



E-commerce: Dropshipping business model

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The purpose of this paper is to examine the benefits and disadvantages of the dropshipping business model and its potential scalability from the perspective of an e-commerce retailer. This paper explores the growth of the dropshipping business model in the e-commerce market, providing information into the market size and growth, and exploring its disadvantages and benefits.

The theoretical framework of this thesis examines benefits and disadvantages selected by the author of the business model from retailer's perspective. Moreover, it will introduce benefits of dropshipping from supplier's perspective and partially summaries findings of other authors study about dropshipping and explore ethical considerations regarding dropshipping.

The research design for this thesis employs a case study research strategy and mix of quantitative and qualitative data was gathered. Interview was conducted with a wholesale company that utilizes dropshipping services for retailers as part of qualitative primary data collection. Additionally, online questionnaire was initially distributed for primary quantitative data but later discarded during the research.

The result of this thesis presents a limited examination of the business model, It serves as a study of basic knowledge for further investigation.

Keywords: E-commerce, dropshipping, retailer

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1 Introduction

The evolution of e-commerce and advancements in technology have made it possible for entrepreneurs to create and manage online businesses with minimal capital and infrastructure. One such business model that has emerged as a popular way of starting an online business is dropshipping, which enables collaboration with a supplier that handles the fulfilment procedure, allowing the retailer to concentrate on marketing and expanding their business. The selection of dropshipping as the topic for this study was driven by various factors, such as the author's personal interest in the topic, and potential entrepreneurial venture, and acknowledgment of growing trend of e-commerce.

This paper will introduce the reader to how the business model works, the factors that are driving the growth of the dropshipping business model in the e-commerce market, provide insights into the dropshipping market size and growth, and describe the disadvantages and benefits of the dropshipping business model. Moreover, this study serves as a study of basic knowledge for further investigation and contributes to existing knowledge of the topic.

The paper follows a structure where it will, in the second section, review relevant literature on the dropshipping business model and examine the market size and statistics of e-commerce and dropshipping. The second section will analyse the benefits and disadvantages of dropshipping. Further, there will be a case study summary of other researchers' study on the dropshipping topic. The case study summary will provide sales results after an advertising campaign and conclude on the benefits and weaknesses of the dropshipping business model based on the findings.

Third section covers research methodologies of the data collection and analysis methodologies employed in the thesis, which aimed to describe and understand the dropshipping business model.

Fourth section introduces case company that was interviewed to understand dropshipping business model from entrepreneurs' perspective. Interview was analyzed by dividing it to two themes which cover the interviewees perspective on dropshipping.

1.1 Objectives of the study

The aim of the thesis is to deliver a comprehensive examination of the dropshipping business model, and the purpose of this paper is to introduce the reader to the growth of the e-commerce market, introduce the reader to popular e-commerce business model, and evaluate the benefits and disadvantages of the dropshipping business model and the potential scalability of dropshipping from e-commerce retailer's point of view.

The research questions in this thesis are:

1. What is the dropshipping business model and how does it work?
2. What is the current market size and growth rate of e-commerce and the dropshipping business model?
3. What are the advantages and disadvantages of the dropshipping business model according to e-commerce retailers?
4. What are the advantages and disadvantages of the dropshipping business model according to e-commerce wholesaler?
5. How sustainable is the dropshipping business model?
6. How dropshipping business owner views dropshipping business model?

1.2 Introduction to a case company: Toolcat Oy

Toolcat Oy is a Finnish wholesale company established in 1996 that specializes in distribution of professional hand tools. The company has built a solid reputation as a reliable and trusted provider of high-quality products for various industries. Toolcat Oy focuses on business-to-business sales and collaborates with brick-and-mortar retailers and e-commerce vendors to sell products to consumers through its dropshipping service.

2 Literature review

The steady rise of e-commerce and e-commerce growth spike during 2020 pandemic (United Nations 2021) has transformed the way businesses operate, leading to the popularity of business model such as dropshipping. Dropshipping is a retail fulfillment method where a company doesn't stock the products it sells. When a customer makes a purchase, the company purchases the item from a third-party supplier and has it shipped directly to the customer from the supplier (Ecomcrew 2023).

This literature review aims to provide an overview of dropshipping business model, identify key themes of the dropshipping online business model according to the author, examine the benefits and disadvantages of this model, and introduce the statistics and data available on dropshipping from perspective of potential business opportunity and scaling of the business potential ability.

