Motives, Strategies and Experiences of Electronic Commerce for Small and Medium Sized Traditional Businesses

PETER MAGNUSSON

MASTER OF SCIENCE PROGRAMME
Department of Business Administration and Social Science
Division of Industrial Marketing
Preface

This master’s thesis is the final project and end of my education, a Master’s in Science, at Luleå University of Technology.

The work was given to me by Joakim Franzén at Consension in Linköping. It was his tutorage and engagement that led to this thesis, and I thank him immensely both to this thesis and his hand in helping me finish my studies. I would also like to thank the second member of the team at Consension, namely Johan Cederberg, who also were a big help.

The thesis was made to exert the interest for small companies to start sales through the Internet, and thus giving Consension an insight to how to sell their new all ready Internet store concept, that looks and works really good. I just hope that it has given them something as it has to me.

Further I send a greeting to my family and friends. Hope you’re having fun, and keep at it. Good luck to you all. Thanks also to my tutor at the University Håkan Perzon.

And for those that reads this thesis. Hope that it will provide you with something, and maybe it will raise your interest in further studies of the topic.

Cheers
Peter Magnusson
Abstract

It was called the “new economy” as well as other strong words, attempting to describe the changes in the way companies were doing business. It was all focused around electronic commerce and the general public believe that this was when electronic commerce started. But it has been around since the 1960’s, and it will continue to thrive although the media has pronounced it dead and gone.

Previously in the so called “electronic boom” it is the new formed Internet based companies, and the larger international firms that has gotten all the attention. Small firms operating in the traditional world selling physical products, has not been a target of great interest when discussing electronic commerce. For this thesis they are.

The thesis tries to, with five case studies, give answers to some motives that small companies have to venture into electronic commerce. Further, to show what strategies they form for this venture. And as a follow up and check back, what experiences they have had so far in the electronic world.

Most companies claim that they have thought of electronic commerce and what this can do for their company. But with the few motives that most companies have provided, it seems that they are not that well informed and aware of the full potential of electronic commerce. And thus the strategies that they have formed may not be the best business decision for the company.

Most companies in the study has passive motives for electronic commerce such as keeping up with the competition and be ready for the future. And the need for having an online presence has mostly been recognized from within the companies. The majority of the companies in the study has taken to the strategy of information only for their electronic commerce venture, and feel that their business is not suited for making transactions through electronic means, but rather in the traditional manner.
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1. INTRODUCTION

This chapter will introduce the subject of research, starting with an overview of the problem area. It will then explain the purpose of the research and provide research questions that will attempt to provide answers to the research problem.

1.1 Problem Background

1.1.1 The evolution of electronic commerce

Contrary to popular belief, electronic commerce is not a new concept. It has existed since the 1960’s with early developments of EDI (Electronic Data Interchange). EDI is a standard for packaging and sending information between computers, often through private networks. (Fredholm, 2002)

As well as for the term electronic commerce, the Internet is not a new phenomenon. In 1969, a couple of American universities, in cooperation with the Department of Defense, started the first non-commercial computer network. This early Internet to which stations were quickly connected was only used for research purposes. (Rohner, 1998)

The term “the New Economy”, which too many people is synonym with the Internet, was during the 90’s making its crusade in the media. Everything was changing with this, and it was thought that society was about to change from industrial to informational. But then the crash for the Internet industry came. An overheated market reacted and lots of companies went belly up or had to make serious cut backs. The development and market rise had not been as rapid as many had foreseen. (Fredholm, 2002)

In the media, the late 90’s and the end of the Internet boom, was seen as a collective breakdown and collapse of the Internet industry. But the Internet economy and electronic commerce is far from over and done with, in fact it is still thriving. The B2B (Business-to-Business) end of the e-commerce has always been blooming. And the more generally accepted e-commerce, the B2C (Business-to-Consumer), is also picking up. Internet B2B revenues will surpass USD 1.4 trillion by the end of 2003. Still, even B2B has a lot of growing to do on the Internet since resent surveys show that although 70 percent of companies have experimented with purchasing online, only 10 percent of their total spending is conducted through the Internet. (http://www.nua.com/surveys, 2003)

Some technical and infrastructural developments were and are critical to the Internet commerce; the web technology which enables building of systems with great customer advantages, the fact that computer hardware has gone from being a luxury item to a sort of commodity good, and the increasingly greater capacity with broadband and other enhancements to the nets. (Fredholm 2002)
The most fascinating aspect is, according to Rohner (1998), what he calls ‘freedom’: freedom of knowledge, freedom of information, freedom to exchange opinions. The network operator only provides the supply network, against payment of fee. The information and opinions that are offered in the network are made by the users alone. Furthermore, Rohner (1998) considers the Internet to be of low cost to users.

1.1.2 The wide range of electronic commerce
Rayport & Jaworski (2001) defines e-commerce as:

“Technology-mediated exchanges between parties (individuals, organizations, or both) as well as electronically based intra- or interorganizational activities that facilitate such exchanges.”

The Electronic Commerce Association (www.eca.com, 2003) has the following definition:

“Electronic commerce is any form of business or administrative transaction, or information exchange that is executed using any information and communications technology.”

From these definitions some attributes stand out. Electronic commerce is about exchange of digitized information between parties. This exchange can represent communication, coordination of the flow of goods and services, or transmission of electronic orders. Exchanges can occur between organizations, individuals, or both. (Rayport & Jaworski 2001)

E-commerce uses technology-enabled transactions. This can be done using different means ranging from using the telephone, withdrawing money through ATM’s, EDI between businesses, to the most expanding one of all, using the Internet. (de Kare-Silver 2000)

The term includes intra- and interorganizational activities, which affects how organizations relate to external parties such as customers, partners, suppliers, competitors, and markets. It is also about how they operate internally in managing activities, processes, and systems. (Rayport & Jaworski 2001)

This is a very broad view of the area and as observed the term e-commerce has a wide range. Just by observing from the technical standpoint, everything from phone transactions can be included in the term electronic commerce. The use of devices as the phone and the ATM has long been in use and effective, with people adapting quickly. EDI has had a steady growth since its introduction and continues to thrive, but more and more of these EDI applications are being conducted through the Internet. (de Kare-Silver 2000)
The Internet is the most recent and interesting development in electronic commerce. In this report the use of the term electronic commerce will refer to commerce and marketing through the use of the Internet.

### 1.1.3 Internet – everyone’s chance to go electronic

Earlier in the history of e-commerce the focus has been on larger corporations, EDI was heavy on investments and needed to generate a lot of traffic to be profitable, which led to barriers of entry. But at the same time larger companies was in the forefront of the evolution since they forced their suppliers, although sometimes with gentle touches as with financing workstations and software, to adopt the EDI system of choice. (Fredholm 2002)

The arrival of the Internet in the larger scale and the developments mentioned above has given small-to-medium-sized enterprises (SME’s) the means and value for an electronic commerce venture. The new electronic medium has led to new forms of marketing and some characteristics that set it apart from the traditional marketplace, and gives SME’s possibilities to access the electronic market, with lower investments. Not only is the cost lower to gain access to the market, but the characteristics of the new channel is giving smaller companies the ability to overcome some of their shortcomings towards larger companies in the traditional market. (ibid)

### 1.1.4 Traditional Small-to-medium-sized enterprises and their motives for electronic commerce

The media in the 1990’s Internet revolution concentrated on larger companies and newly started Internet businesses. The new companies created an obvious interest because of their high-flying ventures, business ideas, and their new form of cult-like leadership. These companies had cocky leaders, new organizational ideas, and their stock value rocketed. Larger companies and their Internet ventures also became high-lighted, mainly because of their greater recourses and special PR and IT divisions. (Fredholm 2002)

It was these companies that started the wave and generated most of the interest. It seemed that every company had some sort of presence on the Internet, although the strategies and solutions differed significantly. (Fredholm 2002)

Small-to-medium-sized-enterprises (SME’s), companies with less than 50 employees, and already operating in the physical world, did not get much attention. These companies generally did not make its presence known on the web, instead they remained cautious.

Although the focus has been on the larger companies and what the Internet can do for these, most of the theory is applicable to SME’s as well. In some cases, the motives that apply for larger companies are even stronger for smaller companies. There are also some additional benefits that SME’s can get from the Internet. (Fredholm 2002)
Electronic commerce through the Internet has benefits for companies in the way of lower costs because of the automotive process of registering and controlling (does not apply to business with electronic commerce limited to e-mail). Because of the automation there are fewer errors in the handling of the messages and the information. Location of business and physical storefronts diminish in importance. Further, the Internet wipes out geographical boundaries. (Rayport & Jaworski 2001)

Buyer and seller interact, which reduces inventory and increases delivery precision. More complete information yields better planning and follow-up. With the information being put together and available, the customers are given added value to their experience. (Fredholm 2002)

It is much easier for a company to expand the marketplace to international and international markets, and do so with minimal capital outlay. The Internet and thus the electronic store are always open. (Turban et al. 2000)

The SME’s advantages over the bigger companies lies in a few of these. These are location and geography, larger selection and the ability to stay open without additional costs. (Fredholm 2002)

Other motives come from Porter and his five forces of competition. The electronic commerce venture may have competitive- advantages or necessity. For these motives to be in effect, driving forces in the form of pressure from customers, business partners, or competitors launching their Internet site and redefine the industry. (http://www.quickmba.com/strategy/porter.shtml, 2003)

Motives can also emanate from a SWOT analysis within the company. This reveals the company’s strengths and weaknesses, as well as unravels outside opportunities and threats. This might also lead to own offensive strategies. For example if management is in line for increasing revenue, market share, better internal control, and decreased internal costs. It may also resolve from a management directive to increase internal efficiency, increase or restructure customer service. (Brassington & Pettitt, 2000)

1.1.5 Strategies for electronic commerce on the Internet

When formulating the strategy for a company’s electronic commerce actions, de-Kare Silver (2000), formulates ten different strategies differing between manufacturers and retailers. These strategies are on a higher level in the company’s profile and are related to how the company can integrate the Internet into its existing business or set it apart from its traditional side.

It is of great importance to the company as to how they deal with the new media and how they incorporate the new channel into its traditional business. This might even be to ignore the Internet, if one thinks that it has nothing to offer to the company. When a
strategy for this is formed, they can start to view their web presence and form that presence to coincide with the strategy. (de Kare Silver, 2000)

The strategy for the web site must be in accordance to the overall strategy for the company as well as the electronic commerce strategy. Yuill (1999), explains the different sort of web sites that can be used by companies:

- Put out brochures, catalogues and price lists online. A web site is cheaper and quicker to update than printed materials, and it’s available to customers all over the world, all the time.
- Interactive forms that allow visitors to request information, provide feedback, or place orders.
- The site can be used mainly to improve customer service, providing answers to frequently asked questions, or up-to-date product information.
- An information type of site that communicates with customers using e-mail, and where they get an insight to the company.
- Merely as a promotion tool, a form of advertising site.
- The online shop alternative, allowing customers to input credit card details and have the goods delivered to their door.

When this decision has been made, the company has to review its technological competence and infrastructure within the company. (Yuill, 1999)

1.2 Purpose

According to Kotler and Armstrong (1987), achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than its competitors. With this view the Internet and electronic commerce may be a tool and something that SME’s should try to benefit from in trying to get advantages from competitors, or to meet the market requirements.

With electronic commerce in a steady growth, the B2B side surpassing the B2C with approximately a 100 times, electronic commerce may be of interest to small and medium sized companies, if not to benefit from, then maybe just to survive. This along with the fact that Internet and electronic commerce is not just a fad, but has been and is prospering, the future of electronic commerce for SME’s is of great interest.

The previous discussion in this chapter, that has supplied views of motives and strategies for electronic commerce, as well as considered the SME’s situation in the Internet world, has provided the general research problem. The following has been formulated as the purpose of the thesis:

To investigate the motives, strategies, and electronic commerce experiences, that small- and medium sized enterprises, supplying physical products, considers when entering into electronic commerce through the use of the Internet.
To attempt to provide a solution for the general research problem, there are a series of questions that needs to be asked. First, there has to be a driving force in every business decision. A company does not invest in new technology and change their company structure without reason. So what is the reason? And why would small companies take this step? There has to be something to gain. Furthermore, as is indicated in the previous subchapter, this thesis is concerned with companies that supplies a physical product and operates in the traditional market place. And thus the first question arises:

- What needs are to be recognized and what are the motives (for small and medium sized enterprises that already exist in the physical world, and selling physical products/services), to start marketing efforts and sales with the use of electronic commerce through the Internet?

When the first question is answered, the next comes to mind. It is now a question of how to reach their goals, what to do to meet the motives or needs. Hence, the second question relates to what strategies they will form for their business:

- Which strategies will they form for their electronic commerce application?

As stated in the problem background, many companies, if not most, have already tried to go online on the Internet and do have some form of Internet presence. This presence may come in many forms, ranging from just information to the complete all out sales through the Internet. This thesis is interested in companies which have limited experience with electronic commerce and have yet to start sales through electronic means. And after answering the first two questions, the next step seems inevitable, namely to investigate if the experience so far is in line with the motives and strategy. Thus the next question arises:

- What differences have the companies noticed since starting an electronic commerce application?

So

RQ1: What needs are to be recognized and what are the motives (for small and medium sized enterprises that already exist in the physical world, and selling physical products/services), to start marketing efforts and sales with the use of electronic commerce through the Internet?

RQ2: Which strategies will they form for their electronic commerce application?

RQ3: What differences have the companies noticed since starting their electronic commerce application?
Figure 1.1 shows how the three research questions interrelate. The first question on motives and needs for electronic commerce through the use of the Internet, leads to question two and what strategies are to be incorporated in order to fulfill the motives and needs.

The third research question on what differences the companies have noticed since venturing into electronic commerce, is a conclusion of if the motives and needs have been met, and if the strategies have worked. It is also a link back from this question to the two previous, since the companies in the study are supposed to be in the early stage of their electronic commerce campaign. And thus they can have seen new motives and needs since their Internet launch as well as adapted their strategies.

1.3 Delimitations

The area of electronic commerce is wide ranged and vast. Therefore this thesis will need to be limited to just a few parameters. This study will only be concerned with small-to-medium sized companies, which are companies with less than 50 employees. The companies of interest in this study are those that deal with physical products, and have been active in the traditional market place.

Further, this paper will not attempt to describe any of the technological implications or attempt to explain how the technology works. The term electronic commerce will in this thesis be synonym to Internet based commerce. Thus EDI and other solutions to electronic commerce are not of interest in this report.

This report will not attempt to separate and distinguish different markets, industries, goods or classes of companies. No concern has been taken on account of what products or services the companies offer, and if the companies are retailers or manufacturers.
2. Theory overview

The theory section is divided into two main subchapters. The first one describes motives and needs, while the second part describes the different strategies applicable for the electronic commerce venture.

2.1 Motives for electronic commerce

The motives for venturing into electronic commerce through the use of the Internet are several. Looking at it from a broader definition, this chapter will highlight the positive ends to electronic means. It will also attempt to describe how electronic- differs from traditional commerce, the benefits that can be distinguished, and aspects from a small business perspective.

