E-commerce going global

The case of a Latvian e-tailer expanding over borders

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Summary of the thesis

Purpose: Identify, analyze and interpret key challenges and opportunities that e-retailers face when they decide to expand their e-business into a new market. We examine the cross-border factors and strategies to drive profitable growth and to satisfy the demands of consumers who buy online.

Theoretical framework: Knowledge about e-commerce strategies and cross-border factors. We present our conceptual framework for the analysis based on the cross-border factors for the expansion of an e-commerce company.

Methodology: Illustration of the case study of an e-retail company, Dateks, in expansion. The qualitative data highlights the strategic process in the Baltic countries of Dateks.

Analysis and results: Cross-border strategy and cross-border factors are discussed based on the qualitative data of Dateks and the theoretical framework.

Conclusion: Localization strategy in e-retail companies is more highly used than standardization strategy when expanding to a new market. The challenge for an e-retailer in expansion is to be cost-effective. To develop a strategic thinking in cross-border e-commerce, several factors are taking into account within a local adaptation. Localized cross-border factors will be more effective when brand familiarity is low.

Keywords: e-retail expansion, cross-border e-commerce, localization strategy.
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1. Introduction

Electronic commerce (e-commerce) is an essential part of everyday life of consumers and businesses all across Europe. Online sector has kept a steady development and remains one of the fastest growing industries. There will be 190 million Europeans purchasing online by 2014, estimated by Forrester Research (2010). Nonetheless, online cross-border shopping remains stable. Only 7 percent of European consumers buy online from electronic retailers (e-tailers) situated in another European country (Gratadour, Plat and Soriano, 2012).

Within this context, several e-commerce companies that are looking for growth opportunities have decided to expand beyond their home markets. The process of expanding the businesses is expected in countries where the e-commerce market is not yet mature, such as South and Eastern Europe.

When e-commerce companies design a strategy for a new country, they need to consider critical areas as the rules of the new marketplace. Companies like Yahoo!, Amazon and eBay recognize that some measure of local adaptation to each specific national market is a hallmark of a successful and profitable Internet strategy (Guillén, 2002). E-retailers need to take into account local particularities such as delivery, means of payment, marketing issues or customer relationships (Gratadour, Plat and Soriano, 2012).

With this in mind, when e-tailers will expand to a new country, they plan to adapt their commercial activities to the local market and local services that customers are used to. Besides, firms keep a consistent image by adapting their corporate brand to local features of design and visual elements (Halliburton and Ziegfeld, 2009). Numerous companies inquire

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1 Online cross-border shopping is defined as being any digital purchases made from retailers or suppliers situated in other European countries
2 Retailers that sell goods exclusively via Internet
the characteristics of success and failure in e-commerce activities. The retail company Wal-Mart, for instance, has gone through several redesign strategies and sales strategies in its online activities (Epstein, 2004a).

E-retailers have to respond to the cultural contexts in which they relate and engage online. There are different ways where to spread the local message, not only on the website but also through social media or around the web in different ways. Customers are to feel that they are shopping for a local brand website. E-commerce companies build strong online brands because national borders continue to be an obstacle for the cross-border development.

The Internet is one of the most cost-effective ways to sell a product or a service. However, being online itself is not enough. E-commerce cannot convince their customers that their products are worthy of purchasing only by selling them through the website, for this reason, e-retailers need to differentiate online. Online firms need to build online brand awareness. Building trust is a key component of making a successful transition and requires adapting business models to break down the cultural barriers (Ribbens and Krajent, 2002).

In its simplest form, a brand is a name attached to a product or service. However, upon close inspection, a brand is all the attributes that come to the customer’s mind. Such attributes are tangible, intangible, psychological and sociological elements, which makes the selection unique (Aaker, 1996). A brand represents several intangible aspects of a product or service: a collection of feelings and perceptions about quality, image, lifestyle and status. A brand is created in the customer’s mind. Epstein (2004a) defined four characteristics in an online branding strategy: well-positioned online brand, online-friendly offerings, reliable customer service and cross-channel coordination.

Online companies concentrate on branding to promote products in an efficient manner. The uses of the website are focused on enhancing the visibility of their Internet exposure to
their existing and potential customers, communicating company image, increasing brand awareness, supporting their customers to effectively use products or services provided by the firm and focusing on the three phases of marketing: pre-sale, on-line sales and after-sale (Ghandour, Benwell and Deans, 2010).

Epstein (2004b) considers that the best online strategies do not ignore the fundamental properties of the Internet and the behavior of its users. Building an online business strategy enclose several factors such as proper functionality of the website, secure transactions, interactivity with customers and online branding.

In the case of an e-commerce cross-border strategy, Gratadour, Plat and Soriano (2012) enumerate five factors for e-tailers: (1) to develop the supply of legal and cross-border online goods and services; (2) to improve operator information and consumer protection; (3) to encourage the development of more reliable, efficient and affordable payment and delivery solutions; (4) to counter abuse and resolve disputes more effectively and finally (5) to deploy high-speed networks and advanced technological solutions.

The factor number 4 and 5 will not be covered in this paper due to different levels of market maturity. The factor number 3 will be split in two areas: (3) online payment and (4) delivery options. Besides, Gratadour, Plat and Soriano (2012) do not mention a local adaptation. This aspect is added through the website content, considered the factor number (5) which “shows the company connection with the local community” (Halliburton and Ziegfeld, 2009).

1.1. Assumption

The aim of this study is to identify, analyze and interpret how e-tailers companies adapt to a new market place and which cross-border factors are taken into account in the strategic process of expansion. Our goal is to determine the localization practices through the
elements of strategic adaptation. The thesis will cover the theories used in a cross-border expansion of an e-commerce company and the strategies that e-tailers follow in the expansion process in order to drive profitable growth and to satisfy the demands of customers who buy online.