2.1 Dropshipping business model

The Cambridge dictionary's definition of the dropshipping business model is "an arrangement in which a manufacturer sends products directly to buyers at the request of businesses who advertise and sell the products but do not stock them" (Cambridge dictionary, n.d.).

Dropshipping is a three-party model involving supplier, retailer, and customer. The retailer is responsible for creating an online store, marketing the products, and processing orders. The supplier is responsible for manufacturing and/or shipping the products directly to the customer. The customer is responsible for receiving the product and paying for it. According to Yu et al. (2017,555) "a drop-shipping arrangement is defined by a profit-sharing contract that aligns the incentives for the manufacturer and the etailer" (Yu, Cheong & Sun 2017,555).

Customers who purchase goods through the retailer's online store, anticipate that they are doing it directly from the seller. Dropshipping companies are often operated using e-commerce platforms like Shopify, which include integrated tools to help run e-commerce. E-commerce platforms like Shopify, which offer online store retailers a range of services as well as the automation of function for their online store, such as order fulfilment management, making the processing of orders for e-commerce retailers relatively simple. The online

retailer forwards the order for its supplier after the sale, pays the product's wholesale price and keeps the sale's profit margin for itself.

THE DROP SHIPPING BUSINESS MODEL

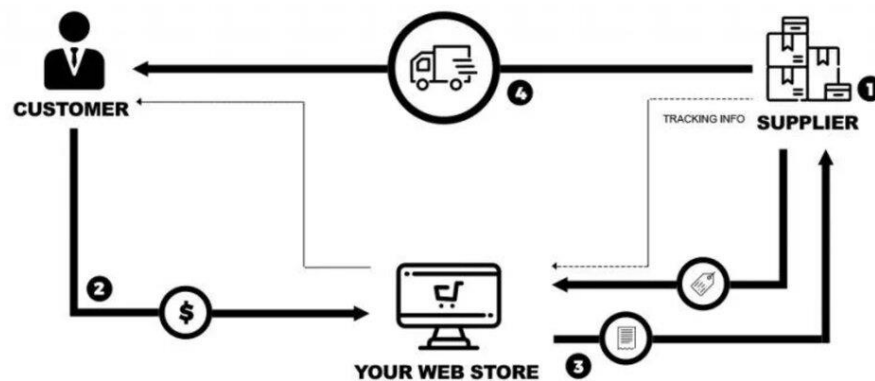


Figure 1: The dropshipping business model (Mia n.d.)

According to a Comenancescu (2021) study on dropshipping, the internet business model that experienced a growth spike in 2020 traces back to the 1960s and 1970s when mail-order businesses utilized catalogues to collect orders by phone. Mail-order companies then developed warehouses for their items, like Amazon's FBA warehouses, to accommodate the increased volume of orders. Mail-order businesses in the 1990s to 2000 moved to e-commerce stores as more people began shopping online. At first, the public was resistant to this change, but as more people started doing their shopping online, it gained popularity and was adopted by many businesses around the world.

Platforms like Amazon and eBay, along with advertising tools like Facebook Ads and Google Ads, provided significant opportunities for dropshipping. The launch of AliExpress by Alibaba in 2010 altered the dropshipping business model by providing consumers and businesses with a platform to easily purchase goods from Chinese manufacturers and dropshippers. E-commerce platforms such as Shopify and Oberlo emerged, providing an easy way to set up an e-commerce store and semi-automatically turn them into an AliExpress dropshipping stores (Comenancescu, 2021).

According to Kim Souza's (2017) article, merchants such as Walmart and Amazon pushed suppliers to accept more outbound supply chain risk by dropshipping straight to customers. Annibal Sodero, an assistant professor of supply chain management at the University of Arkansas, stated in article provided by Souza (2017) that dropshipping allows businesses to offer a wide range of products without having to worry about inventory and delivery

responsibilities. E-commerce retailers face risks and are constrained in their ability to decrease delivery distances and shipping times and their lack of control over warehouse and inventory costs (Souza, 2017).

2.2 Market size and statistics on e-commerce and dropshipping

This section provides an overview of the e-commerce and dropshipping industry, presenting data and figures demonstrating the size and growth of e-commerce and dropshipping.

