachable and informative than a tv-commercial or other forms of advertising. Blogs can have thousands of readers per day and are said to be on the way of replacing womens' magazines. (Simola 2013)

In conclusion, e-retailing differs significantly from traditional retailing. Although the basic idea is the same, e-retailing requires changes in the conventional marketing mix, payment methods and logistics, as well as involvement in social media. As an overview, these can be seen as the major divergent points for consideration.

5 ONLINE MARKETPLACE PLATFORMS

Selling online does not necessarily mean that you have to set up your own website from the beginning. E-marketplaces have been gaining popularity since it is relatively easy for anyone to sell their used or unneeded items inexpensively and without the technological knowledge of running a website. For many people, this kind of activity is more of a hobby, through which they can earn some extra money. Also companies, especially small businesses, have learned to make use of these platforms. (Turban 2010)

Visibility is perhaps the main concern for online shopkeepers. If there are not enough visitors, there will not be sales either. Marketplace platforms usually solve this problem. Sellers can compete for visibility by either paying a higher price for their listings or by getting good reviews from their customers. (Turban 2010)

There are several kinds of brokers on the web, each offering specialized service. Shopping facilitators assist consumers who wish to shop on foreign websites but lack the language skills or the payment and delivery options of the shop do not allow shipping abroad. Another group using these kinds of services are expatriates wanting to buy products from their home country that are not available where they live. Tenso is a forwarding service that allows registered customers to use its warehouse as a delivery address in Japan and it then forwards the order to the customer abroad. They offer also a proxy service acting as a buying agent, if the shop the customer wishes to buy from does not accept foreign credit cards or if the customer needs more help in completing the purchase. (Turban 2010; Tenso)

Infomediaries and comparison agents gather information on products and prices that have an important role when customers make purchasing decisions. Companies can cooperate with these kinds of websites to list their products and prices as well as improve their competitiveness. Usually the price comparison sites are concentrated on one or several product categories. The company should search through which sites it can reach customers. (Turban 2010)

E-marketplaces are in fact intermediaries and act as matchmakers for buyers and sellers. They enable information exchange as well as payment transactions and provide an institutional infrastructure for trading goods and services. The infrastructure offers legal and regulatory framework to support the operation of the market. Online marketplaces are sometimes referred to as malls, however the difference is that malls work as directories whereas marketplaces have a more competitive environment. In B2C both individual storefronts, in other words online stores on the company's homepage, as well as malls are common electronic marketplaces. (Turban 2010)

Stores can be classified into four types; general stores, specialised stores, regional or global stores and pure-play or click-and-mortar stores. For example Amazon represents all of the classifications, it started out as a pureplay e-book store focusing on competitive pricing and added customer value but it is nowadays a general store handling multiple categories in several countries. (Turban 2010)

The three basic components that enable e-shopping and selling are electronic catalog, search engine and the shopping cart functions. Compared to traditional paper catalogs, electronic catalogs can be customised for each customer based on the preferences and updated more quickly. Furthermore, the catalog is integrated and a part of the buying process as it is connected to the shopping cart and can be efficiently used through the search engine. In an ideal case, an online shop has all of its functions connected from the stock situation, catalog, to order dispatching to fully exploit the benefits of technology. (Turban 2010)

There are distinct advantages and a few disadvantages in operating an online store. The major issue is the low barrier to entry, which can also be seen as a disadvantage as new competitors may emerge whenever. Furthermore, price and product information are available abundantly, which makes the competition tough and puts the customer in a favorable position. Despite the extremely competitive environment, the company size does not matter as much as it does in traditional retailing. Small companies have equal chances to succeed. (Turban 2010)

At the moment, the case company Agrade is completely dependent on Amazon as its retailing channel but it is considering on taking up also Rakuten, Yahoo and Qoo10 in order to expand customer base.