Building upon previous studies, we identify the cross-border factors that can be considered in an e-commerce expansion: supplier relations, customer protection, online payment, delivery options and website content. This assumption will be explored with a qualitative case study. We analyze the cross-border strategy of the Latvian e-retail company *Dateks*, which is expanding its business in the other two Baltic countries, Lithuania and Estonia.

1.2. Outline of the thesis

Chapter 2 of the thesis analyzes the theoretical framework and literature review which has investigated the factors in cross-border e-commerce. Chapter 3 introduces the case study method used. Chapter 4 exhibits the data collected from the interviews and from the website content analysis. Chapter 5 analyses the case study and the data gathered from the company *Dateks* with help of theoretical concepts. Chapter 6 concludes and provides recommendations for further studies.

2. Theoretical framework and literature review

There is a substantial literature on Internet communication but little research has focused on cross-border strategies of Europe based companies. The paper draws upon the literature in e-commerce strategies and e-commerce cross border barriers.

2.1. E-commerce strategies

Strategy is a plan of action to achieve a particular goal. In other words, strategy determines how the firm can perform company’s objectives better than the competitors in
the market in the long-term. Johnson, Scholes and Whittington (2008) define strategy as the
direction and scope of an organization over the long-term highlighting which achieves
advantage for the organization through its configuration of resources within a challenging
environment in order to meet the needs of markets and to fulfill stakeholder expectations.

Epstein (2000) investigates how a business could be accommodated to the Internet
requirements and he recommends that structure, strategy and systems need to be aligned
before one can implement e-commerce strategies. Building an online business strategy
encompasses several factors including image branding, online and offline marketing
advertising, proper functioning of the site, interactivity with visitors and capturing data into
a database to be utilized as sales leads and secured transactions (Mehta and Shah, 2011).

2.1.1. E-commerce cross border strategies

Several e-commerce companies plan their cross-border expansion trying to find the right
strategic growth path. But the development and implementation of an international strategy
over the Internet is not as simple as a click of a mouse might seem to appear. Besides, the
study of new local markets is time consuming for e-commerce companies.

The global nature of the Internet makes it possible for people worldwide to visit any
website wherever they are and to participate online on an equal basis irrespective of
national boundaries (Singh, Zhao and Hu, 2005). This access has given companies the
possibility to expand globally across different cultures quickly and to reach a worldwide
target group regardless of the company’s size, origin or financial power (Reuven and Zhao,
2002).

2.1.2. Localization or standardization

There is a discussion on the use of the most appropriate strategy across borders:
localization versus standardization. The standardized school of thought argues that
consumers anywhere in the world are likely to share the same wants and needs (Levitt, 1983). On the other hand, the localized approach asserts that consumers differ across countries and advertising should be tailored according to culture (Wind, 1986).

The standardization-localization of e-commerce is a debate which is supported by several contrasting arguments for or against a localized or standardized expansion. For Singh and Boughton (2002), a standardized website involves “the same web content, in the same language, for both domestic and international users. Standardized website do not prominently display any information about their international operations.” It is suggested that online standardization leads to cost savings, while website adaptation is potentially a costly undertaking. Incorporating culturally characterized features in a website necessitates the employment of culturally experienced staff and expert linguists to undertake the initial design and launch of country specific websites and to provide continuous analysis and interpretation of cues (Sinkovics, Yamin and Hossinger, 2007).

On the other hand, several authors have considered localization as the need to adapt advertising and marketing communications to the local market (Sandler and Shani, 1991). Halliburton and Ziegfeld (2009) warn against universal solutions arguing that one should not debate whether to standardize or not but rather to what extent and for which marketing instruments in which product sectors. Schuiling and Kapferer (2004) find advantages of local brands over their global counterparts, notably in customer perceptions of trust, reliability and traditional values. Studies have shown that a local strategy is adapted to the language and culture with little or no standardization, and support the localization strategy with arguments of cost reduction, brand building as well as meeting customer demands, culture-bound preferences and expectations (Alashban et al., 2002; Levitt, 1983).

The standardization approach has also been criticized by Douglas and Wind (1987), who point out that standardization implies a product orientation and a product driven
strategy, rather than a strategy grounded in the systematic analysis of customer behavior and response patterns and market characteristics. Cavusgil and Zou (1994) also indicate disadvantages in terms of vulnerability to competitive attacks. Others point to the lack of responsiveness to the diversity of socio-cultural settings (Doz and Prahalad, 1980).

The debate between standardization versus localization also concerns whether the online domain should adapt website content and the design of local cultural features or whether standardization transmits online content (Agrawal, 1995; Theodosiou and Leonidou, 2003).

Some e-commerce companies have decided to offer only one worldwide institutional website to communicate with their customers, which is sometimes translated into English (Lindstrom, 2001). Other companies have decided on a more localized approach by having several websites that are adapted to the different markets and countries (Tixier, 2005). A study by Forrester Research (2010) shows that visitors wants to stay twice as long on a website and to buy three times as much when the content of the website is in their native language (Singh and Pereira, 2005). According to some authors the language in itself amounts to only 10-15 percent of the company’s localization effort (Singh, Furrer and Ostinelli, 2004).

The launching process of a new website in another country does not only involve the translation of the content from the host country website but it needs also to adapt to the local country by changing content graphics, symbols, colors, features, design and name. Also visual identifiers such as graphics, images or icons often have a different meaning across countries, even with the perception and meaning of colors (Evers and Day, 1997). In addition website policy has to consider local rules and laws (Peek, 2000).

Okazaki (2004) has focused on the firm strategies in terms of the degree of standardization versus localization of the content and the design of the country specific websites. The discussion is further suggesting that strategic decisions will depend on issues
such as product category, industry and competition (Jain, 1989; Kustin, 2004; Quelch and Hoff, 1986; Subramaniam and Hewett, 2004; Theodosiou and Leonidou, 2003; Walters and Toyne, 1989; Katsikeas, Samiee and Theodosiou, 2006).