The chapter will also give the theory as to what the SWOT is and how to go about when trying to determine such an analysis, as well as models of competition.

2.1.1 How e-commerce differs from traditional commerce

Rayport and Jaworski (2001), recognizes a few factors that differs between e-commerce and traditional commerce. These are that core strategic decisions are technology-based, real-time competitiveness, store always open, technology-based customer interface, customer controlled interaction, greater knowledge of customer behavior, and network economics.

Core strategy decisions are technology-based

Strategic decisions, such as the virtual storefront, customer service, and the content of the site, are highly integrated with technology. These decisions relate to the selection of service providers, common business systems, and approaches to web design etcetera. Digital businesses can not extract technological choices from the decision-making process. With this it is not said that technology is unimportant to traditional businesses, rather that their technological decisions are not tightly linked to strategy.

Real-time competitiveness

The speed of decision-making has been reduced from months to minutes. The electronic storefronts are engaged in dynamic dialogues on a public platform. This yields easier ways for companies to duplicate their competitors. This does not mean that the e-commerce marketplace will be commodity-like, with pricing being the only consideration. On the contrary, speed of innovation, branding, ease of use, operational effectiveness, product assortment, affiliate agreements, and other levers can be used by companies to maintain or increase differentiation.
The store is always open
One of the most important differences between the traditional commerce and e-commerce lies in the concept of time and place. The web store is expected to be open all the time. This level of access has significant implications for both customer and supplier. The buyer is always able to gather information, conduct product searches, compare prices across multiple sites, and order products. These facts have altered customer notions of convenience and availability. For the supplier, it is not possible to close the factory for retooling or the storefront for a strategic re-launch. This must be done in real time and in ways that are immediately visible to the outside world.

A technology-based customer interface
With a traditional business, customers conduct their transactions either face-to-face or over the phone with store personnel, account managers, or other individuals. In the electronic environment, the customer interface is a screen-to-face interaction. This type of interaction places a great responsibility on the organization to capture and represent the customer experience through the electronic interface, because there is no direct human intervention during the encounter. If designed correctly, the customer will have no need for a simultaneous follow-up phone conversation. Thus, the screen-to-face interface has the potential to both increase sales and decrease costs.

The customer controls the interaction
In most cases the customer is in control during the screen-to-face interactions, in that the web largely employs a sort of self service model for managing commerce- or community-based interactions. The customer also controls the search process, the time spent on various sites, the degree of price/product comparison, the people with who he or she comes in contact with, and the decision to buy. In a face-to-face interchange, the control can rest with the buyer, seller, or community member. The seller attempts to influence the buying process by directing the potential buyer to different products or locations in the store, thus overcoming price objections and reacting in real time to competitive offerings. In the virtual store attempts can be made to shape the customer experience with uniquely targeted promotions, reconfigurations of storefronts to reflect past search behavior, recommendations based on previous behavior of similar users, and access to proprietary information. But, as previously mentioned, the seller has much less power in the online situation largely depending on the control and information flows that the online world provides for the customer.

Knowledge of customer behavior
The supplier has in e-commerce unprecedented access to observe and track individual customer behavior. With the technology now available, companies can track their customers’ online behavior through; websites visited, length of stay in different sites, pages viewed on a site, contents of wish lists and shopping carts, purchases, amounts of purchases, repeat purchase behavior, conversation rates of visitors who have completed transactions, and other data. This level of customer behavior tracking is not possible, at least not in a cost-effective way, in traditional commerce.
With this sort of information available to companies, they can provide one-to-one customization of offerings. Furthermore, they can dynamically put out their storefronts on the web to configure offerings to individual customers. The site can transform to the needs of the individual customer by positioning offers and merchandise so that it appeals uniquely to a specific customer.

**Network economics**

In information-intensive industries, a competitive arena centers on the emergence of industry standard products, services, components, and architectures. Network effects can be expressed as the situation where the value of a product rises as a function of how many others are using the product. The value to the customer is determined by the number of other people that adopt the technology.

A key characteristic of network economics is positive feedback, which means that as the installed base grows, more and more are likely to adopt the technology because of the installed base. It is of great interest to grow such an installed base for a standard created, to attempt to lock customers in to the standard because of the high switching costs.

A result of network effects and positive feedback is increasing returns economics, as compared to the decreasing returns model of the traditional world. This means that traditional marketing, such as the importance of word-of-mouth among potential customers is greatly magnified in the electronic world.

### 2.1.2 Zimmerman's motives for EC

Zimmerman (2000), states the motives for Internet commerce which can be achieved online other than direct sales:

- The Internet can be used for increasing brand or product awareness
- Enhancing corporate image
- Providing information and/or displaying samples of goods or services
- Generating a list of prospective customers
- Building relationships with customers and prospects
- Gathering information about customer needs and preferences to guide future product development
- Better understanding of customer demographics
- Testing consumer response to discounts or special offers
- Finding business partners, dealers, franchisees, or suppliers
- Recruiting talent, members, employees, or subscribers

### 2.1.3 Fredholm’s benefits of e-commerce

According to Fredholm (2002), the most significant advantages of conducting business electronically with respect to technology are; costs, quality, time, more frequently, more detailed, lead times, capital rationalization, customer service, and distribution.
Further advantages are related to strategy, and the result is not only depending on the technology, but also changes in a company’s routines. These are; long term partnerships, stronger bindings, increased loyalty, lower prices, and increased product line.

**Costs**  
The large extent of documents, especially in international trades, may mean a considerable rationalization. The necessary information can be stored electronically instead of through manual labor. Invoice handling systems reduces the costs further. Both the buyer and the seller are winners, and a win-win situation is created.

**Quality**  
By reducing the manual labor, the frequency of errors is also reduced. Errors, which are often hard to trace are circumvented, which leads to additional savings. With this the organization can create a zero free handling plan, which has a considerably high likelihood of success.

**Time**  
Fast handling of information is a prerequisite for efficient distribution and shorter lead times. For electronic commerce to reach its full potential, only to receive messages electronically is not enough. The message needs to be automatically processed in the receiving company. If this is fulfilled, considerable time is saved compared to the traditional system, and lead times are shortened. Directly after the order from the customer, the order is registered, controlled, confirmed, and transferred through the system of the receiver.

**More frequently**  
Information can be updated continuously, and sent before completion. Orders are sent more frequently and not held until the weekly or monthly order as before. Earlier transport orders that are added to and fitted later, yields better planning and created value for both customer and supplier.

**More detailed**  
More information can be added than previously with the paper system, which leads to better planning and forecasting. There is more capacity and better ability to fit information in an electronic message.

**Lead times**  
Administrative processes can be minimized and in some cases disregarded, which ties the companies closer together and shorten the lead times. The lead times for ordering, delivery, shipment, invoice, and payment can decrease.

**Capital rationalization**  
With reduced lead times, inventory levels at both buyer and supplier can be reduced. Inventory buffers are not necessary to the previous extent, and this leads to inventory turnover rate can be improved, and intermediary buffers will disappear.
Customer service
By handling customer service through the internet, customers are able to help themselves, leading to savings for the company, but also for the customer. The system is open all the time and there are no problems with peaks in demand.

Distribution
Some products have the ability to be distributed over the internet, and thus generate significantly lower costs. For these products there is no need for packaging or manuals. Listings with prices are continuously upgraded and revised, with the potential of being uploaded at any time.

Further advantages are according to Fredholm (2002) related to strategy, and the result is not only depending on the technology, but also changes in a company’s routines. These are; long term partnerships, stronger bindings, increased loyalty, lower prices, and increased product line.

Long term partnerships
Electronic commerce yields a better and smoother cooperation between buyer and seller. Fewer errors and automatic routines interrelating between the parties generate a positive feel for the partnership. This is why electronic commerce is an obvious component in strategic partnerships.

Stronger interorganizational ties
Large scale electronic commerce is not entered into with whatever supplier at hand. There is an initial investment, yielding that electronic commerce is only implemented between organizations that consider the other party as a long term engagement. The relation is deepened and there are stronger ties between the companies.

Increased loyalty
The transition to electronic commerce often makes the customer buy more from the supplier. Instead of having multiple suppliers the focus of purchasing turns to the electronic partner. The supplier might also be able to sell products from another category to the customer because of the ease and relationship formed. The trade between to parties increase when they venture into electronic commerce and the reason being the increased cooperation.

Lower prices
Electronic commerce has a positive side on prices for the buyer. When partnering through an e-commerce application, the purchases are made either with a form of constant re-buys or made with discount due to the more rational handling of the purchasing process.

Increased product line
By having ties through the systems, in both ways of the distribution chain, the product line can be greatly increased.
2.1.4 Further benefits of electronic commerce
Turban et al. (2000) recognizes the benefits of electronic commerce as this:
- Electronic commerce expands the marketplace to national and international markets
- It lowers the cost of creating, distributing, storing, and retrieving paper-based information
- With electronic commerce it is much easier and more profitable than in the traditional marketplace to highly specialize
- It is great for customizing the offer and it reduces inventory and overhead
- Electronic commerce reduces the time between the outlay of capital and the receipt of the product
- It lowers telecommunication costs
- Other benefits of EC are improved image, improved customer service, simplified processes, compressed cycle and delivery time, increased productivity, and increased flexibility

2.1.5 Small businesses on the Internet
In a survey Sarah McCue (1999) provided insight to what SME’s sought with their Internet ventures. Many respondents in the survey expected to market products and services for a lesser cost on the Internet, using different technical means to reach their goals, and to be able to cut costs of the printed material. Other motives with the Internet venture were to sell products over the web, enhance professional credibility and image, expand to international markets and be able to answer questions in different languages. The SME’s in the survey also wanted to improve customer service, offering paperless documentation, improving response time to customer inquires, and use e-mail as their main customer communication tool.

In contrast to these motives Swatman (2000), describes the hardships that SME’s have to face when they go on-line. Small businesses have to understand the role of the Internet. It should not be regarded as a substitutive marketing channel, but rather as an additive channel. This additive channel gives companies the added cost of having an on-line presence which has to be balanced to the relative positive sides of being on-line, both from a customer perspective and for the company.

In McCue’s (1999) study, respondents felt that Internet marketing gives substantially more advertising value because it reaches a wider and more targeted market than traditional marketing mediums. This success led companies to spend more of their marketing funds in updating and expanding their websites, rather than on traditional marketing efforts such as trade shows and newspaper ads.

Poon and Swatman (1999), tried in their study find out what benefits small businesses had of Internet commerce. They found that those benefits could only be described as perceived benefits, which are benefits based on individuals’ experiences. These perceived benefits are not an objective measure, but it is important as a driving force for starting or
keep the Internet commerce activities going. In figure 2.1, the perceived benefits are divided into direct and indirect, where direct is quantifiable evidence.

<table>
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<tr>
<th>Direct benefits</th>
<th>Indirect benefits</th>
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<td>Examples:</td>
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<td>- Save in communication costs</td>
<td>- Secure returning customers</td>
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<td>- Generate short term revenues</td>
<td>- Long term business partnership</td>
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<td>- Potential business opportunities</td>
<td>- Ongoing business transformation</td>
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<tr>
<td>- Advertising and marketing</td>
<td>- New business initiatives</td>
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**Figure 2.1.** Benefits from Internet commerce in small businesses. (source: Poon and Swatman 1999)

From the study, Poon and Swatman (1999) concluded that small businesses are not getting significant short-term benefits from Internet commerce. Sales and online transactions have not been a success for SME’s, and many of the companies in the study believed that their offerings were not easily purchased over the Internet, or that they needed face-to-face interaction in addition to their Internet presence.

Although all companies are looking forward of getting short-time benefits prior to their Internet launch, it is the long-term, indirect benefits that are the biggest motive for ongoing Internet commerce activities. (Poon and Swatman, 1999)

Another survey presented the most important factors for adopting the Internet in small businesses, which were: wider company exposure, direct and indirect marketing, a low cost communication medium, access to potential customers, and company image enhancement. (Poon & Swatman, 1997 [1])

Poon and Swatman (1997 [2]) found that a key function for the Internet in small businesses is as a medium for communication. This is done through the use of e-mail. Internet succeeds in providing asynchronous communications overcoming time, geographic limitations and multimedia transmission, as well as saving costs. E-mail is primarily used to interact with customers and business partners, suppliers and competitors.
are contacted by other means. But other than the sheer communications improvement, advertising and marketing are also driving Internet use.

A small business that has more customers and business partners using the Internet is more willing to use the Internet for its business. When the usefulness of the product or service is preserved or enhanced when delivered in digital form, then the small business itself, its customers and business partners tends to use the Internet more. (Poon and Swatman, 1997 [2])

Abell and Black (1997) found that benefits with using the Internet were:
- Lower cost of obtaining supplies
- Faster, more flexible delivery from suppliers
- Better service and support from suppliers
- Increase in market share
- Lower cost margins
- Greater customer satisfaction
- Ability to reach international markets
- Effectiveness in information gathering
- Increased productivity
- Availability of expertise regardless of location
- Better awareness of the business environment
- Improved communications

2.1.6 Strengths, weaknesses, opportunities and threats (SWOT)

The SWOT analysis is a scan of the internal and external environment from a company’s perspective. Strengths and weaknesses are the internal factors, while opportunities and threats are external. The SWOT analysis provides information that is crucial to attempt to match the company’s resources and capabilities to the competitive environment in which it operates. (http://www.quickmba.com/strategy/swot/, 2003)

Examples of a company’s strengths are patents, strong brand name, good reputation among customers, and favorable access to distribution networks. Weaknesses include, lack of patent protection, a weak brand name, poor reputation among customers, high cost structure, and lack of access to key distribution channels. (http://www.quickmba.com/strategy/swot/, 2003)

External environment analysis can reveal new opportunities for profit and growth which may be an unfulfilled customer need, arrival of new technologies, loosening of regulations, and removal of international trade barriers. But changes in the external environment can also create threats to the company in form of emergence of substitute products, new regulations, increased trade barriers, and shifts in consumer tastes away from the company’s products. (http://www.quickmba.com/strategy/swot/, 2003)
2.1.7 Porter’s five forces of competition

Michael Porter, a Harvard Business School professor, has provided a framework that models an industry as being influenced by five forces. In figure 2.2, the forces supplied on businesses are shown (http://www.quickmba.com/strategy/porter.shtml, 2003):

**Figure 2.2.** The five forces of competition according to Porter. (source: http://www.quickmba.com/strategy/porter.shtml, 2003)

**Rivalry**
In economical theory of markets in perfect competition, rival companies drive profits to zero. But competition is not always perfect and companies try to get competitive advantages over their rivals. A firm has several different competitive moves that can be done in order to gain an advantage, for example changing prices, improving product

The intensity of rivalry in a market is subjective to a number of industry characteristics including; number of firms in the market, the growth of the market, fixed costs, storage costs, switching costs, product differentiation, and exit barriers. (http://www.quickmba.com/strategy/porter.shtml, 2003)