The following subchapters introduce these marketplaces one by one and compare their main features and details. Rakuten, Amazon and Yahoo Shopping are the market leaders in Japan. eBay and its Asian collaboration Qoo10 are less popular in terms of volume, but have their own audiences.

The reasons for choosing one marketplace over another include; concentration on certain product categories or types, price range for similar items about to be sold, or in other words competition, and service fees. Some marketplaces are labelled as discount malls, while some concentrate on customer service. The company needs to consider different options and it is also possible to make a limited-time trial at a few marketplaces. (Royal Mail)

Amazon Marketplace

Amazon became known for its competitive prices, the widest selection of books and later the Kindle e-book reading device. Nowadays it is one of the leading retailers on the Web with product categories including basically anything ranging from daily necessities to special items. Part of the enlargement is due to the third-party sellers on the Amazon Marketplace. In a sense, the third-party sellers have to compete with Amazon unless they register new items that are not handled already. (Amazon)

The sellers are divided into bigger volume sellers or professionals and private sellers. Amazon charges a monthly fee from the professional sellers and a provision of 100 Yen (0.70 Euros) on every item sold from the private sellers. Also a handling fee ranging from 8% to 15% is taken depending on product category, Kindle accessories accounting for as high as 45%. Private sellers are not allowed to list cosmetics, apparel, jewelry, watches, pet items or food and beverage. Payments by credit card, bank transfer and convenience stores are accepted and Amazon does not charge the seller for any of the methods chosen by the customer. (Amazon)

The sellers can subscribe to the Fulfilment by Amazon (FBA) service, which means that after the inventory is shipped and stored at Amazon's fulfilment warehouses, Amazon takes

care of the shipping. FBA items are eligible for the Amazon Prime service which is a speed delivery option for customers. Benefits of FBA to the customer are free domestic delivery and sellers do not have to take care of the time and space consuming shipping. (Amazon)

Currently Amazon has websites in 12 countries (United States, Canada, Mexico, Brazil, United Kingdom, France, Germany, Italy, Spain, India, China and Japan). Each site operates in the local language and also in English. In Europe Amazon has created an unified European Marketplace. Registering requires a valid bank account in one of the European Union countries that Amazon supports. The seller is responsible for familiarizing with the country specific rules and regulations by him- or herself. The seller should also be able to provide product information as well as customer service in English and take notice of different time zones. (Amazon)

eBay and Qoo10

eBay differs from Amazon in that in addition to fixed-price listings it also has an auction feature. In fact, it first started out as an auction site. Another difference is that eBay does not compete with the sellers, it only offers the platform. The site has a hundred million active users and 180 million product listings. There is a strong feeling of community as the sellers and buyers have more interaction. On the viewpoint of the seller, this makes transactions quite time-consuming. That is why special items that are difficult to find elsewhere, are often sold on eBay. An example of this would be vintage or limited edition items. (Thomas. 2013).

On eBay, the seller has to pay a fee for every product listed plus a final value fee. The seller can choose use the paid marketing services and upgrade the product listing to gain more visibility. Opening an eBay store allows all items to be listed in the same place. The monthly fee for a Premium Store with the maximum of 500 product listings is 49.95-59.95 US Dollars (37- 44 Euros) depending on the length of the subscription. (eBay)

Payments on eBay are handled through PayPal or by credit cards. eBay owns PayPal which is the most popular PSP in the world, as mentioned before in the text. Paypal does not show the buyer's banking details to the seller which is ideal for customers who want to protect their identity. (Report Ecommerce Europe Online Payments 2012; PayPal)

For its customers in Japan eBay has launched a service called Sekaimon partnering with Shop Airlines, PayPal and Yamato Transport. It is basically a shopping facilitator service translated in Japanese that also offers better customer security by making sure that the purchased item sent from the seller corresponds to the one the buyer has ordered before it is shipped from the distribution center to Japan. (Sekaimon)