Standardization and localization are seen as the outcome of a learning experience (Pettigrew and Whipp, 1991) and they reflect how managers respond intuitively to international opportunities and learn experientially from their activities in small firms. As a result of combining standardization and localization, the appropriateness of standardization depends on economic similarity, market position, the nature of the product, the environment and organizational factors (Jain, 1989).

Online branding is the electronically communicated branding strategy on and through the Internet. Companies use the corporate brand as a tool to create and defend their reputation, to advocate a social responsible position and to target the market, especially in financial markets or business-to-business markets (Kapferer, 2004). The corporate brand can be used to build recognition and credibility, which in turn, can encourage relationship building (De Chernatony and McDonald, 2003).

2.2. Cross-border factors

One quarter of the 146 e-tailers surveyed by European Commission believed that they could grow revenues by 25 percent or more if they could sell both online and cross-border in Europe (Accenture, 2012). What remains to be done is to specify the factors to take into account in an e-commerce expansion across European countries. Above all, there is a local legislation in each European Union state that e-commerce companies need to know how to follow the local regulation (Diacon and Donici, 2011).

Gratadour, Plat and Soriano (2012) identify five priority areas in cross-border e-commerce: (1) to develop the supply of legal and cross-border online goods and services;
(2) to improve operator information and customer protection; (3) to encourage the development of more reliable, efficient and affordable payment and delivery solutions; (4) to counter abuse and resolve disputes more effectively and finally; (5) to deploy high-speed networks and advanced technological solutions.

Taking into consideration those broad aspects, we summarize four cross-border factors for an e-tailer: supplier relations, customer protection, payment methods and delivery options. We will add also a fifth factor not mentioned by Gratadour, Plat and Soriano (2012): the website content which “shows the company connection with the local community” (Halliburton and Ziegfeld, 2009). E-tailers need to adapt themselves to five factors:

![Cross-border factors](image)

**Figure 1:** Cross-border factors. Sources: own construction based on Gratadour, Plat and Soriano (2012) and Halliburton and Ziegfeld (2009).

### 2.2.1. Supplier relations

According to Korper and Ellis (2001), strong relations between suppliers and e-tailers are critical for enabling e-tailers to deliver superior service. Although the store’s brand name and reputation may draw customers to the online store, product availability and prompt delivery are also requisite conditions for consummating online transactions.

E-commerce requires that retailers work closely with their suppliers on product availability, order processing, transportation and other logistics issues (Lancioni, Smith and Olivia, 2000). Thus, strong supplier relations can enable e-tailers to deliver superior service.
service, thereby satisfying customers, which turn to superior performance (Deborah, Roth and Bearden, 2010).

Relationships with suppliers involve a complex mix of physical, human and organizational capabilities, which are not obvious and require time to develop and integrate (Deborah, Roth and Bearden, 2010).

Olavarrieta and Ellinger (1997) describe how supplier relations can be valuable assets if they enhance efficiency or effectiveness and enable a firm to exploit opportunities or neutralize threats. For example, Wal-Mart and its competitors carry similar product offerings but its supplier relations, which are based on effective and efficient distribution, strengthen its market leader position.

To be a source of a competitive advantage, supplier relations also must be imperfectly imitable (Deborah, Roth and Bearden, 2010). Although relationships with suppliers are tied to the unique histories of their companies, they are more likely to be imperfectly imitable, because they are socially complex.

Finally, for supplier relations to be a source of advantage, they must be non-substitutable (Deborah, Roth and Bearden, 2010). Possible substitutes for strong relationships with suppliers are not clearly evident. Although competitors might try to replicate relationships with suppliers, it is unlikely that these actions will lead to the same strategies and outcomes.

E-tailers can focus on quick and efficient consumer response when supplier relations facilitate rapid and efficient product selection and fulfillment. Accurate fulfillment (what is displayed and described online matches the order) and reliability (delivery of the right product within the time frame promised) are key determinants of customer e-tail satisfaction and quality perceptions (Wolfinbarger and Gilly, 2003). E-tailers can offer such services to customers through effective supply-chain management. Vendor-to-retailer
linkages in the supply chain (e.g., order processing, inventory management, logistics) can facilitate retailer-to-customer links, such as merchandise processing, fulfillment and delivery (Levy and Grewal, 2000). By managing their relationships with key suppliers, e-tailers can ensure that their customers receive high-quality product selection and provision. Therefore, for e-tailers, supplier relations represent an organizational resource that can lead to competitive advantage based on increased site traffic and superior service, which subsequently lead to superior performance (Day, 1994).

2.2.2. Customer protection

E-retailers have to realize that in order to succeed ecommerce efforts must match the consumer needs related to security (Krishnamurthy, 2006). A mystery shopper experiment carried out in 2010 revealed that two thirds of the transactions were cancelled before being converted into genuine purchases (Gratadour, Plat and Soriano, 2012).

Some level of consumer protection aids people to feel comfortable shopping online. Ethical issues are important in e-commerce and online retailing to establish a trustworthy, secure online environment and consumer confidence (Nardal and Sahin, 2011). At online retailing activities most of the ethical problems are related to “reliability”. Unethical activities may have negative consequences for firm well-being by eroding consumer trust (Babin, Griffin and Boles, 2004). Many consumers do not trust the security of e-commerce. Therefore customer adaptation to e-commerce need many activities related to reliability, privacy, security and non-deception issues (Nardal and Sahin, 2011).

Cross-border offers are relatively easy to access via search engines and price comparison websites and, in some cases, they propose lower prices than in the home country. Elements that have proved successful in promoting customer retention include well-developed website design, liberal return policies and targeted customers incentives based on records of
customer activity (Epstein, 2004b). Online price wars do not typically lead to profitability. Companies, who wish to establish a credible online presence, do not focus on using low prices to attract customers without loyalty. Rather, e-commerce companies try to acquire and retain customers who are likely to maintain long-term relationships with the company.