**Threat of substitutes**
Substitute products refer to products in other industries, in Porter’s model. A threat of substitutes is in effect when a product’s demand is in jeopardy due to price change or a substitute product. The threat of substitute is most often through price competition, but other factors such as geography can be of the essence. (http://www.quickmba.com/strategy/porter.shtml, 2003)

**Buyer power**
The buyer power is determined by the impact that customers have on a producing industry. The buyer sets the price when there are many suppliers and few buyers. Large buyers are also powerful, while they are weak as there are high switching costs, and when they do not have significant share of the purchased volume. (http://www.quickmba.com/strategy/porter.shtml, 2003)

**Supplier power**
A producing industry needs raw materials, labor, components, and other supplies. This leads to a buyer-supplier relationship between the industry and firms that can supply the raw materials. Thus, suppliers can influence the producing industry by selling raw materials at a high price and thus take profits from the producing industry. Suppliers are powerful if there are for example high switching costs, and if suppliers are concentrated. They are weak if there are many competitive suppliers and the product is standardized. (http://www.quickmba.com/strategy/porter.shtml, 2003)

**Barriers to entry**
It’s not only the existing rivals that pose the threat for companies. New entrants to the market also have the possibility to become rivals. In free competition, any firm should be able to enter and exit the market, but in reality industries have characteristics that protect the high profit levels of firms in the market, thus make it hard for additional rivals to enter. Barriers to entry come from different sources; government creates barriers, patents restrict entry, and economies of scale. (http://www.quickmba.com/strategy/porter.shtml, 2003)

**2.1.8 Five forces for online businesses**
The five forces model can also be applied such as online presence within an industry. The forces could then be identified as:

- Competitors are those that offer the same product, service, or information as your site.
- Potential new entrants might be site-less off-line competitors as well as new companies entering the industry through the use of a web site.
- Customers which are visitors and potential visitors to your web site and your competitors’ sites.
- Suppliers are those who supply the necessary means for production, but also the ones that supply technology for the site.
- Substitutes are what present other means and sources for the same products, services, or information as your web site provides. (http://www.websitemarketingplan.com/strategies.htm, 2002)

### 2.1.9 Electronic forces

Porter’s five forces of competition have been brought up earlier in this chapter. Porter has later adapted these forces for electronic commerce. The forces are still in the same categories and headings as before, but different outcomes result from the different forces on account of the changed competition that the Internet creates, and theses differences are presented below. (Porter, 2001)

**Threat of substitutes**

+ By making the overall industry more efficient, the Internet can expand the size of the market.
- The proliferation of the Internet approaches creates new substitution threats.

**Bargaining power of suppliers**

+/− Procurement using the Internet tends to raise bargaining power over suppliers, though it can also give suppliers access to customers.
- The Internet provides a channel for suppliers to reach end users, reducing the leverage of intervening companies.
- Internet procurement and digital markets tends to give all companies equal access to suppliers, and gravitate procurement to standardized products that reduce differentiation.
- Reduced barriers to entry and the proliferation of competitor’s downstream shifts power to suppliers.

**Rivalry**

- Reduces differences among competitors as offerings are difficult to keep proprietary.
- Migrates competition to price.
- Widens the geographic market, increasing the number of competitors.
- Lowers variable cost relative to fixed cost, increasing pressures for price discounting.

**Barriers to entry**

- Reduces barriers to entry such as the need for a sales force, access to channels, and physical assets, anything that Internet technology eliminates or makes easier to do reduces the barriers to entry.
- Internet applications are difficult to keep proprietary from new entrants.
- A flood of new entrants has come into many industries.
Bargaining power of buyers
+ Eliminates powerful channels or improves bargaining power over traditional channels.
- Shifts bargaining power to end consumers.
- Reduces switching costs.

2.1.10 Pressures on businesses
Furthermore, Turban et al (2000), recognizes pressures on businesses of today which may enhance their need and motives for electronic commerce (table 2.1 below):

<table>
<thead>
<tr>
<th>Category</th>
<th>Market and economic pressures</th>
<th>Societal and environmental pressures</th>
<th>Technological pressures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strong competition</td>
<td>Changing nature in workforce</td>
<td>Rapid technological obsolescence</td>
</tr>
<tr>
<td></td>
<td>Global economy</td>
<td>Government deregulations</td>
<td>Increased innovation and new technologies</td>
</tr>
<tr>
<td></td>
<td>Regional trade agreements (e.g. NAFTA)</td>
<td>Shrinking government subsidies</td>
<td>Information overload</td>
</tr>
<tr>
<td></td>
<td>Extremely low labor costs in some countries</td>
<td>Increased importance of ethical and legal issues</td>
<td>Rapid decline in technology cost versus performance ratio</td>
</tr>
<tr>
<td></td>
<td>Frequent and significant changes in markets</td>
<td>Increased social responsibility of organizations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased power of consumers</td>
<td>Rapid political changes</td>
<td></td>
</tr>
</tbody>
</table>

*Table 2.1. Major Business pressures. (Source: Turban et al. 2000)*

2.2 Strategies for Internet commerce
This subchapter will deal with the question whether a company should venture into electronic commerce and if so what their strategy could be.

2.2.1 The Electronic Shopping (ES) test
Companies should use the ES test to figure out if their product is right for electronic commerce, or to see what strategy they should use for their electronic commerce venture. The test tries the products from three different angles, product characteristics, familiarity and confidence, and consumer attributes. (de Kare-Silver, 2000)

Product characteristics are about the products appeal to the senses. Every sense is considered, smell, sound, sight, touch, and taste. Products that appeals mainly to the
senses of touch, smell, and taste are not the first to be thought of for electronic shopping. This is especially true if the product is new and has not been purchased before. Products that appeal to sight and sound are generally more ideal for being purchased over the Internet. (de Kare-Silver, 2000)

Familiarity and confidence looks at the degree that the consumer recognizes and trusts the product, if they have tried it before and are confident in repurchasing it. The greater the familiarity and confidence in a product, the less need to be physically involved in its repurchase, and the easier to buy electronically. Consumer familiarity and confidence is especially high with strong brand names. (de Kare-Silver, 2000)

Consumer attributes considers the consumer’s underlying motivations and attitudes towards shopping. It views the customers and how they act, if they will continue to visit physical shops or if they adopt the electronically way of shopping. This angle considers whether the targeted costumers will purchase the product through the Internet. It questions if the target market has adopted and prefer the Internet as their main shopping channel or at least if there is interest in conducting Internet purchases. (de Kare-Silver, 2000)

2.2.2 Strategic options for retailers

de Kare-Silver (2000) shows ten options for retailers that have to deal with electronic commerce and whether they have to take the Internet path or not. The ten options are:

1. **Information only.** In this stage there is some ES interest in the product which gives that at least a minimum presence on the web is required. This not only to respond to the customers exploration of the medium but also to protect the company against competitors that takes a more aggressive approach to ES. This is the state in which most retailers and organizations are in right now. Web sites are currently information only and referring customers to existing outlets or other means of purchasing.

2. **Export.** This approach lets the domestic market stay as it is while expanding through selling to new markets and customers outside the established square.

3. **Subsume into existing business.** This option does not change the existing retail option, at the same time it recognizes the ES interest and will integrate the electronic means into the existing retail business.

4. **Treat as another channel.** For those that sees the Internet as an alternative means to reach a target group of customers. Electronic shopping have for this alternative not picked up to the degree of being separately funded and resourced. It shares the over-head, systems, back-office systems, and personnel with all other main business activities. Retailers can participate in others’ web sites rather than leading their own. At the same time they can have a separate web site planning behind the scenes.

5. **Set up as separate business.** The Internet is seen as a stand alone and significant opportunity on its own. With this strategy the company has recognized that the Internet channel is a ‘different business’ with different skills and competencies required.
6. **Pursue on all fronts.** Some retailers are determined to pursue all possible channels that are open to them and reach all their possible target customers, be as competitive as possible and not allow for others to steal shares in any market channel area. With this approach no channel is prioritized but all available channels are possible routes to the market. If there is cannibalization, that does not matter as the company seeks to expand globally and to reach as many new customers as funds and resources allow.

7. **Mixed system.** This strategy addresses the importance of the Internet and sales through electronic means at the same time as it recognizes that physical retail shopping will not disappear. The approach could also be called ‘Flagship stores + online delivery’. This because there will be stores that will act as flagships and as major promoters of the retail brand name. The brand reinforcement will help to build and sustain the online selling operation.

8. **Switch fully.** This approach leads the company on the path of gradually shifting away from its physical sites and becoming an all out electronic provider of its products.

9. **Best of both.** The ‘best of both option’ assumes that most if not all existing stores can be retained. It also assumes that this is done alongside a developed electronic option. The essence of this approach is the physical shell of the retail outlet.

10. **Revitalize and buck the trend.** This option takes a defensive position towards the physical retail operation and does not seek the electronic option. However it tries to revitalize the traditional store and retain its customers, but it will not aim toward the electronic shopper.

### 2.2.3 Strategic options for manufacturers

The ten previously named options were for retailers. de Kare-Silver (2000) also depicts ten options for manufacturers:

1. **Woo the retailer.** This option goes beyond the previously known term of partnership. It is not just about joint marketing efforts but rather locking together the business systems into one, between the manufacturer and the retailer. Successful ‘wooing’ means breaking down old relationship barriers, changing ways of operating and interacting and persistently signaling win-win intentions.

2. **Move to private label.** In a regular partnership the manufacturer retain the integrity of their product and brand name. With the private label approach, the brand name is in the hands of the retailer. The principal benefit is the greater sharing in their retailer customers’ success. If the retailers do well, so will the manufacturer. This approach limits flexibility and has a high dependency risk. But for small-to-medium sized businesses with relatively weak brand name in a mature market, this is a good deal.

3. **Technology-Led.** This approach simply assumes that the uniqueness of the product’s performance, its advantage in quality, functionality and reliability, that will drive success. Further it assumes that customers will clearly recognize the product’s differentiated benefits, and that they will demand the product wherever it may be available.
4. **Brand-Driven**. This strategy demands the creation of emotional values, awareness and recognition that are so strong that the consumer will demand and search out the product, in whichever channel it is available. It requires that all emphasis be laid on the product and its branding.

5. **Information only**. This strategy provides information only, to would-be purchasers about the product, its features and then directs where it can be purchased. This is an obvious starting point for companies looking to develop and learn more on electronic commerce.

6. **Forming a club**. Consumers, but also the company itself forms a club of customers that buys products in bulk. Here the company side steps the retailers.

7. **Treat as another channel**. This is beyond the information only approach. Here electronic commerce is another channel to market and exploit additional target sales and marketing opportunities.

8. **Set up as separate business**. This strategy keep the ‘old ways’ of doing things but establishes electronic commerce as another business unit, with its own funds and infrastructure.

9. **Band together**. This approach involves groups of manufacturers with complementary product ranges banding together to provide an alternative one stop shop.

10. **Go fully direct**. This is the most extreme strategy, where old channels and retailers are discarded.

### 2.2.4 Different online strategies

There are according to Yuill (1999) a few different web site options:

- Put brochures, catalogues and price lists online. A website is cheaper and quicker to update than printed materials, and it is available to customers all over the world, all the time.
- You can add an interactive form, allowing visitors to request information, provide feedback, or place orders.
- A fully-fledged online shop, allowing customers to input credit card details and have goods delivered to their door.
- Complement to off line business in an attempt to provide competitive advantage.
- Merely as a promotion tool, a form of advertising site.

### 2.2.5 Business models of electronic marketing

With direct marketing, manufacturers advertise and distribute their products through their Internet store without any intermediaries. If the direct visibility of the company and brand is low, which might be the case with small companies, indirect marketing may be preferred. Indirect marketing means going through a third-party intermediary such as e-malls. (Turban et al, 2000)

Companies using full cyber-marketing sell their products and services only through the Internet. The companies operating in this way are usually new ones, created during the e-business era. Partial cyber-marketing means that besides selling through the Internet, one
uses traditional physical stores. This approach is a reactive response from companies who have done business through physical distribution channels. (Turban et al, 2000)

Electronic intermediaries can be distinguished in two different categories, distributors and brokers, depending on whether the intermediary is responsible for order fulfillment and guarantee. Brokers only introduce suppliers who deal with the items that customers are looking for. (Turban et al, 2000)

Even though the Internet is connected to the whole world, some products and services cannot be provided globally. Delivery costs can limit the range of service in a region, and also language can limit business range. (Turban et al, 2000)
3. Frame of reference

The first chapter started with a problem background which led to a research problem and research questions. It also showed how the research questions were interrelated. The second chapter presented theories for the selected research purpose and questions.

This chapter will clarify the true meaning of the research questions with a conceptualization. Then an operationalization, explaining how the measurements were to be reached, and in the end a frame of reference is unraveled.

3.1 Research questions

As presented in chapter one, the research questions are:

- What needs are to be recognized and what are the motives (for small and medium sized enterprises that already exist in the physical world, and selling physical products/services), to start marketing efforts and sales with the use of electronic commerce through the Internet?

- Which strategies will they form for their electronic commerce application?

- What differences have the companies noticed since starting an electronic commerce application?

3.2 Conceptualization

From the first research question the definition of need must be addressed. From the theoretic perspective needs cab come from many parties and address a variety of factors for a company.

Need can come from the companies customers who have a need for current or future products and information needs, etcetera. But needs can also come from or be created by intermediaries, suppliers and competitors. The need can also arise from the general marketing environment as well as from within the company itself. (Brassington & Pettitt, 2000)

The second research question concerns strategy for the electronic commerce venture. From theory; “Strategy is concerned with looking into the future and developing and implementing the plans that will drive the organization in the desired direction”. (Brassington & Pettitt, 2000)
Strategies are often very broad and complex. This thesis will only consider the strategies that the companies have concerning their electronic commerce venture, and also limiting this to the implementation of the strategy, not the result. Some of the early results of will however become evident and explored with research question three.

### 3.3 Operationalization

Research question one, one the motives and needs will be measured with a starting point in theory and through the 6 to 11 from the interview guide (Appendix A) especially. Basic questions 4 and 5 (Appendix A) may also be involved.

Research question 2 also has a starting point in theory and with questions 12 to 16 in the interview guide (Appendix A), as well as basic questions 4 and 5 (Appendix A).

Research question three will only be dealt with through question 17 in the interview guide (Appendix A) and be reverted back with theory concerning the first two questions.
3.4 Emerged frame of reference

In figure 3.1 is the emerged frame of reference.

Figure 3.1. Frame of reference.
4. RESEARCH METHODOLOGY

To clarify how the research has been made, this chapter tries to illuminate the research methods available, in an attempt to describe the scientific efforts made in this report. This is done for the purpose of being able to repeat the research, and by that enhance its scientific value.

4.1 Research purpose

The purpose of research is to acquire information, and thus gain knowledge. The information extracted by research can help answer or clarify questions to a problem, reduce uncertainty, and be a tool for decision-making.