2.2.1 E-Commerce

E-commerce has become an essential part of global retail, with the internet revolutionizing buying and selling goods. The number of people buying online is steadily increasing, with the number of internet users worldwide now nearing five billion. (Pasquali 2023). Online purchasing has gained popularity among many people all around the world. A vast range of internet-connected devices are available to online shoppers, making it possible to buy items virtually anywhere. Coppola (2021) illustrates the growth in the number of digital buyers from 1,3 billion in 2014 to 2,1 billion in 2021 in figure 2.

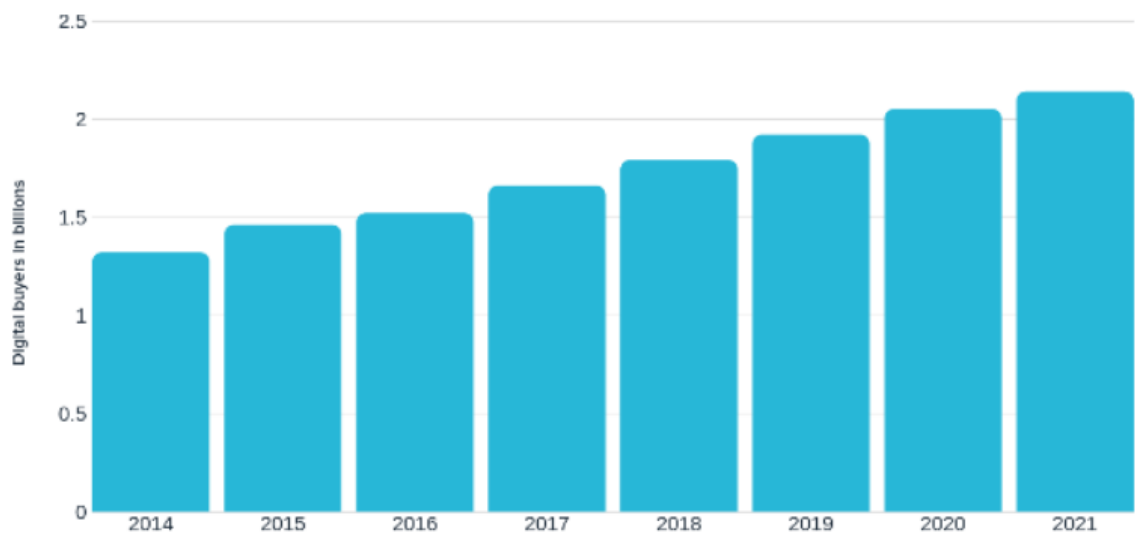


Figure 2: Number of digital buyers (Torchbankz,2021)

Chevalier (2022) produced information about retail e-commerce sales amounting to 5,2 trillion dollars in 2021, and this sum is expected to rise over the next few years, reaching 8.1 trillion dollars by 2026. Figure 3 illustrates that development.



Figure 3: The growth in retail e-commerce sales worldwide (Insider intelligence, 2022)

According to Melkas “In 2021, 57 percent of Finns aged 16-89 had bought something online in the last 3 months. The number of people buying from online stores is growing strongly only among people over 65; the majority of those younger than this already repeatedly buy goods and services online. The pandemic years 2020 and 2021 have been a turning point in online shopping, when the demand for services has weakened and the purchase of goods has increased. In 2021, the five most popular product groups in online shopping were clothes, shoes, accessories, etc.; gambling; restaurant meals delivered to your home; watching or downloading movies and TV series online; and listening to music online” (Melkas, 2021).

“Finland is the 38th largest market for eCommerce with a predicted revenue of US\$8,215.4 million by 2023, placing it ahead of Nigeria. Revenue is expected to show a compound annual growth rate (CAGR 2023-2027) of 8.8%, resulting in a projected market volume of US\$11,509.1 million by 2027. With an expected increase of 17.0% in 2023, the Finnish eCommerce market contributed to the worldwide growth rate of 17.0% in 2023. Like in Finland, global eCommerce sales are expected to increase over the next years” (EcommerceDB, n.d.).

2.2.2 Dropshipping

The global dropshipping market was valued at USD 225.99 billion in 2022 and is expected to register a compound annual growth rate of 23.4% from 2023 to 2030. This comes because of more people favouring online shopping in addition to the expanding trend of cross-border e-

commerce trade (Grand View Research, n.d.). The authors also conclude that, therefore, the growth in demand for dropshipping services is mainly influenced by the growth of e-commerce.