A study about retailers’ attitudes towards cross-border consumer protection in the EU internal market (Flash Eurobarometer 300, 2011) stands out that more than 8 in 10 retailers felt they were well informed about legal obligations towards consumers arising from consumer legislation in force in their country (ranging from 65 percent in France to 96 percent in Slovakia), and 24 percent said they were fully informed, for example in Latvia where 35 percent answered that they were fully informed about consumer legislation. A minority of respondents (13 percent) answered that they were not well informed about the topic and 3 percent did not feel informed at all (Flash Eurobarometer 300, 2011).

When it came to their knowledge of rules and regulations relating to product safety: 56 percent of retailers felt well informed and a further 30 percent said they were fully informed on this topic. About a tenth (11 percent) of retailers did not feel well informed, or did not feel informed at all, about product safety regulations. In Latvia, more than 4 of 10 retailers were fully informed about product safety legislation (Flash Eurobarometer 300, 2011).

The “cooling-off” period is the period after a purchase during which a consumer has the legal right to return a product purchased on the Internet, by phone or by post without paying a penalty. This “cooling-off” period ranges from 7 to 15 calendar days depending on the country where the product is sold. About 3 of 10 (28 percent) retailers in the EU were able to correctly state the length of the “cooling-off” period for distance sales in their country. Only about a quarter (26 percent) of retailers knew the exact period during which consumers have the right to return a defective product. In Germany (63 percent), France (64
percent) and Estonia (61 percent) were the most likely to know the exact length of the “cooling-off” period for distance sales in their country. In Latvia 25 percent of retailers and in Lithuania less than 5 percent of retailers had the correct response to this question (Flash Eurobarometer 300, 2011).

Do retailers know where to look for relevant information about consumer legislation? Across the EU, more than two-thirds of retailers answered that they knew where to find relevant information or where to ask for advice about consumer legislation in place in their country; this proportion ranged from 68 percent in Belgium to 91 percent in Latvia (Flash Eurobarometer 300, 2011).

2.2.3. Online payment

Online payment methods differ greatly from one country to another. Martens, Gómez and Turlea (2013) capture the maturity of online payment systems in two ways. The market share of cash payments on delivery is considered to be an indicator of the relative underdevelopment of payments systems, combined with an absence of trust in online payment and high transaction costs. Compared to credit or debit card payment systems, it is a costly and risky system as it involves the transport of large amounts of cash and transporter and consumer need to be available at the same location and same point in time. Secondly, the market share of PayPal is taken as a proxy of the maturity of online payment systems whereby consumers trust a non-bank financial intermediary. Cash-on-delivery and PayPal are negatively correlated (Martens, Gómez and Turlea, 2013).

Credit and debit cards are widely available in almost every country and supported by the banking system. In online direct debit, customer authorizes the retailer to debit the amount corresponding to his purchase directly from the bank account and can dispute the payment in case of an error. Direct debit is widely used in Germany, which represents 50 percent of
online transactions (Gratadour, Plat and Soriano, 2012). Online transfer is a payment order issued via the bank to the retailer’s bank. The advantage of the bank transfer is that it is non-repudiable but the disadvantage is that the majority of the time it is not adapted to online business as it involves a break between the order phases and payment (Gratadour, Plat and Soriano, 2012).

It is up to each retailer to create an own “ideal” solution according to relevant business strategy (customer acquisition or customer loyalty), the geographical markets and product ranges. The aim will be to optimize conversion rates without increasing handling costs too much and with the risk of fraud kept to a minimum (Gratadour, Plat and Soriano, 2012).

According to the EU directive on the establishment of detailed rules for reimbursement to the new value added tax (VAT) directive, a taxable person who is not established in the refunding Member State may submit a refund application electronically to the Member State where he/she is established via an electronic portal in his/her home country. E-tailers companies relate to payments using various international payment cards, as well as, e-invoices, third-party payment companies and VAT representatives.

2.2.4. Delivery options

E-commerce involves physical distance between the buyer and the supplier, thus making quick and accurate goods delivery critically important (Wolfinbarger and Gilly, 2003). They explain that accurate fulfillment (what is displayed and described online) and reliability (delivering the right product within the time frame promised) are key determinants of consumer e-tail satisfaction and quality perceptions.

An efficient parcel delivery system needs to be in place to physically ship the goods from their warehouses to the customer and to minimize physical transport costs and delivery time. The shift from offline to online trade only reduces the information cost
component of trade costs, not the physical transport cost; on the contrary, because of
diseconomies of scale in parcel delivery compared to bulk cargo, physical transport costs
may actually increase (Martens, Gómez and Turlea, 2013).

Logistics is another factor that is also related to the company services. If e-retailers plan
to sell their products abroad, they will need to provide additional delivery options. The
majority of European countries are well equipped referring to delivery options but crossing
borders always involves some kind of obstacle, at least an increase in tariffs (Gratadour,
Plat and Soriano, 2012).

Several e-commerce packages generate shipping labels to meet timing and an
undamaged delivery. For instance, BookStacks leverages its distribution by the drop-ship of
the product to the shopper made by the distributors. Amazon originally eschewed any
physical retail presence but later it built high-cost and high-technology warehouses in order
to control the distribution (Epstein, 2004a).

2.2.5 Website content

According to Halliburton and Ziegfeld (2009), website content shows the company
connection with the local community. Language, for instance, is part of the website content
factor. Buyers like to purchase products and services in their own language, especially if the
purchasing process requires understanding contractual clauses and even if they speak
English fluently. Several companies such as Yahoo!, Amazon, and Dell have set up country-
specific sites in their local language. Dell has translated its site into dozens of languages
and Yahoo! operates 22 country-specific portals in 13 different languages. The marketing
company Global Reach reveals that only 32 percent of European web surfers consult the
web in English (Zimmerman, 2001).
Website content analysis was used by Singh and Baack (2004) who studied how cultural values are reflected in American and Mexican websites. They also have observed that the virtual space on the Internet is not boundary-less or culture-free (Singh and Baack, 2004).