Research is classified in three different categories depending in the purpose of the research. These are: exploratory, descriptive, and causal. Exploratory research is conducted to clarify and define the nature of the problem. It is usually conducted with the expectation that subsequent research will be required to provide conclusive evidence. (Zikmund, 2000)

The main purpose of descriptive research is to describe the characteristics of a population or phenomenon. It is often used when attempting to determine the extent of differences in the need, perceptions, and attitudes of a subgroup. Unlike exploratory research, descriptive studies are based on previous understanding of the research problem. Although there is a general understanding of the situation, conclusive evidence is yet to be collected. Furthermore, accuracy is of high importance in this type of research, although errors cannot be completely eliminated. (Zikmund, 2000)

Causal research is conducted to identify cause-and-effect relationships between variables. It is often preceded of exploratory and descriptive research. In causal studies it is typical to have an expectation of the relationship to be explained. Therefore researchers need to be knowledgeable if the research subject. (Zikmund 2000)

In table 4.1 are the three research categories defined according to Svenning (1999):

<table>
<thead>
<tr>
<th>Frame of reference</th>
<th>Formulation</th>
<th>Type of studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imprecise knowledge about the research object and its qualities</td>
<td>Theme</td>
<td>Explorative</td>
</tr>
<tr>
<td>Ability to define detailed concepts</td>
<td>Problem</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Definite concepts about the empirical relations between different conceptions</td>
<td>Hypothesis</td>
<td>Causal Analysis</td>
</tr>
</tbody>
</table>

*Table 4.1.* Types of research. (Source: Svenning, 1999)
From chapter 1 the research questions are known:

- What needs are to be recognized and what are the motives (for small and medium sized enterprises that already exist in the physical world, and selling physical products/services), to start marketing efforts and sales with the use of electronic commerce through the Internet?
- Which strategies will they form for their electronic commerce?
- What differences have the companies noticed since starting an electronic commerce application?

From these questions and the definitions of different types of research it is concluded that the research in this case can be categorized as descriptive, because it attempts to describe the behavior of a subset of companies, namely SME’s operating in the physical world.

### 4.2 Inductive vs. Deductive (scientific approach)

There are two main approaches in research, deductive and inductive. The deductive approach starts with a study of the theories in the selected area of research. It examines a hypothesis or a theory and tries to verify or falsify the theory in the selected area. (Zikmund, 2000)

The inductive approach tries to create an objective reality, resulting from empirical studies. The resulting hypotheses are later tested in reality. (Zikmund, 2000)

This empirical approach attempts to draw conclusions from what is empirically discovered and is therefore of inductive nature. The theoretical approach is more of deductive nature.

### 4.3 Research approach

There are two different kinds of research approaches, qualitative and quantitative. Svenning (1999) differentiates what he calls hard, quantitative data and soft, qualitative data, in the following manner (table 4.2):

<table>
<thead>
<tr>
<th>Quantitative studies</th>
<th>Qualitative studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answer to “how many?”</td>
<td>Answer to “why?”</td>
</tr>
<tr>
<td>More precise</td>
<td>More sensitive</td>
</tr>
<tr>
<td>Generalizing</td>
<td>Exemplifying</td>
</tr>
<tr>
<td>Aims for reliability (reproducible)</td>
<td>Not necessarily reliable</td>
</tr>
<tr>
<td>Aims for validity</td>
<td>Aims for validity</td>
</tr>
</tbody>
</table>

*Table 4.2. Differences between qualitative and quantitative studies. (Source: Svenning, 1999)*
In this report the focus is on exemplifying situations. It tries to answer the why and what through the research questions. Contrary to a quantitative study, this report tries to look to the individual company and its situation in trying to decide its motives and needs for electronic commerce through the Internet. Therefore it can be regarded to be of a qualitative nature.

4.4 Research strategy

There are different ways of gathering information relevant to the research problem. In general, the different methods are based on the purpose of the question rather than on the technique, be that exploratory, descriptive, or causal. (Zikmund, 2000)

According to Yin (1994), there are several ways of conducting qualitative research including, experiments, surveys, archival analysis, histories, and case studies. The selection between these strategies depends on:

1. The type of research question posed
2. The extent of control an investigator has over actual behavioral events
3. The degree of focus on contemporary as opposed to historical events

In the table below (table 4.3), the different situations for research strategies are outlined:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question</th>
<th>Requires control of behavioral events?</th>
<th>Focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Table 4.3. Different situations for different research strategies. (Source: Yin, 1994)*

In this thesis the use of the case study has been selected because the report will try to describe the specific company’s situation rather than generalize. It is also the thought that this approach will answer the research questions to their fullest, and attempt to find similarities and differences in the selected companies.

To perform this case study a form of survey based on interviews was undertaken, which is why the survey method is described below.
4.4.1 Case studies
The purpose of using a case study is to obtain information from one or a few situations that are similar to the researcher’s problem situation. (Zikmund 2000) Several types of data can be used such as interviews and observations, hard and soft data. All these different types of data and information are merged to form the case. (Svenning 1999)

Case study research can be both single- and multiple-case studies. The case study can be based of any mix of quantitative and qualitative evidence. In addition, case studies need not always include direct, detailed observations as a source of evidence. (Yin 1994)

This report uses this case study type of research method with multiple cases, because it tries to describe the situations in the companies that are observed, as well as answer the research questions to find similarities and differences. Face-to-face interviews were performed with managers and executives of the selected companies, to generate more accurate and open answers. This was also done to limit the misinterpretation of questions.

4.4.2 Surveys
Surveys require asking respondents for information, using either verbal or written questioning. This can be done through the use of questionnaires on the telephone, face-to-face, and through other communication media, such as the Internet. A survey is defined as a method of primary data collection based on communication with a representative sample of individuals. (Zikmund, 2000)

Surveys are usually viewed as a mean for conducting only quantitative studies; some aspects of surveys are qualitative. Most surveys are descriptive in nature but they can also be designed to provide causal relationships or to explore ideas. (Zikmund 2000)

The different survey methods each have distinct characteristics, which give them certain advantages and drawbacks. These are presented in table 4.4 below:
As described previously a form of survey method was applied to the case studies. This was in the form of face-to-face interviews using an interview guide. (see Appendix A) This interview guide was developed in the manner of first getting to know some background information on the companies and their goals; to see if that had something to do with the research questions.

Then questions were made in an attempt to generate answers to the research questions directly. However, this interview guide was only an aid to steer the conversations in the

<table>
<thead>
<tr>
<th>Speed of data collection</th>
<th>Personal interviews</th>
<th>Telephone interview</th>
<th>Mail Survey</th>
<th>Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moderate to fast</td>
<td>Very fast</td>
<td>Slow</td>
<td>Instantaneous</td>
</tr>
<tr>
<td>Geographic flexibility</td>
<td>Limited to moderate</td>
<td>High</td>
<td>High</td>
<td>Worldwide</td>
</tr>
<tr>
<td>Respondent cooperation</td>
<td>Excellent</td>
<td>Good</td>
<td>Moderate</td>
<td>Varies depending on website</td>
</tr>
<tr>
<td>Versatility of questioning</td>
<td>Quite versatile</td>
<td>Moderate</td>
<td>Highly standardized format</td>
<td>Extremely versatile</td>
</tr>
<tr>
<td>Questionnaire length</td>
<td>Long</td>
<td>Moderate</td>
<td>Varies depending on incentive</td>
<td>Modest</td>
</tr>
<tr>
<td>Possibility for respondent misunderstanding</td>
<td>Lowest</td>
<td>Average</td>
<td>Highest- no interviewer available for clarification</td>
<td>High</td>
</tr>
<tr>
<td>Degree of interviewer influence</td>
<td>High</td>
<td>Moderate</td>
<td>None- interviewer absent</td>
<td>None</td>
</tr>
<tr>
<td>Ease of callback or follow-up</td>
<td>Difficult</td>
<td>Easy</td>
<td>Easy but it takes time</td>
<td>Difficult</td>
</tr>
<tr>
<td>Cost</td>
<td>Highest</td>
<td>Low to moderate</td>
<td>Lowest</td>
<td>Low</td>
</tr>
<tr>
<td>Special features</td>
<td>Visual materials may be shown or demonstrated; extended probing possible</td>
<td>Simplified fieldwork and supervision of data collection; quite adaptable to computer technology</td>
<td>Respondent may answer questions at own convenience; has time to reflect on answers</td>
<td>Stream media allow graphics and animation</td>
</tr>
</tbody>
</table>

Table 4.4. Advantages and drawbacks of typical surveys. (source: Zikmund 2000)
desired direction, not as a form of questionnaire. It was also developed to help with the question of interviewer errors and bias. To make the interviewer stay on the path of the research questions and not drift too far from the desired line of questioning, as well as to give the respondents the interviewers opinions.

The guide was not delivered to the respondents prior to the interview sessions. This approach was taken so that the respondents would not know of the subject beforehand and thus preparing their answers.

The face-to-face interview was chosen to get the respondents at ease, help them interpret the questions and research subject, follow up on answers to get a more in depth view of the questions, and to get the respondent to feel that his answers were not damaging to themselves or their companies. (Zikmund 2000)

4.5 Sampling

Companies were chosen from the criteria that were provided by the research questions. These were that the respondents should be small-to-medium sized companies with less than 50 employees, existing in the physical world prior to electronic commerce endeavors, and being retailers or manufacturers of physical goods. Also the regional factor was of the essence, interviews were to be made in the surroundings of Linkoping and Norrkoping, because of the proximity to the respondents on account of conducting on site interviews.

Since no specification on either market or industry was made, different characteristics of the companies in the study would provide an overall picture.

The interviews were to be carried out during summer time, which is also vacation time for Swedes and Swedish companies. This fact led to a low interest and response rate. The thesis goal was from the start to produce around ten different cases with a few companies from each field, companies with different products and business ideas and so on, but due to many turn downs when companies were contacted by phone, the search for different companies was intensified.

The companies selected for the study were those from different sectors that were willing to participate on face to face interviews. Around five other companies was discarded because of their reluctance to meet in this manner. Both manufacturers and retailers were selected, as well as businesses targeting both consumer and business markets.

The search for companies to be included in the study was made through the use of the Internet, Gula Sidorna: Linkoping (2003), www.gulasidorna.se, ForetagsFakta: Linkpoing/Norrkoping (2003), and www.foretagsfakta.se.
4.6 Reliability and validity

Reliability and validity are two different tests of the quality of any empirical research. These two should be compared because although the reliability is good, the research is not valid without reassuring validity. (Zikmund 2000)

In table 4.5 are the four different tests that are used to measure the quality of a case study. (Yin, 2003)

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct validity</td>
<td>- Use multiple sources of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>- Establish chain of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>- Have key informants review draft case study report</td>
<td>Composition</td>
</tr>
<tr>
<td>Internal validity</td>
<td>- Do pattern matching</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>- Do explanation building</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>- Address rival explanations</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>- Use logic models</td>
<td>Data analysis</td>
</tr>
<tr>
<td>External validity</td>
<td>- Use theory in single-case studies</td>
<td>Research design</td>
</tr>
<tr>
<td></td>
<td>- Use replication logic in multiple-case studies</td>
<td>Research design</td>
</tr>
<tr>
<td>Reliability</td>
<td>- Use case study protocol</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>- Develop case study database</td>
<td>Data collection</td>
</tr>
</tbody>
</table>

*Table 4.5. Case study tactics for quality tests. (source: Yin, 2003)*

4.6.1 Reliability

The quality variable reliability concerns the research’s ability to be reproducible, which is that another researcher should conclude or extract the same result if conducting the same case study. (Yin 1994) Reliability shows to what degree measures are free from errors, yielding consistent results. (Zikmund 2000)

In this report, a case study executed through personal interviews there are a few problems concerning reliability. These are, respondent errors, interviewer influence and interviewer bias. (Yin 1994)
As mentioned previously, the face-to-face interview approach tries to reduce respondent errors, making it harder for respondent to misinterpret questions and to reassure respondent of secrecy. Concerning interviewer influence and interviewer bias an interview guide was developed and followed during the interviews. This to help the interviewer not to get side tracked and to get the respondents answers right and properly understood. Notes were taken during the interviews and rewritten directly after the interview to keep the results from being tainted.

4.6.2 Validity

When dealing with a descriptive case study there are two sorts of validity that comes into question, construct and external validity. Construct validity is about establishing the correct operational measures for the concepts being studied. (Yin, 2003) To enhance this validity measure, some of the interview guide questions were taken directly from the research questions, and others touched on the same subject, leading to a sort of control to the answers of the research questions.

External validity tests the establishing of the domain to which a study’s findings can be generalized. (Yin, 2003) To increase the external validity, the report and its theory has been checked with studies previously made. The report also contributes with a multiple case study comparing the same parameters for all companies in the study. It is also strictly in accordance with the sampling.
5. EMPIRIC FINDINGS

This chapter will present the empirical data collected from the case studies conducted. All cases will be presented in the same fashion starting with an introduction of each company and interview respondent. Then the next chapter will attempt to produce answers to the research question from the individual companies perspective, and finishing off with a cross study analysis. Interview notes taken during the interviews are provided in Appendix B through F.

5.1 The companies in the study

5.1.1 American Racing AB

American Racing AB is a small company situated in Linköping, and employing five people. They sell auto parts for older American cars, which they get from either the Swedish agent or from overseas. American Racing has an annual turnover of roughly six million Swedish Krona (SEK). One short term goal is to increase this to about ten million.

The company has been in business for nearly 30 years, and its owner and CEO Lars Dunå, is also the interview subject for this case. American Racing currently sells their articles through phone sales and their physical store. Besides keeping their store open all through the year, they also give out a printed catalogue, which is distributed to potential customers throughout Sweden. Potential customers are those that are registered owners of older American cars, and the company buys a list of those from the Swedish DMV. Customers have an option of traditional mail-ordering of their products. The clients of American Racing are both consumers and other small companies.

Motives and need for electronic commerce

American Racing has been online since the late 1990’s. It started as a form of test and was to be developed into a web store not long after the launch. However it took time to develop this store, and all that was put up on the site was information. “It was a slow and painful process”, said CEO Lars Dunå. “There were lots of problems and we did not get the store up and running, and the costs increased. So we decided to hold it for a while”. Now, American Racing has resumed the work on the web store and they hope to be able to present it within a year.

The motives for being and selling through the Internet are, the shortened time to handle orders, being able to reach more clients, store location getting less important, exchange the mail-order system for a web store, and a perceived decreased cost of marketing efforts. Right now it takes a long time to handle orders, and lots of time is spent with clients on the phone. With the Internet information site and later the web store, the company expects customers to be able to view their wanted goods and handle their orders themselves.
The need for the web presence had not come from clients or other outside influence. Rather it was the CEO who saw that the Internet had the potential to replace the mail-order system.

**Competition**

There are five to six businesses in Sweden that has somewhat the same business idea, and have the same brands in stock as American Racing. There is actually one competitor in the same town, but they have a different assortment of products and brands.

There is more of cooperation than competition among the existing competitors on the Swedish market. They sometimes trade with each other when someone is out of stock. None of the existing competitors have started online sales, but a few have information sites posted on the Internet.