2.3 Benefits of dropshipping from retailer's perspective

The dropshipping business model has gained popularity in recent years, with numerous entrepreneurs seeking to capitalize on its benefits. As was introduced earlier, it is assumed/assumable that dropshipping is preferable for many e-retailers. In the book, Khouja (2001, 119-121) evaluated dropshipping as an option for e-commerce retailers. They found that dropshipping could be an efficient model for retailers with low sales volumes, as it eliminates the need for holding inventory and reduces the risk of overstocking.

Most of the materials available online on dropshipping lists more or less the same things about the benefits and disadvantages of the business model. This section will explore some of the advantages of the dropshipping business model identified by Youderian, A., Hayes, M. (2013), Israfilzade (2017) and selected by the author.

2.3.1 Start-up cost

One significant advantage of the dropshipping business model is its low startup cost. According to Youderian, A., and Hayes, M. (2013, 2-3), entrepreneurs can start a dropshipping business with minimal capital as they do not need to invest in inventory or warehousing. This advantage is particularly attractive to first-time entrepreneurs who may not have sufficient funds to invest in to own inventory. In a traditional way of conducting e-commerce business, retailers would need to invest in products to sell.

2.3.2 Scalability

For each additional customer, dropshipping retailer would have to work three times as much as in a traditional business. Because the suppliers will handle much of the work to fulfil orders, using dropshipping suppliers could allow to grow the business with fewer things to pay attention to and less additional labour because of that (Youderian, A. & Hayes, M. 2013, 2-3).

2.3.3 Flexibility

Youderian & Hayes implied that “A dropshipping business can be run from just about anywhere with an internet connection. As long as you can communicate with suppliers and customers easily, you can run and manage your business” (2013, 2-3).

2.3.4 Simplicity

Managing an ecommerce business becomes considerably easier when selling dropshipping, businesses are not burdened with physical products. By adopting a dropshipping model, there is no need to manage a warehouse or to handle tasks such as packing, shipping, tracking, inventory management, dealing with returns, and managing stock levels (Youderian, A. & Hayes, M. 2013, 2-3).

2.4 Disadvantages of dropshipping from retailer’s perspective

This section will analyse some of the major disadvantages of the dropshipping business model selected by the author of this thesis.

Although the dropshipping business model offers numerous advantages, it also has its own disadvantages that should be considered before venturing into this type of business. Khouja (2001) concluded that dropshipping is not suitable for e-retailers with high sales volume, as it can lead to longer delivery times and lower profits.

Delivery times in dropshipping are longer than in traditional e-commerce since dropshipping companies don’t handle inventory. Long delivery times affect customer satisfaction in e-commerce market (Mofokeng 2021, 1) and by manually handling own stock not only makes shipping faster which positively affects customer satisfaction, and it can ensure to keep the quality level of the goods and over all service how retailer wants. So having own stock allows to manage inventory and increase profit margins by not selling from third-party.

2.4.1 Low margins

One of the main disadvantages of operating in a highly competitive dropshipping market is the minimal profit margin. Due to the ease of entry and low overhead costs, many retailers sell products at rock-bottom prices to grow turnover, even if it means operating on a tiny profit

margin. This intensifies the competition, wear the profitability of the niche. However, one can reduce this problem by selecting a niche that is better suited for dropshipping according to Youderian, A. & Hayes, M. (2013, 3-4).

Regan (2023) states about low profit margins in dropshipping business model that by not managing inventory operating costs are low but subsequently so are the money made. He continues stating that low margins from sales are not sufficient to cover expenses related to marketing, including search engine optimization (SEO), maintenance of online store, processing sales orders and receivables. For battling low margins and achieving profitability Regan hints that profits are mainly based on website traffic and concludes that it is wise to consider dropshipping business model when one has a regular source of traffic to the website.

2.4.2 Lack of control

As e-commerce retailer of the dropshipping business model it complicates managing e-commerce store by not being able to control e.g., shipping, packaging and as a result, the e-commerce retailer who is using the dropshipping model cannot include any additional items or materials in the package, such as a personal note or discount code, as they are not handling the packaging or shipping process (Richard 2022).

Dropshipping businesses lack control over the overall customer experience, including maintaining a branded experience similar to traditional retailers. Since dropshippers do not have complete control over inventory and customer service, issues may take longer to resolve, causing delays in deliveries, handling returns and missed packages. Such issues can negatively impact the customer experience (Dalin-Kaptzan n.d).