Managing local information is the new source of competitive advantage as it drives the ability to differentiate. E-tail companies need to make a valuable asset of its brand. A content strategy produces personalized customer experience which differentiates an online firm from its competitors (Halliburton and Ziegfeld, 2009). Further, the Internet enables retailers to deliver personalized customer experience. Several aspects of the Internet can help to find a website through search engines.

Retail businesses can enter into the online market by building an Internet website for a retail shop. It is important to keep in mind that a website that no one can find probably does not exist. One of the main goals of the retail website is to drive traffic to the website and to convert the lookers into buyers. The content is based on research tools in order to determine whether the content has an audience.

According to Epstein (2004a), Amazon recognized that simply being a distributor in another country would lead to online price wars and reduced margins. Its first expansion came in 1996, when it began the Amazon associates program, which linked customers to Amazon through other content sites. Affiliates received commissions of 5 percent to 15 percent. Another program is the advantage program, which allows independent publishers to sell books on Amazon’s site. Amazon pays the publisher 45 percent off list price. Finally, Amazon developed larger distribution partnerships. On August 2000, it created a strategic alliance with Toys ’R’ Us to provide logistical support for a co-branded website.

A significant amount of online traffic is the result of customers’ finding the website through search engines. Keyword research and creation, on-site optimization and off-site link building in industry directories and other relevant sites are all necessary elements for
driving traffic to the website. Those tactics improve the website ranking, allowing the business to gain needed exposure.

One difficulty is to develop a perfect content, including translation of the site and marketing communication tone. *Amazon* launched an aggressive marketing campaign before it began taking orders and it has succeeded in creating a strong association between its brand name and Internet book sales (Epstein, 2004a).

Retail companies must also ensure that they market appropriate products on their websites. Content analysis studies have attempted to identify cross-cultural differences between Japanese and U.S. advertising (Hong, Muderisoglu and Zinkhan, 1987; Madden, Caballero and Matsukubo, 1986). Achieving profitability while selling inexpensive low margin goods can be difficult. Price is only one of several variables that a company must consider when evaluating goods for potential web exposure.

To sum up, companies cannot simply toss together a listing of available products for the customer to choose. It is important to emphasize which products will not be included in this new channel. A key aspect of *Amazon’s* site design is its personalization technology (Epstein, 2004a).

Marketers have recognized that content marketing is a powerful way to generate leads. Companies need to constantly think of new ways to increase engagement and persuade the audience to convert visits into purchases. One method that companies are using is interactive content marketing. Interactive content marketing enables marketers to go beyond the traditional sign up for a white paper approach by asking the audience to "vote," "enter," "test," and "discover" which has been proven to increase response rates considerably.
3. Research Methodology

3.1. Case study

According to Bryman and Bell (2007), the case study is a “detailed and intensive analysis” that focuses on a single organization or a single event. This approach is also preferable in a study of a real-life phenomenon which is case specific and requires context as it helps to provide a clearer view of the relationship between theory and practice in the study management processes (Yin, 2009).

The object of our case study is an Eastern European e-commerce company that sells Information Technology (IT) products in Latvia and Lithuania. The company has been chosen due to an upcoming cross-border expansion in Eastern Europe. Researching the Baltic countries provided us the opportunity to analyze the barriers factors of market entry. The fact that the company has just launched its new website on the Lithuanian market is an interesting feature and it also provides a sample of the influence of the cross-border factors.

3.2. Interviews

Due to the purpose of the study, it is possible to collect data through three different kinds of interviews: structured, semi-structured and unstructured (Saunders, Lewis and Thornhill, 2009). For our thesis, we have collected data using semi-structured interviews through three different guides of interviews.

The interviews were conducted in English at Dateks office in Riga (Latvia) and at Also office in Mārupe (Latvia) during the office hours. The questions were formulated to be clear and to reduce the risk of misunderstanding. We performed all the interviews face to face and they were recorded under the agreement of the respondents who were aware of the purpose of the study. We are aware of the fact that the recorded meetings could affect the answers.
<table>
<thead>
<tr>
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<th>Interview dates</th>
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</tr>
<tr>
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<td>Customer manager - <em>Dateks</em></td>
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<td>16th April 2013</td>
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<td>Krists Dimbelis</td>
<td>Service technician - <em>Dateks</em></td>
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</tr>
<tr>
<td>Imants Murnieks</td>
<td>Chief Executive Officer - <em>Dateks</em></td>
<td>10</td>
<td>From 15th to 19th April 2013</td>
</tr>
<tr>
<td>Raimonds Lagodstis</td>
<td>Account manager - <em>Also</em></td>
<td>1</td>
<td>15th April 2013</td>
</tr>
</tbody>
</table>

Table 1: Participants interviewed. Sources: own construction (2013).

We interviewed the most relevant employees for the analysis of the research problem. The driver, the accountant, the two developers and the lead developer were not interviewed due to the nature of their jobs which was not related to our study.

The questions were structured in the three different models of interviews in order to obtain an answer for our assumption. We interviewed individually *Dateks* employees on 16th April 2013 in the morning, the Chief Executive Officer (CEO) from 15th to 19th April 2013 and the account manager of the supplier company *Also* in an afternoon session on 15th April 2013.

### 3.2.1. Employees’ interviews

For these interviews, we used 17 questions divided into 4 sections to obtain general information about the experience and the knowledge of the employees about e-commerce, Latvian and Lithuanian market, consumer behaviour and online shopping. We decided to interview these four employees because they are working with the customers and the website. We excluded the other five employees because their daily work is not related to our study. The interview guide is found in Appendix I and the structure is as follows:
**Introductory questions**

*Questions section A* - personal information of the respondent such as name, surname, age, studies, job position, time at the current position and responsibilities. Through these replies, we can build a profile of each employee who takes part of the cross-border decisions.