**Traditional SWOT**

The strengths for the company come from the experience and knowledge of the staff, and the fact that the company and its employees have 30 years of dealing in the market. It is also due to the company’s wide range and assortment, 10,000 articles.

The CEO sees a few opportunities for the business. Right now they are in the development stage of starting an auto-repair shop specializing in servicing vintage American cars, which may help to boost sales. He also views the Internet and the web store as a major opportunity for the company.

Weaknesses and threats are harder to recognize. As Lars Dunå says; “One threat might be the name of the company and the difficult times that the world is in, with terror, and the public view of the United States”. Another threat that is recognized is that government and EU regulations may stop the side-import that the company incorporates with some of its products.

**Internet SWOT**

Strengths for the company on the Internet includes getting the entire assortment of goods out to the customer with significantly lower costs, and a possible competitive advantage because none of the competition in the same field within Sweden has yet to go online with web shops.

Getting rid of the printed material is seen as an opportunity. This because there is a high cost involved with the process of distributing the material to selected customers.

A threat is that the competition will get to know everything on the product line, prices and so on. But the situation is almost similar today, and competitors are procuring items from each other.
**Strategy with electronic commerce**
As previously stated, American Racing has only information on their web site at present. They are not happy with the site as it is, and it has not really been finished to the desired state for their information needs. However, the long term strategy with the company’s web presence has always been that it would become a web store, and work is in progress.

American Racing has to their aid with the online creation outsourced their design efforts to the same company that created their initial site. This mainly because of the price, but also because they feel that they got a good working connection with the designer the first time over.

The new web site will use "user friendly interface" so that it can easily be updated within the company. This because they feel that it is easier to keep up to date, and to have a better control over the information on their site.

American Racing has resorted to the strategy of a web store for two mayor reasons; to replace the old mail-order service and its paperwork, and being able to present the whole product line to its customers in an easy to access manor.

Further, they have their site on a web hotel, enabling them lower cost and maintenance, and not a heavy investment in technology. It also provides them with relatively high speed Internet access.

**Electronic commerce experiences**
With their Internet launch the company has seen an increase in demand, and it has provided them with more customers. They are also selling to more remote areas, which has led them to believe that their physical location has decreased in importance.

A major draw back though, is the increased number of questions and requests via e-mail. The company feels that there are a lot of requests from presumptive customers that are not purchasing anything anyway. There has also been an increase in other questions not really related to their business.

### 5.1.2 Cento-Kullager AB
Cento-Kullager is a small company with stores located in Norrköping and Linköping. There are six employees, counting the three owners. The yearly turnover is around 12 million SEK.

Cento is working as a trading house purchasing and selling bearings and transmissions for industrial applications. The overall goal for the company is to increase turnover and provide as much return on invested capital for the owners as possible. The business is also the co-owner of a consortium called Scandinavian Bearing Association (SBA), where there is cooperation between sellers of bearings and transmissions in Sweden. In
this joint venture, the different dealers in the consortium have divided the Swedish market among themselves, giving Cento the area of Östergotland.

The customers are mainly other businesses. Approximately 98 percent of sales are to corporate clients. Cento has about 1500 customers, most of them small, with the bigger clients purchasing products for around 400,000 SEK yearly.

They sell their products by visiting presumptive customers, advertising in local papers and business magazines, attending trade shows, and organizing trade shows in their stores.

**Motives and need for electronic commerce**

They do not really see any motives for selling products online, but they have started an information site. The site started mainly with the reasoning that everyone else is on the Internet. But they also want the site to promote and advertise their products and concept of business. There was a little of “me-too” thinking behind the web site.

The interviewee Thord Källström, one of the three co-owners, explained their views as that the Internet may have an important role in the future. Cento feels that they might have to create a better Internet presence with sales to keep up with the competition and technology progress. But so far there has not been shown any outside or within the company need for a stronger Internet presence. Through SBA they purchase bearings and transmissions through the Internet, and a portal called Endorsia.

**Competition**

In Sweden there is the well-known brand of SKF and its retailers that is the main competition. Apart from them there are about ten other companies providing the same service.

Four companies aside from Cento are involved in the SBA collaboration. Within this partnership these companies have decided to divide the market between them and get national cover for the company group.

**Traditional SWOT**

Thord Källström thinks that the strengths of the company lie in the competence of its employees, and the fact that the company has been in business for 25 years. “There is lots of competence and technical know-how in our organization”, he says. One of the strengths of being a small company is that it is easier to be flexible, and get quicker decisions and changes than larger firms.

They also consider the fact that they are a small business as a weakness. This makes them relatively vulnerable when the economy is weak. The size of the company is also a weakness because of the more dominant influence on the market by companies like SKF.

The cooperation between smaller companies in the form of SBA is seen as a great opportunity. Here the smaller companies get together and purchase their products at
lower costs than before. They also network and form a unified front which helps cover the whole Swedish market.

One major threat that Thord Kallström sees, is that they can loose larger customers who have the muscle and know how to import their products directly over the Internet. “Larger companies trade their goods on an international market, and they may also purchase supplies that way. They have no reason to buy from local dealers at a higher cost, since they got the necessary technical ability and the buy large quantities that will give them a better deal elsewhere”.

**Strategy with electronic commerce**
Right now, there is only a form of information site provided by Cento. The site is there to promote and advertise the company’s presence. The strategy for this site will not change in the foreseeable future, as no need for Internet sales has been noticed. It will be kept as an information site, but may be expanded to more promotion and advertising.

The conjoint venture of SBA is however a different story. Talks have started to form a sort of Intranet between the companies within SBA. This may help the small suppliers to increase their product range and cooperation to enhance customer value and supply more business.

The current site is produced by people employed in SBA and is handled locally by employees of Cento. “This approach is good for us and we feel that we get a better handle on things when we can change the web site ourselves”, says Thord. The company feels that they have the necessary competence for this within the firm.

There is also the issue of costs. Cento thinks that it is cheaper to make an own site. They are placed in a Web Hotel which is also a matter of cost.

**Electronic commerce experiences**
Since they put there web site online there has been a dramatic increase of customers and requests or questions. But it is only there secondary targets, the group the company does not focus on, private consumers that are online and requesting information. Hardly any of the primary business clients uses the web site.

**5.1.3 Combi Tools Sweden AB**
Combi Tools is manufacturing cutting tools for NC (Numeric Counter) operated machines. There is no serial manufacturing, everything is specially ordered and customized for each customer.

The company has 16 people employed, most of whom are involved in production. They have an annual turnover of approximately 11 million SEK. The company is always striving for decreasing their costs and increase turnover. The respondent for the company is Michael Schweidenbach who is the sales- and marketing manager.
In 70 percent of the cases, Combi Tools is contacted by the presumptive customer. Then people from CT come to inspect the process in question and recommend a cutting tool that will take time off the process. In the remaining cases they sell to previous clients and through trade shows.

Combi Tools have approximately 200 clients, the biggest being Volvo Power Train. There is a wide range on both the size and accounts that they have with different clients, they serve both large and small firms. Combi Tools is operating mostly in the Nordic countries, with just a few clients in the rest of Europe. There are no expansion plans for the company. The thing they aim for is instead to increase their investments in the machine park.

**Motives and need for electronic commerce**
The company does not really recognize any need or motives for selling through the Internet. However, the web has been a good tool mainly for communication. The motive for the company to have a web site is mainly to show some of the products that they can make, customer references, and the fact that the company still exists. Another motivator for a web site is that everyone else has a web presence.

Except for e-mail, no other needs have been presented to the company. No pressure from the outside has drawn them toward online sales. However, the company has observed that, larger suppliers have started taking orders and accepting payment only through the use of the Internet.

**Competition**
In the Nordic market there are a couple of heavy hitters like SANDVIK and SECO. In the rest of Europe there is fierce competition especially from German companies, which has led to their strategy of not entering the European market.

The two big firms, SANDVIK and SECO, have both gone online and sell their products over the Internet. Combi Tools have observed the progress of both of these companies and found that selling through the Internet is not an interest for their company. The previous mentioned firms have more of serial manufacturing and can more easily adapt to Internet sales.

**Traditional SWOT**
Combi Tools strengths are the technical competence and know-how within the company. As opposed to the larger firms they have a short cycle to supply the customers. Combi Tools can use whatever input materials that the customer requires and requests, there is no prestige in a particular brand. Other strengths are that they only produce at the specific request of a client and the diversity of products they can manufacture. There is also a much shorter lead time compared to the larger competitors.

The company is small and has scarce recourses for research and development which is considered a weakness. Further, they can not develop measuring data as well as the
competition and therefore has to trust other data and apply other companies’ data and standards.

They lack a serial assortment and serial product, which may be seen as both threats and opportunities. The company is thus very sensitive and vulnerable in economic lows and when economy is tight there is always the threat of going out of business.

**Strategy with electronic commerce**
Combi Tools strategy for the Internet is to keep it in its present stage, providing information and references. They use e-mail as a main communications channel where they send sketches and drawings.

They have thought of starting online sales, but have decided, after viewing competitors’ sites, that this option is not for them. The site is produced and maintained by staff members with computer interest, which leads to a more genuine interest and better and faster update possibilities. They have their site at a Web Hotel because of the economy issues.

**Electronic commerce experiences**
There has been no particular notice in increased sale or communication because of the web site. Only about one percent of the clients have looked up what they want through the web site. “*Web sites and advertising does not work in our line of business, at least not for sales. Instead I’d say that it is a kind of traditional word-of-mouth method that gives us new clients*”, says Michael Schweidenbach.

**5.1.4 Medisox AB**
Medisox manufactures supportive- and diabetes-socks for medical purposes. There is also some manufacturing of “rubber bullets” for USA cops, which is actually made with a kind of weave. The company is situated in Söderköping, and employs 13 people. They also had a factory in Israel, but that was shut down because of too high costs involved in production in Israel. The respondent is Göran Nylin, part owner and in charge of production.

The finished product is sold to a whole-sale-company that puts its name on the product. This company takes care of just about all of what is manufactured. The remaining goods are sold by an agent in North America. Medisox is responsible for approximately 70 percent of the whole-sale-company’s turnover. This leads the companies to work in symbioses.

The goal of the company is to make as much money as possible, and they want to grow at a steady pace, which maps its whole-sale counterparts’ sales.
Motives and need for electronic commerce
Medisox has no motives or need at this time for an Internet presence. The whole-sale company has an information web site that has been supported with funds from Medisox. Thus Medisox has no Internet site. It handles its sales through phone and fax.

If there is a change in the future, for example if the whole-sale-company goes out of business or if Medisox gets involved in marketing and sales, there are plans for selling through the Internet under their own name.

Competition
Göran Nylin claims that Medisox has such a special product that in fact there are no competitors, at least not with an exactly like product. There are those that have somewhat similar but not the same features. What limits the competition is Medisox’ short lead times, which makes it hard for competitors. "They have to keep a large quantity in stock, to be able to keep up", says Göran Nylin.

Traditional SWOT
Medisox has the technical know-how and their products are great, which are seen as part of their strengths. Further, the product is well established and has a large portion of the Nordic market. Medisox has used to a large part, its own money when building and investing in infrastructure. They have short lead times, which makes it hard for competitors to follow and they produce most of their goods when orders arrive.

One weakness that is also a risk may be that the company has only one client. But being in a form of symbioses relationship also means that they help each other to survive.

There are a few possibilities for the company. For one there is the continuous technical enhancement of the weave and a new product called Prosox. And the company will continue with its policy of investing only their own capital.

Strategy with electronic commerce
Medisox does not have a web site, nor do they plan to. Their partnership with the whole-sale-company takes care of their selling needs. However, if Medisox will partially or fully take over sales efforts in the future, they intend to go online and form a web store.

5.1.5 PGM Lantbruksmaskiner AB
PGM is located outside of the city of Linköping. They sell farm equipment, specializing in tractor wheels, grass cutters and manure spreaders. They make customer and tractor specified double wheel montage and have a few patented tightening screws for tractor wheels. Suppliers deliver parts which are put together at the specification of the individual client.

PGM has an annual turnover of 4.5 to 5 million SEK. It has only one full time employee, but at sales peaks one more person is hired on hour basis. The CEO is Håkan Bellner.
PGM sells its products through retailers, which includes private farmers and companies. It uses pricelists as a mean of supplying the customer with a comprehensive guide to products, specifications, and product range. The company’s goals are to increase its market share in wheel montage, and to increase market share of the products for which the company is general agent in Sweden.

The company has approximately 500 registered customers, of which the retailers are considered to be the primary. Most of the customers are small farms.

**Motives and need for electronic commerce**
The primary motive for the Internet venture is to help the retailers and end customers find what they need and want. It is a step further from their earlier price list handling. With the Internet the company feels that they can enhance the customer value by providing updated information and news about their products. The second motive is to use the Internet as a place for advertising.

The need for an Internet presence was conceived within the company. They felt that it could provide better customer service as well as decrease costs and time for the company. They also thought of how their customers could best adopt and use the new technology.

**Competition**
PGM’s major competitor is located in Lund in southern Sweden. They have long lead times on their products since they ship everything to and from Denmark to get the necessary work done to finalize the product. There are four other companies in Sweden except for these two, but PGM appreciates its market share to be approximately 50 percent.

**Traditional SWOT**
PGM considers their company to have the highest degree of service in the field. Another strength is that they are the only ones who make specialized double montage, and this gives them an advantage and separates them from the competition. PGM has been in the market longer than any of their competitors and also has patents on different components.

One weakness is that the area of business only has two high seasons a year. This might mean that the company looses business because of work overload and the difficulty of hiring season staff.

There are a couple of opportunities, for one there is the new pending patents, and also the possibility of market growth for the products for which they are agents for in Sweden.

Politics within Sweden and the EU is seen as threats. New legislation and decrease in farms, is decreasing the use of tractors, as well as sales of new tractors.
**Strategy with electronic commerce**

The strategy for the Internet venture is to use it as a marketing channel, although not sell through the use of the website. E-mail is not the preferred choice of communication, as it is seen as hard and not as direct as phone and fax. PGM says that they willingly answer all the questions that they get by e-mail, but also faces the fact that most of their business is and will be conducted over the phone.

Further, PGM uses a form of FAQ on their website which helps customer service, and it also reduces the time spent over the phone answering questions. The Internet will also in the future be a form of information only site. This because the small market size which the CEO feels will not be sufficient to equal the costs of an Internet sales alternative.

**Electronic commerce experiences**

PGM does not have the impression that its web presence has generated more customers to the firm. But there have been a lot of hits on the website and it has steadily increased since the launch five years ago.

Håkan Bellner has noticed that customers are more informed of their products and prices when they call. And the ordering process takes less time than before.
6. ANALYSIS

This chapter will analyze the cases separately in accordance with the theory. In the last stage of the chapter a cross case analyses will also be performed.

6.1 RQ 1: Motives and need for electronic commerce venture

6.1.1 American Racing AB
American Racing's primary motive for venturing into Internet trade is well documented and has been commented on in different media. Exchanging mail order for Internet commerce is a proven and not far fetched idea from the original means of online commerce issues. It has even long been argued that goods that can be purchased by mail order are exactly what the Internet is all about. The step from the traditional mail ordering process to an Internet mail ordering system is a small step.