E-commerce retailers face constraint as they rely on supplier to address issues and must reassure customers despite having little control over the situation. Communication delays can occur as the retailer acts as a mediator between the customer and the supplier, causing further difficulties in problem resolution when responses are slow (Regan 2023).

2.4.3 Issues with suppliers

Effective co-operation with suppliers is a critical aspect for the success of dropshipping businesses. However, it is not always an easy process, and thus, businesses need to be well-prepared to encounter potential issues with their suppliers. These issues may include delayed product deliveries, product damages, or incorrect packaging of items, among other things (Youderian, A. & Hayes, M. 2013, 4). Therefore, it is crucial for dropshipping businesses to

establish appropriate communication channels with their suppliers to resolve such problems and ensure the smooth running of their operations.

2.4.4 Shipping issues

Khouja (2001,121) concluded that customer order might include products from multiple manufacturers and so shipping may be fragmented. Customers will therefore be likely to receive several shipments and may claim that their order is incomplete after receiving the first package. There are shipping costs for each separate package that needs to be delivered to a customer hence e-retailers use a combination of dropshipping and in-house inventory, preventing fragmentation and increasing shipping costs.

2.5 The ethics of dropshipping

The ethical concerns may include issues related to quality control, customer service, and transparency. Dropshipping is a legitimate business if it does not involve trademark or copyright violation, deceptive marketing or violation of consumer protection and tax laws (Carter 2023) as any other business. Providing clear expectations to customers and following legislation tackles these issues.

Articles available online discussing the ethicality of dropshipping highlight issues related to AliExpress dropshipping, where certain e-commerce retailers charge customers significantly higher prices compared to purchasing directly from AliExpress e.g., buying a 5€ product from AliExpress and selling it for 40€. The ethics of dropshipping depend on how it is practiced and whether the business prioritizes honesty in shipping times and customer satisfaction overall (Sleeth 2022).

2.6 Secondary data analysis of dropshipping: Case study summary

In this section of the literature review, here will be presented case study about dropshipping and findings will be summarised. The author of the study presented two companies that implement the dropshipping business model to provide practical introduction how the model works in action. Therefore, it is relevant for this study.

Genovés Navarro (2021, 21) introduced two dropshipping companies in her research which were investigated as a practical case studies. The purpose of the case studies was to offer a

detailed explanation and illustration of the dropshipping business model. While one of the companies had been operating since April 2020, the other was created during the project. Both companies' products were planned to be promoted using various channels during the Cyber Monday and Black Monday campaigns from the 19th to the 30th of November of 2020. The initial investment for both companies included the cost of the first month's subscription to the website platform at Shopify and the cost of the first year of the website domain. Notably, no equipment investment was necessary since both businesses were created and managed using a mobile phone and a computer that were already owned.

Case company one Sinner Rocks which was active since 2020 is young women's fashion company that sells clothing and accessories (multiple product store). Navarro outlines the company's approach to differentiation as price differentiation aiming to get comparative advantage over its competitors. The products are priced about twice the original price from suppliers and as a result, suppliers offering low prices and with good ratings are pursued (Navarro 2021, 22). This company had 23 000 followers on Instagram and took advantage of the audience statistics of the company profile to find target customers to whom it could advertise the 30% discount promotion campaign via Instagram (Navarro 2021, 23).

	Profit breakdown
Sales revenue	417,13€
(-) Product costs	230,85€
(-) Initial investment costs	29,28€
(-) Promotion costs	16€
Profit	141€

Table 1: Results (Navarro 2021, 33)

Case company two was established specifically for the research project, iNano is a business specifically designed to focus on a single product, namely a disinfectant spray (Navarro 2021, 34). iNano store followed the same strategy of price differentiation as well as selling the product around twice the wholesale price.

	Profit breakdown
Sales revenue	326,70 €
(-) Product costs	158,40 €
(-) Initial investment costs	34,08 €
(-) Promotion costs	0 €
Profit	134,22 €

Table 2 : Results (Navarro 2021, 39)

Genovés Navarro (2021, 42-43) concluded about benefits and disadvantages of drop-shipping, author claims that dropshipping is a business model with low risk because had the two businesses failed then the businesses would have only lost the initial investments. Initial investment for company 1: 29,28€ and company 2: 34,08€ so at first the author points out the benefit of having no stock in the situation if businesses fail and secondly cutting costs that are associated with e-commerce inventory maintenance.