**Experiences in Latvia and Lithuania**

*Questions section B* - the purpose of these questions is to explore the experience of the employees in previous positions with an e-commerce company and the familiarity with the Latvian and Lithuanian market. The replies can provide the level of know-how for these markets and highlight the employees’ perceptions of Latvian and Lithuanian consumers.

**Online shopping**

*Questions section C* - the aim is to gain knowledge of the employees’ experience of buying online on Latvian or foreign websites and choice of payment method used.

**Consumer behaviour**

*Questions section D* - the intention is to obtain employees’ personal points of view about the consumer expectancy and brand loyalty.

**3.2.2. Chief Executive Office’s (CEO) interviews**

We had the opportunity to have a full working week of interviews with the CEO of the company and we prepared a survey based on 59 questions divided into 8 sections. The replies allow us to gain an extensive knowledge about Dateks expansion strategy. The interview guide is found on Appendix II and the structure is as follows:

**Introductory questions**

*Questions section A* - personal information, experience and knowledge about Latvian and Lithuanian market.
Business model

*Questions section B* - the purpose is to understand the CEO’s description of his business model of the company.

Expansion to Lithuania

*Questions section C* - the aim is to have an explanation of the expansion process of *Dateks* into the Lithuanian market.

Lithuanian preferences

*Questions section D* - question 23 and 24 provide general information about the new website and the familiarity of Lithuanian customer preferences.

Consumer behaviour

*Question section E* - the object of these questions is CEO’s understanding of Latvian and Lithuanian consumer behaviour.

Company strategies

*Questions section F* - through his replies, the CEO of *Dateks* explains the strategy he is adopting in Latvia and the process of expansion in Lithuania.

Website content

*Questions section G* - we investigate the content and design of the Latvian and Lithuanian website through an extensive explanation of the CEO.

E-commerce in Latvia and Lithuania

*Question section H* – question 58 and 59 give information about the biggest players and the online payment solutions in these countries.
3.2.3. Supplier’s interview

We used 3 questions to collect general information about the supplier company Also and its relation with Dateks. The interview was conducted in English and it was translated from English to Latvian and vice versa by Murnieks, Dateks CEO. The interview guide is found in Appendix III.

3.3. Website content analysis

Content analysis is a reputable and a widely used tool for conducting objective, systematic and quantitative analysis of communication content (Berelson, 1952; Kassarjian, 1977). This method has been widely used in the fields of marketing research, customer behaviour, advertising and international marketing to understand the characteristics and behaviour of the target market (Cutler and Javalgi, 1992).

We use content analysis to examine cultural values depicted on the Latvian and Lithuanian websites. Content analysis is an approach to convert more qualitative items such as texts, videos or websites into numerical variables in order to conduct a quantitative analysis later. Website content analysis has as yet not been applied in many cross-country studies (Singh, Zhao and Hu, 2005; Okazaki, 2005).

Okazaki (2005) conducted a comparison of interactivity between American and European brand websites. He found that American brands mainly adopted a localization strategy. As a result, the home pages from the U.S. and Europe are different with regards to their interactivity.

In another study (Halliburton and Ziegfeld, 2009), a web content analysis was adopted to examine the degree of brand standardization of host-country websites. The study offers the advantages that the data can be analyzed, revisited and re-examined at any time. The
investigation does not involve questioning or observation and the data support the reliability and the validity of the approach (Collis and Hussey, 2003).

Web analytics is based on collecting, measuring, monitoring, analyzing and reporting on web usage data with the purpose to understand the visitors’ experiences. Such analyses can be helpful to improve the websites to reach business goals and/or to improve customer satisfaction and loyalty (Malacinski, Dominick and Hartrick, 2001).

The aim of an e-commerce website is to sell products and services to the consumers directly through the web. According to Peterson (2004), the commerce analysis tools should provide important information about the purchasers: who buys, what is sold, when orders are placed, where the consumer is coming from and how the order is placed.

To answer these questions, it is possible to use several key performance indicators (KPIs), such as conversion rates, average order value, average visitor value, customer loyalty and bounce rate (McFadden, 2005):

1. A conversion rate is the number of users who perform a specified action divided by the total of a certain type of visitor over a given period and it can be measured in different methods. The most important conversion rates are the order conversion rate (the ratio of total visitors to the number of orders) and the checkout conversion rate (the ratio of total visitors who begin the checkout process to the number of orders).

2. The average order value (AOV) is the ratio of total order revenue to number of orders over a given period. A cost for each transaction can be derived by the analyzer through the result of the AOV.

3. The average visitor value is the ratio of the total number of visits to the total revenue. This measurement is important to businesses because it provides an overview of visits and revenue and it is also useful for evaluating the effectiveness of promotional campaigns.
4. Customer loyalty is the ratio of new to existing customers and it can be also measured with customer satisfaction surveys. The revenue can increase with loyal customers and they can also limit the cost of advertising due to world of mouth referrals between satisfied customers.

5. Bounce rate is a measurement of the number of users that arrive at a homepage and leave immediately. It is possible that a visitor views only one page on the website or that a visitor navigates to a website but only stays on the site for five seconds or less (Avinash, 2007). The quality traffic that a website receives is shown by the bounce rate.

4. Empirical findings

4.1. Dateks

*Dateks* is one of the top ten most visited e-retailers in Latvia in IT sector. The company uses the domain name www.dateks.lv which is the result of the combination of two Latvian words *datori* (computers) and *eksperti* (expert). The largest categories of *Dateks* are computers, notebooks, monitors, printers, peripherals and computer components. In total, more than 400 product subcategories are represented on *Dateks* website. The company is mainly an online business-to-consumer (B2C) commerce but it operates business-to-business (B2B) commerce too.