Further motives such as shorter lead times and time for order processing, are in accordance with Fredholm (2002), and his time and lead time motives. American Racing also states that reaching more clients, more detailed information being published online, decreasing the paperwork load, and suppressing the geographical factor influence their view of the Internet. This is also described by Fredholm (2002) and Turban et al. (2000).

American Racing also hope to reduce their advertising and marketing costs, which is what Poon and Swatman (1999) regard as a perceived short term benefit. Their study showed that a company can not count on this to happen, but it is a strong motive for small companies to engage in an online option. Swatman (2000) goes even further with this reasoning and states that companies get an added cost with their online presence instead of lowering costs, and that this has to be balanced with the relative positive sides of being on the Internet.

In contrast to this reasoning is the McCue (1999) study that supports American Racing's ambitions, proposing that Internet marketing gives substantially more advertising value because it reaches a wider and more targeted market than traditional marketing mediums.

6.1.2 Cento Kullager AB
Cento Kullager AB claims that for now they can not really come up with any sufficient motives for going online, neither have they acknowledged any needs from within or outside the company. This aside, the company has created a web site which is mainly seen as a window for advertising and promotion, which Zimmerman (2000) states as a test of consumer response to discounts and special offers. The site is there so the
company can be able to keep up with the changing business climate and the competition, which complies with Porter’s five forces of competition. (http://www.quickmba.com/strategy/porter.shtml, 2003) This can also be seen as what Zimmerman (2000) describes as enhancing corporate image.

Cento is aware that they loose business to its larger clients with the arrival of the Internet, but feels that it would not matter if they start an Internet sales application; the larger companies buy in bulk and thus get better prices elsewhere. Larger companies also have their own service, development, and installing capabilities within their companies, which yields that the added value that Cento creates for their smaller clients is lost on the larger companies.

Cento Kullager AB and the joint venture of SBA, have considered the online sales option, but have decided not to take that action yet. However, in the future they feel that due to the competition and the survival of the company they may have to start with Internet sales. This thought is seen through Porter’s five forces (http://www.quickmba.com/strategy/porter.shtml, 2003) and Porter’s later electronic forces. (Porter, 2001)

Through the joint venture of SBA, Cento and the other bearing retailers involved have started purchasing through the Internet and the portal Endorsia. This agrees with the electronic forces and the Internet being a buyers market. (Porter, 2001) It also coincides with Abell and Black (1997) and their study of if small businesses benefits of using the Internet, and thus lower costs of obtaining supplies.

6.1.3 Combi Tools Sweden AB

As mentioned in the previous chapter, Combi Tools makes almost all of its products at the specific customers’ request. They add value to their products by being a form of technical consultant and developer of tools for the technical solutions. Their competition is the large companies SANDVIK and SECO which makes their tools in large series.

Combi Tools have considered their motives for online activities and concluded, after closely monitoring its competition, that sale through the Internet is not an option. The company has a web site, and the motives for this is mainly to show that the company still exists on the market, as well as a showroom and references from companies that they have done work for. Another motive for Combi Tools to be on the Internet is to provide customers with information on what kind of products that they can manufacture.

These motives agrees with McCue (1999), Poon and Swatman (1997) and Zimmerman (2000), regarding enhancing the corporate image and increase product awareness.

Combi Tools have observed that there is a need for being on the Internet, especially in communicating through e-mail. Both from within the company but also from their customers, they have gotten the understanding that e-mail is a new and important tool for
better and less costly communication. They also find it easier to avoid mistakes when communicating this way. This agrees with the research done by Abell and Black (1997) and McCue (1999), saying that the Internet improves communications and using e-mail is a motive for SME’s to venture into electronic commerce. It also agrees with the Poon and Swatman (1997 [2]) study that depict the Internet as a key communications medium for small businesses.

Another issue that has been observed by Combi Tools is that larger companies that they use as suppliers are beginning to only accept orders through the use of the Internet and e-invoices. This is a further need that has been recognized and is supported with motives from Fredholm (2002) and Rayport and Jaworski (2001).

### 6.1.4 Medisox AB

Medisox AB has a special relationship with its partner the whole sale company. It is almost as if Medisox has outsourced all their marketing efforts to the whole-saler. This yields that the company has no need or motives for having an Internet presence. However, Medisox has considered the Internet and may in the future, if they take over sales from the whole-saler, start up a web site and conduct Internet sales. Poon and Swatman (1997 [2]) found that businesses that has more customers and business partners using the Internet tends to use the Internet more.

### 6.1.5 PGM Lantbruksmaskiner AB

PGM has a few motives for conducting business on the Internet. They want their web presence to be a support for retailers and end customers, to enhance customer service. Fredholm (2002), McCue (1999) and Turban et al. (2000) recognizes these as motives for Internet commerce, to be able to provide better customer service.

Further they want to be able to show all their products, price lists, and advertise. The motives are to increase customer awareness of their products; decrease the time spent communicating with customers and get more detailed information out to their retailers. Fredholm (2002) mentions this as giving more detailed information and McCue (1999) has in her study learned that small companies see the Internet as a way of offering paperless documentation.

Another motive for the company to use the Internet complies with Fredholm (2002) and that is to update the prices and information more frequently. PGM feels that this is one of the major advantages of the Internet and their web page as opposed to the traditional way. Instead of constantly answer questions on their product line and prices they can concentrate on making sales.

The need for going online was discovered within the company. There was no outside pressure that contributed. PGM had a clear view of what they could do online and what
their customers could handle, and had no other influence other than own ideas to support their claim to what was needed on the web site.

6.2 RQ 2: Strategies on the Internet

6.2.1 American Racing AB

The strategy that American Racing will be using for its online presence is that of the full-fledged web store in accordance with Yuill (1999). The thought behind starting up a web store is to get rid of the now time consuming and paper based mail order system. However, American Racing is not planning to forego its traditional way of doing business. Although the new electronic store is there to replace the mail order system, the company will still handle telephone orders and keep its physical store. This can be seen as either “Treat as another channel”, “Pursue on all fronts”, or “Mixed system” according to de Kare-Silver’s (2000) strategic options for retailers.

This strategy is as mentioned a way to rid themselves of the paperwork that is generated of the current mail order system, but it is also a wish from the company to be able to generate more business, from more customers in a wider geographic area, and at the same time possibly be able to cut costs in advertising and marketing.

The physical store will still be in effect, since the company believes that it has a good potential in sales since a lot of the business is generated locally. At the same time as mentioned in the previous sub chapter, one of their opportunities is going to be a reality in the near future, namely the auto repair shop, and they feel that this will also generate more business for the physical store.

In this, the lone physical store is also the company’s warehouse. All their articles are sorted at the site of the physical store. Thus, there is no real overhead in keeping the physical store.

The technology will be developed by a third party consultant, Musketördata. However, this will use user friendly interface, allowing the maintenance and updates to the company and its employees, who will handle the web store once online and running. The site will still be on a web hotel provided by a third party. This is to keep the costs and investments to a minimum and at the same time, be able to have enough computer power.

6.2.2 Cento-Kullager AB

Cento Kullager will adopt the same strategy in the near future as the one that is currently in use. Namely, the site is there for information and advertisement of the company’s assortment of products and services. This is the first stage as de Kare-Silver (2000) describes as “Information only” for retailers, and as he states in his explanation of this
phenomenon, these information only sites refers the customers to the existing outlets which is the case for Cento.

Cento and the joint venture of SBA are also considering strengthening its bonds between the partners in SBA by a form of Intranet. There are no operating procedures for this bond as of yet.

The technology for the web site and the Intranet will be constructed by SBA. This because they think that they have the necessary competence within the company and also to be able to control and implement the changes that has to be made to the system so that all participants have input and get their demands on the system. They also feel that by developing the site themselves is cheaper than hiring outside help.

6.2.3 Combi Tools Sweden AB
Combi Tools have in the foreseeable future no desire to change their Internet strategy. They have watched and learned from their major competitors, in which they have decided to maintain their strategy.

The strategy is to use the Internet as a form of information and communications channel, where the web site will provide information on the company’s products, references from customers, and contact information. They will continue to use e-mail as a mean of communication for drawings and pictures. They have found e-mail to enhance their business solution and be an important part in their production and planning procedure. This sort of approach is described by de Kare-Silver (2000) as information only for manufacturers.

The web site is constructed and handled by employees within the company. This way they feel that they get a more genuine interest in the site as well as better communication on what is to be presented on the site. They can more easily update and change the site and do so without significant creative differences. They also feel that this approach is cheaper for the company.

6.2.4 Medisox AB
Medisox has no real strategy for the Internet since they do not have a web site. This is because they work closely with a whole sale company that put their name on the finished product and thus have taken over all of Medisox’ marketing efforts. Since this whole saler is Medisox’ only customer they feel that there is no need for them to be on the Internet. They have however given funds to the whole saler, to let them develop their own web site. This can be seen as a sort of “Woo the retailer” as de Kare-Silver (2000) describes as a strategic option for manufacturers.
If Medisox in the future will take over marketing and sales of their product from the whole saler, they have set their eyes on the Internet. They have thought of a strategy where the website would be in the center of its marketing efforts, providing smaller distributors the opportunity to place orders through the Internet.

6.2.5 PGM Lantbruksmaskiner AB
PGM will use its website for marketing and information on its products and services. This will help them update their price lists and assortment better. As Yuill (1999) describes, it is cheaper and quicker to update a website than printed material.

They will keep the site as a form of information only, providing some additional aspects as an interactive forum where questions can be asked. They will attempt to answer most questions on with an FAQ to decrease the workload. They will not attempt to start sales through the use of the Internet in the foreseeable future, due to the CEO’s feeling that there is not sufficient business to justify such action.

They will handle the technology themselves, with updates and such. And they will use a web hotel as a mean of keeping their website open, because of the costs.

6.3 RQ3: Electronic commerce experiences

6.3.1 American Racing AB
American Racing has noticed an increase in demand since the launch of their website. They have gotten more customers and come to the realization that one of their motives for venturing into electronic commerce has come true. That is that their store location has decreased in importance. They get customers and requests from a wider geographic area now, than they did prior to their Internet launch.

American Racing has also noted some negative effects of their Internet presence. They feel that they get a lot of e-mails and requests that will never lead to sales.

6.3.2 Cento Kullager AB
Cento has registered increases in both number of customers and number of requests or questions. But this increase comes mainly from the consumer group, which is not a primary target for the company. These consumer clients do not supply the company with much business and are only responsible for around 2 percent of Cento’s sales. Corporate clients seldom use their Internet site.
6.3.3 Combi Tools Sweden AB
Combi Tools have not really noticed any difference since launching their web site. The company has only seen that about 1 percent of the customers have searched the web site and found what they want to purchase. Michael Schweidelbach says that “Web sites do not work in this business, at least not for increasing sales. It is more of a word of mouth scenario.” But e-mail has been an important communications tool for the company. They send drawings and proposals to their customers in a more efficient manner than before.

6.3.4 Medisox AB
Medisox AB is not currently on the Internet and thus has no insights into this question.

6.3.5 PGM Lantbruksmaskiner AB
PGM claims that the web site has not generated new clients or more business. But the site has generated a lot of hits and customers seem to have taken time to get more information before placing their orders. This has helped PGM to shorten the time, questions and other problems in the ordering process.

6.4 Cross case analysis
This section will attempt a limited generalization of the answers to the three research questions. In this section the companies will be given a number that is represented in the different tables.

1= American Racing AB
2= Cento Kullager AB
3= Combi Tools Sweden AB
4= Medisox AB
5= PGM Lantbruksmaskiner AB

6.4.1 RQ1: Motives and need for electronic commerce
In table 6.1 the different motives expressed from the companies are gathered. It also states which companies that had each motive.
Motives Companies

<table>
<thead>
<tr>
<th>Motives</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange mail order for Internet sales</td>
<td>1</td>
</tr>
<tr>
<td>Less paperwork</td>
<td>1</td>
</tr>
<tr>
<td>Shorter time for ordering process by customers</td>
<td>1</td>
</tr>
<tr>
<td>Store always open</td>
<td>1</td>
</tr>
<tr>
<td>Reach more clients</td>
<td>1</td>
</tr>
<tr>
<td>Decreased importance of location</td>
<td>1</td>
</tr>
<tr>
<td>Increased geographic area of business</td>
<td>1</td>
</tr>
<tr>
<td>Less costly marketing efforts, advertising</td>
<td>1,2,5</td>
</tr>
<tr>
<td>Be ready for the future</td>
<td>2,3,4</td>
</tr>
<tr>
<td>Perceived outside pressure</td>
<td>2</td>
</tr>
<tr>
<td>“Everyone else is on the Internet”</td>
<td>2,3</td>
</tr>
<tr>
<td>Still in business</td>
<td>3</td>
</tr>
<tr>
<td>Improved communications</td>
<td>3</td>
</tr>
<tr>
<td>Customer service</td>
<td>1,2,3,5</td>
</tr>
<tr>
<td>Supply information on products and company</td>
<td>1,2,3,5</td>
</tr>
<tr>
<td>More easily update, price lists, products in stock etc.</td>
<td>1,5</td>
</tr>
</tbody>
</table>

Table 6.1. Motives for venturing into electronic commerce for the different companies in the study. (source: Appendix A-E)

As can be seen from the table above, most of the companies in the study had motives of customer service and getting information on their companies out to its customers. This coincides with Fredholm (2002) and Turban et al. (2000) and the motives for electronic commerce. More information can be added than with the paper system, as well as the customer service can be handled by the customer’s themselves. The system is open all the time and there are no problems with peaks in demand.

The companies also want electronic commerce to lead to decreased costs for marketing and advertising. This goes along with the McCue (1999) study where companies sought for lower marketing costs as motives for electronic commerce.

There is also some that express their motives as a form of need for the company. The posts of ‘Be ready for the future’, ‘Everyone else is on the Internet’, and ‘Perceived outside pressure’, can all be addressed as needs for the business to go electronically. These pressures can be related to Turban et al. (2000) and the technological business pressures. As well as Porter (2001) and the electronic forces of competition, as well as the five forces (http://www.quickmba.com/strategy/porter.shtml, 2003).