	Case study 1	Case study 2
Initial investment	29,28€	34,08€
Cost of promotion	16€	0€
Time invested	5h	8h
Final profit	141€	134,22

Table 3: Comparison between companies (Navarro 2021, 42)

Secondly, is that the author mentions the availability of a diverse range of products from suppliers and gives the example of being able to sell both clothing and antibacterial spray products. This benefit of gaining access to a variety range of products enables businesses to conduct product testing, particularly during the initial stages of entrepreneurship when e-retailers may lack knowledge regarding market demand.

Third benefit that was identified is no stock maintenance cost, dropshipping businesses were able to cut costs by not having to maintain stock, resulting in only website and promotional

costs. They were able to use free promotional alternatives, reducing their expenses further. Stock maintenance cost are typical for traditional e-commerce retailers that fulfil orders directly. Last benefit that Genovés Navarro (2001) brings out from the case study is how simple and short time was needed to manage stores.

Two main weaknesses were identified in the same study. Since the control over stock is minimal in dropshipping the e-commerce retailers face difficulty to conduct proper customer service with dissatisfied customers. She pointed out that the information available to customers was limited to what suppliers chose to share regarding e.g., delivery times.

2.7 Five dropshipping benefits from wholesaler's perspective

Dropshipping has been explained in the previous sections, focusing on the business model from the retailer's perspective. This section will introduce four benefits for wholesalers to add dropshipping into their service offering identified by Wholesale suite. Dropshipping differs from the point of view of retailers and wholesalers in that the wholesaler is responsible for the handling and logistics of the products, while the retailer is responsible for marketing and selling the products to the consumer (Wholesale suite 2023).

The wholesaler's responsibilities are to make sure that the products that are sold are available and in stock for shipment after the retailer's consumer sale. The difference is that retailers are businesses that sell to consumers (B2C) and wholesalers sell to other businesses (B2B) (Editorial staff Wholesale suit 2023).

First benefit for considering adding dropshipping service for wholesalers is the ability reaching to more potential customers that buy wholesalers products from a retail partner. Wholesale buyers are retailers that provide wholesalers to expand their market and reach more customers (Wholesale suite 2023).

Secondly, authors claim that by adding dropshipping services to existing traditional wholesale, wholesalers save money, time, and effort. They claim that wholesalers who rely on retailers to sell their products save effort in sales, cut costs by not advertising the products, and save time in the commitment involved with marketing and selling (2023).

Third claim is by incorporating dropshipping services in wholesale, it can provide flexibility in two ways. Firstly, wholesaler gains advantage of partnering with multiple retailers and/or online retailers, giving the ability to for shipment of products to wide selection of retailers including online retailers. By this arrangement wholesaler has flexibility in business operations, it lets wholesaler to adopt and modify business to market demands and to expand

income sources. Secondly, according to the authors, the increased flexibility has potential to get leads, conversions, and sales (2023).

Lastly, authors suggest that wholesale dropshipping creates a balanced sales process with mutual benefit for both wholesaler and retailer and it can be leveraged by wholesaler. They hint that this arrangement can be leveraged by the wholesaler, in terms of reducing the burden of selling (2023).

3 Research methodology

In this section, I will discuss the data collection and analysis methodologies employed in this thesis, which aimed to provide a comprehensive description and understanding of the dropshipping business model. To address the research questions and the research objectives, a combination of quantitative and qualitative data research was utilized. The data collection methods involved gathering secondary data available online about dropshipping, distributing a questionnaire online, and conducting interview with a wholesale company that offers dropshipping services to retailers. Initially the plan was to interview dropshipping retailer, but it was challenging to identify dropshipping online store since whether companies use dropshipping is not indicated on websites and so it is hard to distinguish it.

3.1 Research design

The research design for this thesis employs a case study research strategy, case studies according to McCombe (2023, para. 1) are in-depth examinations of a particular subject, such as an individual, group, location, event, organization, or phenomenon. Case study serve as effective tool for describing, comparing, evaluating, and comprehending various sides of a research problem (McCombe 2023).