*Dateks* office is situated in a business centre (*Zemitānu biznesa centrs*) in Riga next to other enterprises which have offices or warehouses. It is a complex of several blocks situated 50 meters from the rail station Zemitani and well connected with public transport to the city centre.

The sign outside the building is not big enough for a clear distinction of the business complex. As Imants Murnieks, *Dateks* Chief Executive Officer, explains:
“Our customers have problems in finding Dateks office. The address covers almost seventy office located in the business center. The owners of the building promised us to add a big sign outside of the building. The seventy offices agreed on the decision more than one year ago. Nothing has been done since then” (Interview 15th April).

Dateks has hired people since it was founded in June 2009. Nowadays, the company consists of ten employees: a sales director, two customer managers, a service technician, a driver, an accountant, two software developers, a lead developer and the Chief Executive Officer (CEO). The average age of the employees is 23 years old and most of them have their first work experience at Dateks.

Imants Murnieks, Dateks CEO, was the sales director of a previous company called Metaleks which was considered the number one of IT e-commerce companies in Latvia in 2008. Metaleks had a turnover of more than 5 million Euros and 22 employees. However, the financial crisis hit the Baltic countries and the gross domestic product (GDP) of Latvia, Lithuania and Estonia started to be negative in 2008 (Eurostat, 2012). The company Metaleks was forced to declare bankruptcy in 2009.

![Evolution of GDP](image)

**Table 2:** Evolution of GDP in the Baltic countries from 2002 to 2011. Source: Eurostat (2012).
During the crisis time, Imants Murnieks was unemployed. In December 2010, he decided to purchase 100 percent of Dateks shares. Since then, the turnover of Dateks has grown from 500 thousand Euros in 2009 to 2.2 million Euros in 2012.

Dateks works with 12 suppliers in total. However, around 95 percent of the orders are placed to three main suppliers: Elko, Also and Acme. Those three companies are already operating in different countries. Also is part of Actebis Group which works in seven European countries: Germany, Estonia, Finland, Latvia, Lithuania, Norway and Switzerland. Elko Group has its headquarters located in Riga (Latvia) and operates in eight Eastern countries: Estonia, Latvia, Lithuania, Romania, Russia, Slovakia, Slovenia and Ukraine. Acme Group is established in Lithuania and operates in the Baltic countries.

On 15th April, Imants Murnieks, Dateks CEO, drove us to visit the warehouse of one of their main suppliers, Also which is located 12 kilometers from Dateks office. The account manager, Raimonds Lagodstis showed us Also’s warehouse and facilities while speaking in Latvian, as he was not very comfortable speaking in English. Murnieks, Dateks CEO, translated the replies of Lagodstis from Latvian to English:

“We (Dateks and Also) have a long relationship. We started working together in 1999. Murnieks first purchase was three notebooks when Also was a Finnish company called GNT. In 2009, when Murnieks decided to start again working in IT e-commerce with Dateks, Also supported him very well. (...) Many Latvian companies during the crisis did not pay their suppliers who really suffered the situation. In our case the collaboration continues because there are not any debts and we have a really long relation.” (Interview 15th April).

Also’s company name is still registered in Dateks software system under GNT’s company name. Like all the suppliers, Also send the goods to Dateks office in Riga every working day. Imants Murnieks, Dateks CEO explains the procedure:
“All the shipments come to Dateks office where the goods are prepared for the customer. We bring the goods to the office, because the product sometimes needs to be customized. It can happen also that the components or the products come from different suppliers. Then, in the office we collect the products from different suppliers and we make only one package which it will be delivered from the office or the customer can come and pick it up. We think that if the customer collects the product from Dateks office, they save the money and the time. Dateks can process around 30 orders every day, and in peak season the company double the number of orders” (Interview 15<sup>th</sup> April).

Dateks follows the devolution methods imposed by European laws but people still do not trust to buy online because there are several shops in Latvia that do not follow the laws. The prices on Dateks are higher than other e-commerce companies in Latvia. Nonetheless, its website has high traffic. Besides, the quality of the service and the warranty are better comparing with the competitors.

Imants Murnieks, Dateks CEO, plans to start to sell televisions which are the second product with higher sales in the Baltic countries. Imants Murnieks has already the supplier of these goods:

“The problem is the shipping because of the size. The actual price for the delivery is three Lats in Riga and five Lats in the whole Latvia. The customer pays the shipping delivery but sometimes the size of the goods is very big. Then Dateks pays the difference. The shipping service arrives to the closest area where a car can go. We do not deliver door to door ... I would like to get to the point where we are able to deal directly with the manufacture” (Interview 16<sup>th</sup> April).

Dateks offers free shipping for customers who buys a Kingston USB stick, “because we could get an agreement directly from the manufacture” (Interview 16<sup>th</sup> April), comments the Chief Executive Officer.
4.2. Expansion process to Lithuania

Due to its success, in 2011 Imants Murnieks, *Dateks* CEO started to plan the expansion to one of the other Baltic countries, Lithuania, for different reasons:

“We decided to expand first to Lithuania instead of Estonia due to the language affinity, geographic closeness, market size and less number of competitors in the Lithuanian market” (Interview 17th April).

Based on census statistic department of 2011, Lithuania is the most populated country of the three Baltic States with of 3.244.600 inhabitants, followed by Latvia 2.067.887 and Estonia 1.339.928. Latvia and Lithuania are closer countries regarding linguistic characteristics. While Estonians are heavily influenced by the Finns and they speak a Finno-Ugric language, Latvian and Lithuanian languages have an Indo-European origin (O'Connor, 2006).

*Dateks* translated the supplier software into six different languages for practical reasons as Imants Murnieks, *Dateks* CEO points out:

“Each supplier provides the product description in different formats. Some of them in capital letters which they need to be adapted to the design product format of *Dateks* and *Komtech* website. The software program has been translated into six languages for a future use (…) I have in mind the expansion to different countries, not only to the Baltic countries but also to the Scandinavian countries. First the goal is to expand to the Baltic States and then, I would like to expand to Poland and Finland too” (Interview 18th April).