On the question of the need of electronic commerce, none of the companies have recognized any outside pressure, either from customers, suppliers, or business partner that has lead them to adopt electronic commerce into their business plan. In the cases where a need has been recognized it is the companies themselves that have discovered it.
6.4.2 RQ2: Strategy for electronic commerce

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information only</td>
<td>2,3,5</td>
</tr>
<tr>
<td>Customer service</td>
<td>1,5</td>
</tr>
<tr>
<td>Communications channel</td>
<td>1,3</td>
</tr>
<tr>
<td>Marketing</td>
<td>1,5</td>
</tr>
<tr>
<td>Web store</td>
<td>1,4</td>
</tr>
</tbody>
</table>

Table 6.2. Electronic commerce strategies for the companies in the study. (source: Appendix B-F)

Most of the companies in the study will use electronic commerce mainly as an information platform, providing information to customers on the company, its products and services, and other sorts of information (table 6.2). This coincides with the McCue (1999) study showing that companies motives for electronic commerce is to market products and service for a lesser cost on the Internet. It is also in accordance with Yuill (1999) and de Kare-Silver (2000) and the strategies for both retailers and manufacturers. The information only approach is not only to respond to the customers’ exploration of the medium but also to protect the company against competitors that takes a more aggressive approach to electronic commerce. This information only stage is the one in which most companies and organizations are right now. (de Kare-Silver, 2000)

6.4.3 RQ3: Electronic commerce experiences

<table>
<thead>
<tr>
<th>Experiences</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased demand</td>
<td>1</td>
</tr>
<tr>
<td>More customers</td>
<td>1,2</td>
</tr>
<tr>
<td>Location of less importance</td>
<td>1</td>
</tr>
<tr>
<td>Questions and requests not improving sales</td>
<td>1,2</td>
</tr>
<tr>
<td>Shortened time for order process</td>
<td>5</td>
</tr>
<tr>
<td>No change</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 6.3. Experiences of electronic commerce detected in the companies. (source: Appendix B-F)

Most of the companies in the study have detected an increase in interest, customers and requests, since going online (table 6.3). There have been both positive and negative effects. On the positive side the companies have noticed increased demand and customers, as well as the location of the company has decreased in importance. Customers are also absorbing more information from the web sites before ordering, which makes the ordering process smoother than before.

Negative experiences are often linked with the communication flow. Customers and presumptive customers are more likely to ask questions and make requests online, which may lead to the companies being overloaded and unable to answer. They have also noted that questions and requests do not often lead to sales, but it is rather that the “real”
customers purchase their goods in the old way by using the phone or coming to the store. The difference is that they have absorbed more information prior to the purchase from the web site.
7. RESULTS AND FUTURE RESEARCH

This section will tie everything together and also provide critique on the report as well as basis of future research.

7.1 Conclusion

All companies in the study have considered electronic commerce and what it can do for their business. They have taken the new Internet medium into consideration and formed strategies for the electronic enterprise. All companies, with the exception of Medisox, have launched their own web sites. But although they are all small businesses which have operated in the traditional world for a long time selling physical products, their electronic commerce motives, strategies, and experiences differs significantly.

Motives and need for electronic commerce
American Racing is the company that has supplied the most motives for electronic commerce, and they are also the company which is most open to the positive sides of doing business electronically. But they are also the company which has gone furthest in their efforts to explore the electronic pathways.

Medisox AB is the company which has the least interest of entering into an electronic commerce venture. Their business solution is quite different to the other companies because they only provide the product and deliver to their sole customer which in turn put their own brand name on the product. Medisox has thus not this far initiated a web presence and will not in the foreseeable future do so. But like the rest of the companies in the study, they have considered electronic commerce, and have made their plans after careful examination.

Combi Tools have thought greatly on electronic commerce means for their company and has also closely monitored their competitors. However, with their customer specific products and services, they have concluded that so far, no major motives for them to go electronically have occurred. But as a communications tool the new technology has been good for the company.

Cento’s view of electronic commerce is more as a future step. But they also wish to market and cut costs for the company.

In all the companies in the study has proven that there is awareness of electronic commerce in small companies. They have all considered what this new channel can do for them. The main motives for the companies in the study to venture into electronic commerce are to get the information on the company and its products out to the customers in its entirety. Further they intend to provide better customer service, be ready for the future, and cut costs in marketing and advertising.
These motives agree with the theory in all but one, the decreased costs for marketing and advertising. Although that cutting costs in this department is a goal and motive for small businesses when considering electronic commerce, it does not go along with the theory. It is however the same result as in the McCue (1999) study, where small companies expected to market products and services for less on the Internet.

Swatman (2000) does not agree to this as being the actual case. Although this is a motive for small businesses considering electronic commerce, Swatman (2000) says that companies have to accept the Internet as an additive marketing channel rather than a substitutive one.

The companies in the study have in most cases recognized the need for electronic commerce by themselves. None has mentioned outside pressure forcing them to go online. Some of the respondents have mentioned that to be ready for the future and the competition they have to be online and ready for what might be coming. This can be considered a need, which is influenced by outside and technological pressures.

**Strategies for electronic commerce**

Most of the companies in the study have selected the information only approach for their electronic commerce venture. The only company that has so far decided to go into sales through the Internet is American Racing. But even for them, which has had the sales approach as a strategy for a long time have yet to present it to its customers. They are all a little cautious with their electronic strategies and the full potential of the new medium has not occurred to them. Most of the companies have the notion that their products are not really suited for electronic commerce because of it being highly customer specified. This, in their opinion, makes electronic commerce of low interest to them.

An interesting company is Medisox. With their unorthodox approach to just produce the goods and let the whole sale company put its name on the product. Even though they are not currently on the Internet and have no plans to venture into electronic commerce the question has been raised and discussed within the company. They feel that at the moment there is no need for them to go electronically, but if they ever take over some of the sales and marketing activities from their partner, they will start sales through the Internet.

The information only approach to electronic commerce is mentioned by Yuill (1999) and de Kare-Silver (2000). de Kare-Silver (2000) sets this option as the one being incorporated by most companies at present. This option is not only to respond to customers’ exploration of the medium but also to protect the company against competitors that takes a more aggressive approach to electronic commerce. So it is not only that this appeals to the companies that want to get information on their company and its products, but also for those that sees motives for electronic commerce as a mean for the future, and sense the outside pressure since “everyone else is on the Internet”.

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Electronic commerce experiences
Four of the five companies in the study has decided to and launched a web site of their own. They have noticed increases in interest, demand, requests and questions since going online. There have been both positive and negative effects. Combi Tools claim that they have not noticed anything significant, only about one percent of their customers have visited the site before purchasing.

American Racing has noticed some of the most common and accepted benefits for small companies venturing into electronic commerce. The location of their store has decreased in importance, they reach more clients, and geographical boundaries have been erased.

Cento has noticed an increase in demand and requests, but that comes mainly from their secondary target group private consumers, and has not led to any significant changes in their business. PGM has seen that their strategies and aims with their current policy has generated shorter time for order processing, as customers have accumulated more information before ordering.

On the negative side is the fact that there is a communications overload. Many more customers are asking questions and making requests, than with their traditional way of handling things. This has led to problems with communication, since they can not decide which customers are the serious ones and which are eventually going to place orders. A lot of the requests are not leading to sales or future customers.

Overall conclusions
Although the companies in the study have thought of electronic commerce and what potential this has to their companies, they can not provide many motives for it as presented in theory.

This might mean that although the companies considers themselves informed and aware of electronic commerce, they have not grasped the full potential of the medium. The lack of, or rather absence of motives for electronic commerce raises another question, whether the strategies they have formed will provide the best business opportunities or not. More exploration and information of the electronic medium may lead to more motives and greater interest, and in the end different strategies.

If a generalization is to be made, it is that although small companies have considered electronic commerce for their businesses, they have not grasped the potential of the new medium, and thus the strategies for their electronic business fall short of the company’s electronic potential. Furthermore, small companies seem to be very cautious. Even the most perfect example for electronic commerce is still waiting for the continuing development of its electronic presence although the decision was taken some years ago.

Most companies can benefit from electronic commerce, be that with different strategies. The strategies should emanate from a clear view of what the company has and wants. From the answers given by the companies in the study, most of them have problems with identifying both the traditional SWOT and even harder electronically. This may be
because of the lack of awareness of the electronic potential. At the same time most of them considers electronic commerce to be an important part of the future of their business, they do not want to be left behind and keep up with the competitors. But if the companies are not striving forth in their electronic pursuit, they will still be left behind.

The companies should strive for a continuous development and information gathering of the evolving electronic commerce ideas, and try to imagine their business being part of this evolution, and even though not all should be incorporated, there should be awareness. Further, just standing still and think that you have it right might lead a small company to be outmaneuvered by the larger companies. The small businesses should take advantage of the electronic commerce medium to reap the benefits that it provides in joint venture with their traditional presence.

7.2 Critique of report

This report was conducted as a descriptive multiple case study. As can be seen the report could also be called an exploratory report because of its more explorative nature. The motives, strategies and experiences for the companies provides more general issues of what small companies face when they dictate their electronic future. But the descriptive alternative was chosen because of the loose parameters delimitating the report.

There is also some other implications to this work. One fact is that it is a case study and thus the results cannot really be generalized. No real attempts at this have been made, but the conclusions are set against the specific character of the companies and their offers.

The report has quite wide delimitations, making it harder to distinguish the character of specifics. It might have provided better results if more concentrated on certain markets, products, business ideas and so on. A more narrow selection on companies and more precise research questions might have given it more credibility and provided a base for generalizations.

Further, five companies in various businesses may be too little. Perhaps a larger sample size would have provided more insight. But due to the relative pressed time schedule, only five companies were selected.

The interviews were carried out with an interview guide, supplied only to get the information flowing and to keep the interview centered on the issues. If a more general questionnaire had been provided to the companies, and delivered beforehand, the outcome of the research may have been different. This option was chosen for the report to get the “true” answer from the responding companies, and not the planned and prepared answers.
7.3 Future research

As the report and delimitations began, the area of electronic commerce is vast and the area is just in its infancy of exploration. The theory has not been around for long and the theory that is created can quickly become obsolete. There are significant differences in the views of what electronic commerce bring that is new. Some claim that it is no different than traditional marketing, although a new medium and channel.

The area of electronic commerce and the questions that this report tries to provide some insight to, the motives, strategies and experiences of electronic commerce for small-to-medium sized companies should be explored further. Small companies are the backbone of any economy, and small companies may grow into larger companies, employing more people and boosting national economy.

From this report there can be seen a lot of questions still to be answered:

- What effects do products have on companies’ electronic commerce efforts?
- What small companies benefits most from electronic commerce.
- A more generalized guide to the research questions.
- It would be interesting to follow the companies and their efforts in electronic commerce over time, to conclude how progress is being made and if strategies, motives and experiences change.
8. References


Oral references


Thord Källström, co-owner of Cento Kullager AB in Norrköping and Linköping. Interview date 2003-06-03.

Göran Nylin, part owner and in charge of production at Medisox AB in Söderköping. Interview date 2003-06-16.

Håkan Bellner, owner and CEO of PGM Lantbruksmaksiner AB in Linköping. Interview date 2003-06-16.
APPENDIX

Appendix A: Interview guide

1. Company name. Respondent name, position within the company. Can the company be mentioned by name in the report?
2. Number of employees.
3. Estimated annual turnover.
4. Business idea. What kinds of goods are sold? In which way does the company sell its products? Objectives and goals for the company?
5. Customer segments, number of and size of customers. Consumer or business market. Demographics and geographic.
6. The company’s strengths, weaknesses and opportunities and threats for the company (SWOT).
7. Competition, present, on the Internet, locally etc.
8. Motives for electronic commerce through the use of the Internet? Has the company considered electronic commerce, and if so what about it?
9. Why is the company on the Internet at present?
10. Needs of electronic commerce that have been recognized, from outside or within the company.
11. SWOT on the Internet.
12. What strategy should the company enforce on the Internet?
13. Why this strategy?
14. The future for the company. Changed strategy?
15. Who will handle the technology? Who has made the current web site?
16. Why this approach to the technology?
17. Has the company noticed any differences since the launch of the web site?
   Positive or negative effects?
Appendix B: Interview with American Racing AB in Linköping

1. Company name is American Racing AB. The respondent is Lars Dunå, CEO and owner of the company. The company name can be used in the report, no privacy is needed.

2. American Racing has 5 full time employees, counting the CEO himself.

3. The annual turnover is approximately 6 million SEK.

4. The company’s business idea is to sell spare parts to vintage American cars. This is achieved through the use of a paper printed catalogue as a form of mail order, but also through telephone sales. The printed material is sent to people around Sweden that has the right sorts of cars that can be supplied with parts from American Racing. This is managed through a list that is bought from the Swedish DMV (bilregistret).

   The company’s short time goal is to increase its turnover to around 10 million SEK. But other than that, there are no expansion plans in the geographic sense. Sweden is the main market for the company.

5. American Racing’s customers are mainly small, both consumers and other businesses such as auto repair shops and other spare parts dealers.

6. The strengths of the company are; the professional know how of its employees, the number and quantity of articles, and the reputation and the 30 years that the company has been in business.

   Lars Dunå has no real weaknesses to provide.

   As opportunities Lars sees the coming vintage American auto repair shop that the company will start on the premises, as well as the development of the company on the Internet.

   The only threat that the CEO talks of is the potential danger of having a name that is associated with America, now that the public opinion of the U.S is very negative. But he sees no chance of running out of business as the market and interest in vintage American cars is genuine and increasing.

7. There are 5 to 6 other companies in Sweden that has about the same business idea and the same brands as American Racing. There is actually one in the same city of Linköping, but they have a somewhat other assortment of products and brands. There is a good working environment between the competing firms, where they sometimes buy parts from one another.

   None of the other firms in Sweden has web stores, but a few of the others have web sites containing information on their products.

8. Lars Dunå sees the main motive for the Internet as being able to exchange the current mail order system for an Internet sales system. That way a lot of the paperwork and maybe the printed material can become abundant. The time for taking orders will also be decreased, no more long telephone calls. Everything will be ready for the customer on the Internet and the store is always open. He also sees that the company can reach more clients in other locations and that the importance of location and geography will decease. The company also hopes for less costly marketing, through cheaper adverts. But the idea is still to only serve customers in Sweden.
American Racing currently has a web site. It is at the moment mainly a form of test as to how to proceed. From the beginning the idea of a complete sales and marketing site was conceived, but the project went slowly and there were a lot of problems, so for now it is only a form of information site. And even the information on the site is not complete.

There were no outside needs that started the process of venturing onto the Internet, but rather the CEO’s own dealings that lead to the formulation of a thought that the company could change their current mail order system to an Internet based purchasing system. The thought of this was to be able to reduce the amount of paperwork and handling of orders through paper.

A strength on the Internet is that the company can get the whole range of nearly 10,000 articles out to the customers for a low cost. Opportunities are the same, that the whole range can be published, but also the possibility of putting an end to the costly personally directed printed material. A threat is that the competition can get a handle on exactly what the company offers, but that is not that different from the way that things already are.

At present there is only some information on the web site, and it is an unfinished, quite poor site. But there is a web store under construction, and this will be of user friendly type so that it can be changed and updated within the company.

To be able to make the old mail order system obsolete and to present the whole range of the company’s products.

The strategy of an Internet bases store is the future for the company. They will not try to make the system fully integrated so that everything can be handled through the computer. This because the company is not selling large enough volumes to justify the expenses of a fully integrated system.

It will be the company itself that will handle the technology once the site is completed. But the groundwork is made by the same local company (Musketördata) that provided the first site. The company will continue being on a web hotel.