Qoo10 is a joint venture formed with Giosis and eBay targeting the Asian market. It is one of the most popular low price shopping sites in Singapore and South Korea, formerly known as Gmarket, and has operations in Japan, Hong Kong, China, Indonesia and Malaysia. Although Japan is Qoo10's largest market with 1.7 million users, its focus is on Singapore where it has comparatively more transactions. (Qoo10.sg; Lee 2013)

Registering as a seller is free and the only fee charged is the seller service, which depends on the status of the seller and the price of the item. A fee for an item priced under 200 Dollars (147 Euros) is 9-12%. The status is a measure of seller performance and there are three statuses; power, good and normal. Credit points are awarded upon registration and successful transactions but the seller may also be subjected to penalties if the shipment is delayed or the order is cancelled due to a mistake made by the seller. (Qoo10.sg)

For payment methods Qoo10 accepts PayPal, Master and Visa credit cards, online or offline cash transfer and its own G-Account. A rate calculator for standard EMS supports overseas shipping if the seller chooses to deliver abroad. (Qoo10.sg)

Rakuten and Rakuten Global Market

Rakuten Ichiba was launched in 1997 and it is the biggest online retailer in Japan. It has diversified its business through vigorous mergers and acquisitions domestically as well as abroad. The vision of "Rakuten Ecosystem" that combines online and offline services has now spread to include e-book, travel, banking and e-money services. (Rakuten)

Currently the Rakuten Family has operations in eleven countries worldwide (Austria, Brazil, France, Germany, Indonesia, Malaysia, Spain, Taiwan, Thailand, United Kingdom and USA). In 2010 Rakuten informed of its "Englishnization" to support the company's global strategy. The same year, Rakuten acquired Play.com. Play.com is situated in the UK and it

enables sellers to display their items to Japanese consumers. Vice versa, there is Rakuten Global Market for international buyers interested in Japanese items. (Rakuten; Play)

The costs of running a shop vary depending on the plan chosen. There are four plans to choose from and the most affordable one, called "do your best", allows 5000 product listings per month for a monthly fee of 19500 Yen (140 Euros). On top of the monthly fee, a system usage fee of 3,5-6,5% is taken. There is also a 60 000 Yen (425 Euros) opening fee when registering a new shop. Rakuten offers support services such as e-commerce consulting on how to increase sales and even lectures at Rakuten University on how to run a shop successfully for beginners. (Rakuten)

Yahoo Shopping

Yahoo Shopping and Yahoo Auction together form the Japan's second largest e-commerce site. The combined daily sales amount as high as 56 hundred million Yen (40 million Euros). Yahoo Shopping is calling its service an e-commerce revolution. The potential customers include 3 600 000 registered T-card (a bonus system) users. Additionally, Yahoo Shopping advertises on Facebook and has a mobile application through which customers can make purchases. Nearly all payment methods are available. External links are also allowed so that customers can access the company's homepage. (Yahoo Shopping)

The service promotes free registration, monthly fees and royalties. However, opening a store is not completely free. It is possible to choose from three start up package plans (from 55, 000 Yen to 149, 800 Yen/ from 390 Euros to 1, 050 Euros) or have a personalised webpage created in three days for a fee of 30, 000 Yen (210 Euros). Item listing fee depends on the number of merchandise varying from 5, 000 Yen (35 Euros) for 1-10 items to 140, 000 Yen (990 Euros) for 100 or more items. The seller has to contribute to T-point fee, payment settlement charge and affiliate system fees in case merchandise is sold through an affiliate. Additional services include usage analysis tools, a customer mail magazine and a paid merchandise photoshoot. (Yahoo Shopping)

5.1 Summary

In conclusion, each service differs from one another in terms of pricing and services offered. It is not unusual for companies to list their items on multiple platforms. For example ee-Shop, a company selling imported European interior items such as Marimekko and Iittala, has its online and mobile shopping utilises Amazon, Rakuten, Yahoo Shopping, au Mall (a Japanese mobile operator) and Pompare Mall (Recruit). Naturally this adds up the running costs, but makes the items visible to an even wider audience.