One justification for conducting a case study for this thesis on the dropshipping business model is that me as a researcher can describe and examine its benefits and disadvantages. From a researcher's perspective examining dropshipping and business which utilize it allows me to gather firsthand information on the advantages this model may offer to e-commerce retailers and to share light on its potential disadvantages and identify potential challenges. By focusing on both the benefits and disadvantages the aim was to deliver good understanding of sustainability of the business model and helping businesses to evaluate whether dropshipping is appropriate model for their business and guide businesses to develop plan of action to reduce risks associated with the business model.

For this research, the plan was to address the research questions pertaining dropshipping by gathering both quantitative and qualitative secondary data. The mix of quantitative and

qualitative secondary data was essential due to the nature of the topic and data available online. Primary data was collected in form of online questionnaire and case company interview.

To ensure reliability in this research, both primary and secondary data were collected. The consistency of the secondary data across various sources was assessed, and primary data in the form of questionnaire and interview were collected to compare with the secondary data.

In this study qualitative research was the main method for gathering information as the collection of quantitative primary data proved unsuccessful. In the next section of quantitative research, this limitation will be addressed.

3.1.1 Utilisation of questionnaire for quantitative primary data collection

The questionnaire questions were developed based on the findings of the literature review. The online questionnaire consisted of 29 questions, aiming to gather insights into experiences with the dropshipping business model. Additionally, it aimed to understand participants motivations for starting a dropshipping business and their opinions regarding the benefits and disadvantages of the model. The questionnaire included a mix of closed-ended and open-ended questions to gather both quantitative and qualitative data.

Initially, attempts were made to distribute the questionnaire through dropshipping Facebook groups to collect data from a sample of dropshipping business owners and suppliers. However, the response rate from group members was low, practically non-existent, and in most of situations group admins did not permit research surveys to be posted. Consequently, an alternative approach was adopted by posting the questionnaire on other Facebook groups and on a website called PollPool.com, which allowed me to specify the intended target group for the questionnaire.

Unfortunately, despite utilizing online distribution methods, the questionnaire shared online did not produce relevant responses from business owners for the thesis. The obtained responses did not sufficiently address the specific objectives and research questions outlined in this thesis, rendering the collected data inadequate for drawing meaningful conclusions or effectively addressing the research objectives.

For these reasons quantitative research was discarded.

3.1.2 Utilisation of interview for qualitative primary data collection

To conduct research on the dropshipping business model, interview served as a valuable research method for collecting primary data and gaining insights from entrepreneur involved in dropshipping.

The semi-structured interview was conducted online via Teams on 1st of June 2023. The case company chosen for the interview was based on their statement on their website, clearly indicating that they offer dropshipping services to vendors and subsequently on basis of their knowledge of dropshipping.

The analysis method used for interpreting interview results follows a deductive approach in thematic analysis and it was selected due to the structure of the interview. Interview was divided into two themes:

1. View of dropshipping business model
2. Benefits and disadvantages of the business model

The purpose of the interview was to gain insight into their background in dropshipping services, understand their order fulfillment procedures when dropshipping, and explore their perspectives on the benefits and disadvantages of dropshipping.

3.2 Limitations of the research

This study didn't include all possible benefits and disadvantages that dropshipping business model has. All the information that was selected for this study was picked by the author and based on author judgement. This study focused on highlighting certain benefits and disadvantages and it is important to note that there are many factors that should be considered.

It is important to note and what reader must keep in mind is that this study does not represent dropshipping businesses model holistically. Further research and broader examination are required to understand dropshipping businesses model completely.

4 Findings

This section will introduce case company which was interviewed for gaining insight on dropshipping business model and outline the main findings of the interview divided to two topics:

1. View of dropshipping business model
2. Benefits and disadvantages of the business model

4.1 Introduction to case company: Toolcat Oy

Toolcat Oy is a family business concentrated on B2B sales, it is Finnish wholesale company located in the city of Vantaa, Finland specializing in the supply and distribution of professional hand tools and equipment. The company was established in 1996, Toolcat Oy has built a solid reputation as a reliable and trusted provider of high-quality products for various industries. Toolcat Oy offers an extensive range of tools and equipment tailored to meet the specific needs and resources of retailers.

Toolcat Oy focuses on business-to-business sales as was already mentioned. According to a company representative, the decision to prioritize sales to other businesses comes from decision to let retailers focus on selling to consumers and it was based on the recognition that by selling directly to consumers they also compete with their retail partners who sell their products. Most of the sales revenue is derived from businesses rather than individual consumers. Currently, the company's sales to consumers are facilitated through collaborations with brick-and-mortar retail stores and e-commerce retailers who also utilize Toolcat Oy's dropshipping service to sell products. Literature review underpins their decision to leverage dropshipping in their business by reducing the burden of selling especially the sale to consumers.