It is much cheaper more the company to not have their own servers and support system. It is much less of an investment and the web hotel supplier also provides for fast Internet access. Being able to handle the contents on the web site from within the company enables them to faster updates.

Since the launch of the current Internet site, there has been a considerable increase in demand. The company has noticed that the geographical boundaries are being wiped out and they have gotten more customers. A negative side of the Internet presence has been the many e-mail requests and questions. Lars Dunå feels that it is not all the time that they earn anything by answering questions, because a lot of questions come from presumptive customers that have no intention of purchasing anything.
Appendix C: Interview with Cento Kullager AB in Linköping

1. The company name is Cento Kullager AB. The respondent is Thord Källstöm, one of three co-owners of the company. It is OK to use the company’s name in the report. No secrecy needed.
2. Cento has 6 full time employees, counting the three owners.
3. The company has a yearly turnover of roughly 12 million SEK.
4. The company considers themselves to be sort of a trading house, acquiring and selling “rullningslager, kullager, glidlager”, and all types of transmissions to industries. They sell their products by visiting presumptive and existing clients, by advertising, and arranging trade shows both locally and also in their stores. The company goal is to make as much money as possible, high profits and return on invested capital, as well as increase turnover.
   Cento Kullager is in turn co-owner of Scandinavian Bearing Association (SBA), which is a collaboration of similar small businesses in the industry within Sweden. The companies involved in SBA has a joint turnover of around 130 million SEK a year. Through this cooperative effort, Cento and the other companies wishes to grow, expand, and increase market share.
5. Cento has approximately 1500 customers, most of them small. Their bigger clients spend around 3 to 400,000 SEK a year on products supplied by Cento. Around 98 percent of sales are to business clients which is the primary target market. The region in which Cento operates is Östergötland. This because, within the association of SBA, the joining members have divided Sweden into different regions of which the different companies operates and thus Östergötland is the area which Cento has been dealt.
6. Thord Källström claims that the company’s strengths are the competence and technical know-how of the employees, and the fact that the company has been in the business of supplying bearings for nearly 25 years. They also feel that being a small company gives them more flexibility which yields a fast decision making process and also better and quicker adaptation to change.
   They see it as a weakness that they are such a small company that is relatively vulnerable when the larger firms move in on the market. But this is being rectified with the stronger ties to the joint venture of SBA where the partners form a larger firm that covers all of the Swedish market.
   The joint venture of SBA is also seen as an opportunity. This cooperation between the companies leads to a series of advantages such as lower the purchasing costs of their goods and the joint ventures national coverage.
   Threats to the company comes from the fact that they may loose some or all of their larger customers that can purchase large volumes to discount prices over the Internet directly from the manufacturers. The larger companies are already in an international environment where they trade their goods, and thus have little incentive to buy from local dealers at a higher price.
7. In Sweden the main competition comes from the well known multinational company SKF, together with their whole network of retailers. Further there is
competition from everyone dealing in bearings, for example companies like NSK and NOMO.

8. The main motive for Cento to venture into electronic commerce via the Internet is that they want to be ready for the eventuality that in the future there will be more and more trade over the Internet, and they do not want to be left behind. The company feels that they may be forced to start sales through the Internet in the future. For now, the company sees no need to start sales through the electronic means. On the other hand, through SBA the partners buy their products together through the Internet and a portal called Endorsia.

9. The web site that Cento has created is almost as a first draft. This was created mainly because “everyone else is on the Internet”. They felt that they wanted to keep up with the times. But the site is also there as a form of advertising channel and a chance to promote the company and its products.

10. There has been no need for electronic commerce, recognized from either within or outside the company.

11. ---- The company can not give answers to this question.

12. The strategy for the foreseeable future is the same as the present, namely use the site as a form of information and advertising site. There will also be promotional issues and event guides at the site. There is however strong feelings that the site should be reconstructed.

   The near future also holds for a form of more closely link the partners of SBA together and there has been talks and a little development into a form of Intranet between the partners. How this will work, change the relations, and so on has not yet been determined.

13. This strategy is in the works because of the ease that it provides. But it is also there as a form of test for later progress in the area for the company and its partners. It will be decided in the partnership of SBA how the companies will continue with their Internet presence.

14. ---- There is no change of the company’s strategies within the foreseeable future.

15. The web site was constructed by people employed in SBA and is handled locally by computer interested personnel at Cento. The company feel that they have the necessary competence for this within the company, at least for the time being.

16. They use this approach mainly because of the costs involved. It is much cheaper to develop your own site, and since the know how exists within the company there has been no need for outside help. The site is placed on a web hotel, because of the price and the speed of the Internet connection.

17. Since the site launched there has been an increase in customers and requests. It is mainly the secondary targeted group of private consumers that have used the site, and Cento is not really focused on them. They supply the company with way to little business to really generate interest. Business clients are seldom active and searching the site.
Appendix D: Interview with Combi Tools Sweden AB in Norrköping

1. The company name is Combi Tools Sweden AB. The respondent is Michael Schweidelbach who is head of marketing and sales. There is no privacy required, everything can be mentioned in the report.

2. Combi Tools have 16 full time employees, most of them involved in production.

3. The company has an annual turnover of around 11 million SEK.

4. The company’s business idea is to make cutting tools for NC machines. It is done with customer specific details at a specific request by the client. There is no manufacturing done in series.

In approximately 70 percent of the cases, Combi Tools is contacted by the presumptive client. These want to change a process and make up time in a specific process and employees from Combi Tools are making suggestions as to how the process can be changed and what the right tool for the process is. So, CT is more than just to make tools, they optimize the process and then suggest what tool could be used, thereafter they manufacture that tool.

In addition to being contacted by their clients they actively seek up former and presumptive clients, and uses trade shows to form connections and sell their products.

The goals of the company is to decrease costs and increase the turnover, in short to make money. The company is very sensitive to economic cycles. The company is not thinking of expanding, instead profits goes to investments in new machines and equipment.

5. Combi Tools have approximately 200 different customers. They are both large and small, the largest being Volvo Power Train. There is a great difference in purchasing volume and size of the company’s clients. Combi Tools have only business clients, which is the way they want it to be. And their only market is the Nordic countries.

6. The company’s strengths are the competence and technical know-how within the company. Different from the larger parties in the market, Combi Tools have a short chain between the customer and the company. They can use any supplier they or their clients prefer, there is no prestige in certain brands. This yields that the customer can get exactly what they want even if this means that they want some special brand or company to provide the parts in their tools. Another strength is that Combi Tools only produce upon the request from a client, and the fact that they have a wide range and mix of products. They also feel that they have a significant advantage opposite to their competitors in the question of handling- and lead time.

As their weaknesses, Michael Schweidelbach mentions that the company has scarce recourses, especially for research and development, but also for creating measuring data for their cutting tools. The company therefore has to rely on other companies measurements, and have to adapt to the markets larger participants’ standards.

Combi Tools considers the fact that they lack a basic assortment as both an opportunity and a threat. It is a threat because of the company’s sensitivity of the economic climate.
7. The main competition to Combi Tools come from giants in the market like SANDVIK and SECO. From Europe there are mainly German firms that stiffens the competition, and this is why Combi Tools have chosen not to enter the European market. On the Internet, there is only SANDVIK and SECO. These companies have put a lot of money into their Internet ventures, and Combi Tools have closely observed them, but has come to the conclusion that sales through the web is not for them. It would take to much investments to get it right, as well as being to hard for the clients to be able to order.

8. Michael Sweidelbach and the rest of the management has not seen that there really exist any motives for Combi Tools to establish electronic commerce. The only real motive for being on the Internet is to show that the company is still in business and can handle orders. There has been thought of venturing into Internet commerce, but after watching the major players in the market and their efforts and attempts to create good Internet sales sites, the company has decided that this is not for them.

9. Combi Tools is on the Internet mainly because every one else is on the Internet. On their site they try to show what the company is all about, what products that they make, and what products and companies that they have been working for as a sort of reference to future customers.

10. Except for the extensive use of e-mail, there has been no outside pressure or a discovered need from within the company to start with Internet sales. But the major suppliers are starting to only accept orders and payment through the Internet.

11. The company has no real ideas of their Internet SWOT.

12. They will in the foreseeable future use the same sort of strategy on the web as they have been. Namely use the Internet as a form of information and communication channel. The site is to be in the same state as it is and providing information on products and references. And e-mail will be used as a communications channel, sending drawings and pictures of their work in progress to and from their customers.

13. ----

14. The strategy will be the same for the foreseeable future.

15. The web site is constructed and handled by computer interested employees within the company. But the server and Internet connection is provided by a local web hotel service.

16. With the approach of handling the web site within the company, they feel that they get a more genuine interest in the site and well as better communication. They can easily update and change the web site and do so without creative differences. The web hotel approach is because of the low costs.

17. The company has not really noticed any difference since they started their web site. Only about 1 percent of the customers have searched the web site and found what they want to purchase. Michael Schweidelbach says that web sites and advertisements does not work in this business, at least not for increasing sales. It is more a sort of word of mouth scenario.
Appendix E: Interview with Medisox AB in Söderköping

1. The company name is Medisox AB. The respondent is Göran Nylin who is a part owner of the company and in charge of production. There is no need for privacy and the company and the answers can be mentioned in the report.
2. There are 13 full time employees in the company.
3. The annual turnover is around 12.5 million SEK.
4. The company develops and manufactures supportive- and diabetes socks for medicinal use. They also produce weave for a sort of rubber bullets used by police in the USA.
   The manufacturing takes place in Söderköping. Earlier they also had a factory in Israel, but they had to shut it down because of to high operating costs. They do not sell their product to the end consumer, but instead their whole production goes to a whole sale company. This whole sale company put its own name on the product and is in charge of almost all of the sales efforts. In Canada, Medisox is in charge of the sales, but instead of selling themselves they use an agent which is in charge of the Canadian market.
   The company’s goals is to make as much money as possible. They seek a slow and controlled growth in accordance with the growth of their whole sale partner. Medisox and the whole saler is in a form of symbioses with each other.
5. There is only one major customer, and that is the whole saler. Medisox contributes with around 70 percent of the whole salers business.
6. Medisox considers their product as being a strength to the company. The product is very good technically. The company and its employees are also technically skilled. The product is a well established brand and has a large percentage of the Nordic market.
   Further strengths of the company is the fact that they have used mainly the company’s own money to build and invest in the factory.
   The lead time is short, which makes it hard for competitors to keep up. And most of its goods are made to orders.
   One weakness is that the company only has one customer, the whole sale company. But being in such a close relationship as there is between the two companies, there is also the added power of helping each other through hard times. This because the two are so dependent on each other.
   As opportunities, the company sees the more technically improved weave and the launch of a new product called Prosox. Further they will try in as much as they can to use their own money when making investments.
7. Medisox has such a special and specific type of product that they really do not think that they have any real competitors that provides the same product. There are those that have similar products, but these do not have the same characteristics and features as Medisox product has. Competitors also have a hard time dealing with the short lead times that Medisox provides, and the only way to compete with Medisox is through the use of large inventory.
8. Medisox sees no motives for starting with electronic commerce. The whole sale company that puts its name on the product has with financial aid from Medisox started a web site.
9. Medisox is not on the Internet.
10. There has been no need recognized from any source. Medisox uses fax and phone to receive their orders from the whole saler.

11. ---

12. If Medisox in the future will take over more or the whole marketing and sales efforts for their products from the whole saler, then they will definitely use electronic commerce. They have not reflected that much on the situation but thinks that they will use the Internet to sell to smaller distributors. This because they feel that in this business, the end customer is more affected by advertisements in papers and medical journals, than can ever be generated on the Internet.

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Appendix F: Interview with PGM Lantbruksmaskiner AB in Linköping

1. The company name is PGM Lantbruksmaskiner AB. The respondent is Håkan Bellner, CEO and the only full time employee of the company. The company can be mentioned in the report, and there is no privacy needed.

2. One full time employee, the CEO, and one based on hourly work done, during the business peaks.

3. The annual turnover is around 4.5 to 5 million SEK.

4. PGM is in the business of selling double wheel montage for tractors. There is also manufacturing of these montages to customers specifications. They get parts from suppliers and then put together these parts to the dimensions specified by the customer. PGM also sell farm machines, such as grass cutters and manure spreaders, for which the company is brand agent in Sweden.

   The company sell its products through price lists and retailers, which can be both farm associates or private dealers.

   The goals of the company is to make as much money as possible and to increase its market share, both in its double wheel montage and machine sales business. Further they want the brands that the company is agent for in Sweden will increase its cut in the market.

5. PGM considers the retailers to be their primary customers, of which there are around 500, most of them small.

6. Strengths—PGM considers themselves to have the best degree of service within its field of business. Furthermore, they are the only company that makes special and specific double wheel montages, which gives them an advantage over their competitors. They are also the company which have been on the market the longest, and they have patents on some components, that is tightening screws for tractor wheels.

   Weaknesses—It is only two sales peaks during the year. This may lead to missed business because of overload. It is hard to get people as season workers.

   Opportunities—There is opportunities to further exploit their different patents. Also there can be an increased sale in their machine brands and their manufactured products.

   Threats—The company sees politics, both within Sweden but also the EU as a threat to their business. Another threat is that the sale of new tractors have gone down which will yield less business for PGM.

7. The largest competitor is located in Lund. But PGM feels that they have an advantage over this competitor because of their short lead times. Their competitor send all its special work to an assembly manufacturer in Denmark and thus have long lead times.

   There are also 4 other companies in Sweden that have the same sort of business as PGM, but PGM think that they have approximately 50 percent of the Swedish market for double wheel montage.

8. The company wants to be on the Internet as a support for its retailers and end customers. The site is there to show price lists as well as to advertise for the company. They also feel that the Internet is a better way of getting the message
out than before, because you more easily update your price lists and other changes.

9. PGM uses the web site as a part of their marketing efforts, but not for sales. This because they feel that because of their customized products they have to directly connect to their clients. The web site is aimed at the retailers as a guide and support in their sales.

10. It was the CEO himself that thought that the Internet could satisfy a need generated both from the retailers, but also from the company’s perspective. He then thought of how the customers and the company could best benefit from the new technology and thus created the site accordingly.

11. The CEO has no clear answers on SWOT for the Internet.

12. PGM will use its web site for marketing and information on its products and services. The company’s communication needs are taken care of mainly through the use of phone and fax. They consider it to be to difficult, and not beneficial enough to communicate through e-mail, although they get questions this way and willingly respond. They will attempt to keep and update an FAQ at the site to help with the customer service. It is also for getting rid of some of the time consuming questions that have no value for their sales. The CEO also feel that there is not enough business to justify sales through the Internet.

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15. The current web site is 5 years old and was developed by another company. There is user friendly interface which enables the company to handle most of the technology and updates on the web site. The site is on a web hotel provided by the same company that created the site.

16. Because of the costs. A web hotel is cheap and gives the desired high speed Internet connection.

17. There has been no new clients added to the client list because of the web site. But the site has generated a lot of hits and customers seem to have taken time to get more information before ordering through the phone. This help shorten the time, questions and other problems when customers orders their products.