Since an analysis of the product category division for each service proved difficult to accomplish, the following table (Table 1) provides a comparative summary of the marketplace services only from the cost perspective in relation to services instead.

Table 1 Online Marketplace cost comparison

	Registration Fee/ Start-up Cost	Monthly Fee	Premium/royalty charged	Services
Amazon	None	4,900 Yen (35 Euros) for professionals	Handling fee 8-45% depending on the item	Fulfillment by Amazon shipping service
eBay (Premium Store)	None	59.95 USD (45 Euros) per month or 49.95 USD (37 Euros) per year	Limited free listing/Final value 6-9%	Various paid marketing and store design options
Qoo10	None	None	Seller service fee	Shipping abroad possible
Rakuten	60,000 Yen (425 Euros)	19,500 Yen (140 Euros)	3.5-6.5%	Support services
Yahoo Shopping	Free/ 30,000 Yen (210 Euros) for creating a personalised webpage	None	No royalties/ T-Point fee 1-15%, affiliate fee 1-71%	Merchandise photoshoot, analysis tools, mail magazine

6 INTERNATIONALISATION PROCESS

There is much literature on multinational corporations and internationalisation strategies for large companies. However, small and medium sized companies often lack the resources and capability to act in the same way. According to SME white paper (2010), problems such as insufficient skills of staff and limited capital are the biggest worries. That is perhaps why many smaller companies do not actively plan to start international operations, it happens as a reaction to a demand that suddenly comes from abroad. In addition to a pull factor from abroad, there might be a push factor in the domestic market such as diminishing market. (Rodriguez 2007)

There are several ways in which a company can internationalise. Besides exporting, the company can cooperate with other organisations, utilise important networks and try to find inputs and technologies that lead to increased competitiveness. (European Commission. Enterprise and Industry 2008)

The drivers for internationalisation that should attract SMEs to take action are increased number of potential customers as well as suppliers, enhanced performance, sustainability on the long term and competitiveness. (European Commission, Enterprise and Industry 2008)

Japan is a reasonably large market and companies have not felt the pressure to internationalise. The poor English skills of the Japanese have also had an impact on the mindset. However, the low level of internationalisation of SMEs is not a problem just for the Japanese. Even when comparing to European companies that have the advantage of a unified market, 75 percent of SMEs still depend strongly on domestic markets. (Nukata et al. 2012; European Commission. Enterprise and Industry 2008)

6.1 Prevailing theories

Two rather popular theories, the Uppsala Internationalization Process Model and Cavusgil's I-Model, suggest that the basic process for a company that leads into internationalisation is

incremental and tentative. Both of these prevailing theories were invented nearly three decades ago and were originally created by studying manufacturing firms. (Forsgren, Hagström 2007)

The Uppsala model pictures a gradual process of increasing knowledge of foreign markets. The less the company knows about a certain market, the higher it tends to perceive the risk of entering it. The Uppsala Internationalization Process Model can generally be applied to all companies regardless of size or type of business. The theory suggests that companies often choose one market, or perhaps a few, that are situated relatively close and perceived to be safer to begin with. Commitments are made in an experimental manner and increased together with the cumulated knowledge. (Forsgren, Hagström 2007)

The Cavugil's I-model includes five stages that the company goes through. In the first stage the company is concentrated on the domestic market and is not actively seeking opportunities in foreign markets. The common reasons for being at this stage are that the company may feel detached or it is simply unaware of the waiting opportunities. Eventually, internal and external influences make the company notice the new possibilities and interest has awoken. However, in order to take any action the company has to acquire information on the risks, costs and actual practices before taking the first step. The third stage is experimental involvement where the company usually indirectly exports to a country that is psychically close-by. Once the company feels confident enough to operate without the help of middlemen, it will reach the fourth stage of active involvement. At the final stage that is committed involvement, the company sets up branches or manufacturing sites and forms alliances abroad. (Li, Dimitratos 2013)