Company representative for the interview was a family member of the founder of Toolcat Oy and is next to continue the family business. Interviewees occupation title is general manager, and his duties include many things that are part of running a company such as customer service and acquisition, inventory management and processing of orders, procurement and purchasing, online store product maintenance and updating product information among other tasks.

The online store was established around in 2015 and the primary purpose then was to act as an information portal without product information. Then the online store developed into a B2B and B2C store and at the end of last year company transitioned to sell through online store only to B2B customers because of development of dropshipment in their business. Dropshipping retailers and brick and mortar stores currently handle sales and product marketing for consumers.

Toolcat Oy has offered dropshipping services since 2017-2018 and the business model works as a side activity along with the main business model. Literature review supports the company's

decision to add dropshipping operations to their service offering. They offer tailored solutions to e-commerce retailers based on their needs, it is possible to modify a customized product selection or the entire selection.

4.2 View of dropshipping business model

A representative of Toolcat Oy said that offering a dropshipping business model to online retailers and brick-and-mortar retailers works primarily to increase their visibility in the market, because the income from the sale of the dropshipping service is currently marginal from the company's total turnover, and that offering a dropshipping business model to brick-and-mortar stores and online retailers complements the customer service offering for partners that further supports adding it one's business.

When considering shipping issues, as highlighted in the literature review, it is noted that dealing with suppliers can potentially lead to shipping issues. These issues are considered problematic and a disadvantage. However, based on the case company's experience, it has been observed that shipping issues are fewer in cases where suppliers have a smaller number of buyers to manage and so lead to less mistakes in shipping.

Representative of the company has optimistic views of development regarding dropshipping operation in their business and are continuously having conversations how to improve dropshipping operations. But notably the representative does not recommend businesses to start dropshipping operations before careful examination of the business model and to think how it may fit with their business.

4.3 Benefits

In this study it was discovered that dropshipping service gives wholesalers the ability to reach wide range of customers. The representative highlighted two essential benefits of the dropshipping service for their company. Firstly, dropshipping has significantly increased their business visibility, resulting in the emergence of new customers and valuable business contacts. Secondly, offering dropshipping services allows them to serve retailers in a more comprehensive manner, addressing customer's needs effectively.

The increased visibility has led to opportunities and collaborations with other businesses in the industry and growth opportunities. This has been particularly beneficial for their company and establishing themselves in the market being a supplier providing dropshipping service.

The representative emphasized that the dropshipping business model enables them to serve retailers holistically. By offering a dropshipping service, it allows retailers to focus on

marketing, customer service, and growing their businesses by not managing inventory and tasks associated with that. Moreover, the representative highlighted that by offering a dropshipping service, their company can cater to retailers who may not have the resources to hold inventory or handle order fulfilment.

5 Conclusion

Through this investigation I found answers to research questions about what this business model is and how it is being operated. Literature review provided me valuable information about the business model from retailer's perspective and I received valuable knowledge about benefits and disadvantages of the dropshipping business model from both retailer's and wholesaler's perspective.

Baluch (2023) writes in the article about how research had shown that increase in online shopping is more than just a trend. Based on literature review the number of digital buyers will increase in the future and that online shopping will be even more widely used method to purchase goods and services keeping the dropshipping business model attractive for beginner and experienced e-commerce merchants and suppliers. The data that I have gathered suggests that dropshipping is sustainable business model in long-term as the number of digital buyers will increase in the future and that dropshipping business model is being incorporated more in e-commerce business across the world.

The dropshipping business model offers benefits in terms of low start-up costs. However, it is important to assess the risks associated with relying only on this method as the only offering and business model for one's business. This conclusion is based on the data gathered by the literature review and the primary data obtained from the case company interview.

When considering the implementation of dropshipping as a business model, it is important for companies, whether acting as retailers or wholesalers, to carefully consider and assess the potential outcomes before incorporating dropshipping into their business.

In my estimation this thesis can act as good start to open new directions for future research about sustainability and viability of the business model from retailers and supplier's perspective. This study analyzed dropshipping business model from authors perspective, described how it is viewed by Toolcat Oy and identified the benefits and disadvantages that were selected by the author of this study.

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