The downside of these models is that they can be considered as time-consuming and outdated. Therefore there is a need for new internationalisation models to suite modern companies that also take the nomination of e-commerce into account. One theory that is attempting to explain the fast internationalisation of modern internet-related companies is the networking theory. The theory includes the same ingredients; the learning by doing approach and incremental learning connected with increasing commitment, but adds the importance of business relationships. The role of networking in internationalisation is empha-

sized, the company needs to know how to create new relationships in foreign markets in order to succeed. (Forsgren, Hagström 2007; Johanson, Vahlne 2003)

6.2 Planning process

The theories introduced before describe the overall path that companies take to become international. They do not bring up the planning process once decision to go international has been made. Planning is the initial stage of any business activity, and the outcome may result in abandoning the idea if it appears unfeasible during the planning process.

Kasetti is a information service produced by Teknologiateollisuus Ry (Technology Industry Oy) in cooperation with Finnish governmental agencies for aspiring international companies. It offers a guide that consists of the company's readiness, chances in the foreign markets, strategy, resources and implementation. The guide begins with by assessing the company's readiness and current situation. It includes the products or services, financial and psychological resources, ability to serve foreign markets and the managerial requirements of internationalisation. (Kasetti)

Before entering a foreign market, the company should conduct extensive research on the policies as well as the choices it has in introducing the product or service. At this point it is advisable to invest in expert advice as it can prevent costly mistakes and help in utilising the available resources. As a result the company should have strong arguments whether to proceed or not with the internationalisation, together with a vision of implementation. Market research can be divided into three layers; initial research, in depth research and advanced research that produces a complete marketing plan. Initial research is often enough to create the basis for decisions. (Kasetti)

When forming an internationalisation strategy, it is usually a matter of making long-term commitments. The formulation begins with an analysis that compares different strategic options that are assimilated to the company's overall strategy. It also involves the groundwork for planning the usage of resources, product or service customization and other develop-

ments. The following stage designates the usage of resources as well as the budget for the next two to three years. The implementation phase contains of launching the actual process by acquiring business partners and making the necessary preparations such as finalizing contracts, permits and legal matters. After the initiation the operations are assessed and checked to see if the original plans and strategy have been successfully implemented. (Kasetti)

6.3 Present situation of the case company

Agrade employs five people and they have a turnover of approximately hundred million Yen (700 000 Euros). The company is capitalized at a 9.9 million Yen (approximately 70 000 Euros). There is a shortage of staff and the company plans to hire more people as well as move the office to bigger premises soon. The company's current retailing operations are based on two major online services, Amazon and only recently on Qoo10 supported by Kakaku. The company mainly sells home electronics and miscellaneous beauty products that can be seen on their Amazon shop. They are considering new product categories constantly, but are restricted by insufficient capital that is quickly used up by purchasing large volumes of expensive electronics.

The next sections will explore the company's external and internal environments through PEST- and SWOT-analyses.

6.4 PEST- and SWOT analyses

PEST-analysis is used in learning about the external factors influencing the company. It is an acronym for political, economic, social and technological attributes that can either open up new opportunities or pose a threat to the company. There are several variations to the PEST model that have more perspectives, such as PESTELI, meaning adding ethical, legal and industrial factors. Here we will use the simplest PEST model since the added factors often overlap with the basic ones. For example the changes in political and legal environments can be put under the same heading. (Chapman 2010)

Political regulations and developments such as government legislation and taxation have a fundamental effect on the business environment. Trade tariffs and duties are also included. Economic dimension describes the economic situation and trends domestically as well as internationally. The social aspect encompasses demographics, consumer preferences and ethics. On one hand technological advancements and future innovations can bring new opportunities, but on the other hand the technology used currently may become obsolete sooner or later. A need to invest in new technologies requires sufficient funds and could become expensive for the company. Intellectual property rights are another issue that falls under technology. (Chapman 2010)

The purpose is to picture the present situation and understand how these factors are connected together and how they can change in the future. Once the company has a clear picture of the external environment it is able to anticipate certain events and respond to them better. PEST is often applied in marketing activities, decision-making and business development. (Jurevicius 2013; Chapman 2010)

The following PEST-table (Table 2) is compiled utilising the information gathered from the desktop study.

Table 2 PEST table

Political	Economic/ Environmental	Envi-	Social	Technological
Government of Japan is supporting exports Depreciation of Yen Regulatory changes	E-retailing volume keeps growing Not affected by economic downturns Cross-border e-commerce is growing Low barrier to entry; many competitors		Customers want convenience Changing consumer preferences Increasing price-consciousness	Social Media Developing market-places New solutions to facilitate cross-border e-commerce Easier access to global markets

Cross-border e-commerce is a huge opportunity especially to small companies. The value of the Japanese currency has been on decline and has hastened exports already. Online retailing platform services offer a low risk and low cost way to reach new customers. The industry will undoubtedly continue to evolve at a fast pace and it is important to keep up with new developments. As the cross-border sales are expected to grow, perhaps there will be new technological developments and regulatory alleviations that make the process easier for both sellers and buyers. The reason for concern is the low barrier to entry, which translates into a large number of competitors.

As for the push- and pull factors, increasing competitiveness and the wish to expand the customer base are factors that recommends the case company to internationalise. Pushing factors are difficult to point out yet as the domestic market still has room for growth. However, it is necessary to prepare for possible competition coming from abroad and think well into the future. The present environment appears favorable to start considering the options.

SWOT- analysis can be applied for various purposes although it is most commonly associated with business. The acronym stands for strengths, weaknesses, opportunities and threats. It is convenient as a first-stage strategising tool, but can also be useful for a more in depth analysis. In order to benefit the most from SWOT, it is necessary to be as specific as possible. After filling the table, it is easier to see which strengths the company can use to fight against the threats, and how opportunities can outweigh its weaknesses. (Mind Tools)

Completing PEST with SWOT-analysis allows the company to prepare for the possible upcoming changes in the external environment and to utilise its strengths.

The following SWOT- analysis is drawn up in consideration of the firm's current competences regarding the internationalisation. The information was gathered by interviewing the COO in September 2013.

Table 3 SWOT table

Strengths	Weaknesses	Opportunities	Threats
Good supplier contacts; ability to purchase popular items at a lower prices	Capital Time available for new projects	Increasing number of customers shopping online	There are many existing competitors and new to come
Good reputation and many feedbacks on Amazon	Language skills Knowledge in exporting No homepage yet	The market is still growing Small companies have equal chances	

The company handles popular items, mostly consumer electronics, which are made in Japan. They are able to purchase stock at relatively competitive prices from suppliers. There are

many competitors, but the company has a good reputation (4.7 stars out of five) on Amazon and receives over hundred reviews per month from buyers. In addition to offering the lowest price, reputation is very important in getting the sale.

However, the company has many points that it should try to improve. If they plan to expand to international platforms, investing in a stock management system is an absolute necessity. At the moment managing the stock takes too much of everyone's time. Once the system is installed, more time becomes available for focusing on the internationalisation. Another essential improvement that should be made is having an English-speaking member of staff. Being unable to respond to a customer would mean losing the sale. The company should try not to stretch its finances excessively, but still manage to make the improvements.

Pairing the strengths with threats, and weaknesses with opportunities according to the SWOT-table, it becomes apparent that the company can answer to competition with excellent customer reviews and by being able to offer competitive prices. The relation between weaknesses and opportunities tells that as small companies have equal chances to succeed, restricted resources should not discourage the company. However, the company should increase its presence by finishing the homepage project. The growing market itself promises opportunities.

6.5 Checklist

Start Up Donut is a website run by Atom Content Marketing helping SMEs by providing useful information for free on basic business tasks. Although the tips targeted to companies situated in the United Kingdom, they contain advice that can be considered as universal. The following checklist summarises the most important points in exporting, some of which have already been discussed earlier from other sources and that are further emphasized by the Start Up Donut.

1. Find out about the target market by contacts or by visiting the country
2. Define available resources and the necessity of entering the market in contrast to others
3. Conduct basic market research
4. Consider marketing options and ways to reach customers
5. Familiarise with legal and regulative requirements – customs procedures, product safety, consumer protection
6. Plan order fulfillment and logistics – costs, time, paperwork
7. Financial matters – payment methods, currencies
8. Customer service – clear terms
9. Update staff skills
10. Compare and select the most suitable sales channel
11. Make a trial export to learn from
12. Measure performance and environment continuously
13. Utilise government support and information sources

7 CONCLUSION

Condering the internationalisation theories discussed before and reflecting on the current situation of the company, it becomes apparent that the company is in the eye opening phase according to Cavusgil's model. It has acknowledged the significance of foreign markets, but yet needs to collect information before making any long-term commitments. The company should not feel discouraged although they have many things to do. Any pushing factors in the home market, besides gradually tightening competition, are difficult to identify at this stage when the market is still growing, but the company should nevertheless aim at maintaining competitiveness in the long run.

The PEST- and SWOT-analyses imply that the environment is favorable to start exploring options for internationalisation. As the company is yet undecided on in which country it will take its first step, it is recommended to revise the analyses once it has been determined. According to the internationalisation theories, companies tend to choose markets close-by as they are considered safe to begin with. The company could conduct market research on a few neighboring countries to help in deciding from where to start.

While doing so, the company should try to solve the weaknesses. Lack of language skills can be repaired by simply hiring competent staff. The company is interested in taking international interns to work for short periods of time in order to diversify the staff as an experiment. Furthermore, attending trade shows in neighboring countries, for example the Retail Asia Expo 2014 in Hong Kong or the E-Commerce Show Asia 2014 in Singapore, could be a way to start networking and learning about foreign markets.

The checklist in Chapter 6.2 provides practical advice that the company can use for reference. The Japan External Trade Organization (JETRO) and other governmental services provide information on exporting that the company could consult first. The websites offer help for conducting market research and ready-made information packages of countries.

The company needs to think which ones of the products it handles would be suitable for exporting. In the home electronics, category photography related products, such as lenses,

might be a good example of exportable products, or the beauty products. They could also try to think of a product that would have a niche in a certain market. Finally, the company can learn from making a trial export to the country they have chosen to ensure that they can handle the complex process.

As it was mentioned in the text, internationalisation theories for the most part address big multinational companies. What is preventing small companies around the world from internationalising, usually are extremely limited resources and perhaps attitude, excluding a few deviations. Considering that Japan has a relatively large domestic market of its own and companies within the European Union that do not take advantage of the benefits of the area, there appears to be no significant difference. Especially in the e-retailing industry that is being propelled by the Internet and globalisation, internationalisation should not be a foreign concept. Further research on the subject can be expected in the near future.

This research was partly completed by applying the UAS business studies, but also required learning about the e-commerce industry that was not included in the studies. The theme for the thesis was formed as a result of having specialised in Japanese business studies that were accomplished through both exchange studies and practical training period carried out in Japan. In other words, the thesis composes of utilising the business studies, applying professional specialisation and familiarising with a completely new industry. The research was conducted by using academic research methods, the desktop research and the interview, that are also important parts of the learning process.

Since limited resources such as time and money restrict the thesis process, making a comprehensive study on the subject was challenging. Despite the limitations, the aim of providing the case company with beneficial information is estimated to have been met adequately. In terms of professional development, the learning process enabled combining personal interest with professional studies that has created a solid base for skills needed in working life. As the company was not able to specify its intentions regarding the internationalisation at this stage, a general overview was deemed sufficient. In case the company had been more elaborate of its targets, a more focused in depth study would have been suitable and easier to compose.

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