One of the tasks of the planning process was to digitalize the accounting system of *Dateks*. According to Imants Murnieks, *Dateks* CEO:
“Nowadays, the accounting system is already optimized and ready for the expansion in other countries. In this way, we do not need to have more accountants. We rent an accounting system which it is on an external server” (Interview 17th April).

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<td>.lt</td>
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<td>3,244,600</td>
<td>Lithuanian</td>
</tr>
</tbody>
</table>


Figure 2: Map of the Baltic countries. Sources: own construction (2013).

With the Lithuanian expansion, Dateks started to work with two more suppliers: Asbis and ABC Data, both of them were already distributors in the Baltic States, Central and Eastern Europe. The CEO, Imants Murnieks, explains:

“I will use the same suppliers for the Estonian market or even more. I conceive the expansion as an economic opportunity. Through the expansion, I can negotiate better prices and deals with the suppliers. In a bigger market the total costs are lower. Hence, I can provide better services and offers to the customers” (Interview 17th April).

Imants Murnieks, Dateks CEO, has planned a date for an investment in promoting and advertising the Lithuanian website: “The high season of IT sector in e-commerce is from August to January. We expect to attract more visitors and customers by that time” (Interview 18th April).

Every thirty minutes, the suppliers send automatically a data file which contains a price, stock and product description to Dateks. This information is provided in an XML format

$L^3$ Latvia currently has the target date of 1 January 2014 for the adoption of the euro (European Commission, 2013).
which is adapted to *Dateks* website needs. Hence, *Dateks* developed a software program which accommodates the whole information from the twelve suppliers to the Latvian and the Lithuanian website. As pointed out by the CEO, Imants Murnieks: “Our software converts the price given by the suppliers from Euros into Lats or Litas and it adds the price margin” (Interview 17th April).

When a Lithuanian customer places an order online, the order appears in the *Dateks* software program. Every working day, Inna Mihailova and Toms Kuznecovs, *Dateks* Customer Managers, check the orders from the customers and place the approved orders to the suppliers. Within 24 hours, the product is in *Dateks* office, where it will be prepare for the customer. Krists Dimbelis, the service technician, processes the goods into the system. If the customer has chosen the option to pick the goods up from the office, then he/she will receive a message on the mobile telling that the product is available at *Dateks* office.

The goods are shipped to Riga from the suppliers and *Dateks* ships them to Lithuania. As pointed out by Imants Murnieks, *Dateks* CEO: “The suppliers deliver the products to *Dateks* office in Latvia, and we send from our office to Lithuania” (Interview 15th April).

The most important factor for the expansion in Lithuania for Imants Murnieks is:

> “Do not mix things up and work with the customer on the best way. We do not care about a big number of orders and shiny website but we care more about the loyalty of the customers. That is why we are going slowly and testing and retesting everything” (Interview 17th April).

When a payment occurs within Latvian’s borders, there is a standard procedure and register to use. However, in the case of a Lithuanian payment, the buyer must submit a copy of ID document by ordinary mail. “The verification method for Lithuanian customers is time-consuming, as the majority of payments involved relatively small amounts” (Interview
18th April), comments Imants Murnieks, Dateks CEO. The company had lost Lithuanian customers, who felt that it was too difficult and time-consuming to transfer the documents.

The credit card system was set up in Dateks in August 2012. It was opened to the public since October 2012 and it took a while for the people to get used to this kind of payment. That is probably the reason why this year the payments by card are higher than in the last year. Imants Murnieks, Dateks CEO remembered that “The first order on Lithuania website was made after one week the credit card payment system was established” (Interview 18th April).

4.3. Komtech

In February 2013, a new website was opened to Lithuanian public under the domain name www.komtech.lt. As well as the Latvian website, Komtech is an e-tail company which sells only IT products (computers, monitors, printers, software programs and computer parts). According to Imants Murnieks, Dateks CEO the selection of products is part of the strategy:

“Before focus on selling more products online, we want to be the best e-tailer in the Baltic countries on IT products” (Interview 18th April).

Komtech company name is a combination of two Lithuanian words: kompiuteris (computer) and technologija (technology). The Lithuanian company is already registered under the country-specific unique resource locators (URL’s): Latvian (.lv), Lithuanian (.lt) and Estonian (.ee). There is neither an office in Lithuania nor in Estonia yet, due to economic reasons, as Dateks CEO explains:

“We will open an office in Lithuania this year, maybe this summer. But first, the number of orders from Lithuania should increase. Lithuanian office needs to finance itself with the number of orders. The best business model per country is to have two or three people who
will check the orders from the office and deal with local customers (…) but, in order to hire at least two employees, daily ten orders will be enough. Until now we only have around two orders every day” (Interview 15th April).

_Dateks_ has planned to open an office in Lithuania in 2013. Nowadays, the Lithuanian website _Komtech_ shows a Latvian telephone number for any queries or questions from Lithuanian customers. As Imants Murnieks, _Dateks_ CEO mentions:

“When an office will be open in Lithuania, a Lithuanian phone number will be activated to have a local number where customers can call. It is important because Lithuanian customers are used to phone calls more than email communication. The personal contact is important for them in order to decide an online purchase. It is similar to Latvian customers” (Interview 15th April).

Inna Mihailova and Toms Kuznecovs work from the office in Riga and they answer Lithuanian customers’ queries by email or by phone call in English and in Russian languages. Inna Mihailova, customer manager, indicates:

“Lithuanian customers write in Lithuanian and we replied in Russian or in English. We do not know Lithuanian language. We do not need it. Most of the customers speak English or Russian languages” (Interview 16th April).

Based on Lithuanian statistic department, there are 83.9 percent of Lithuanian, 5.4 percent of Russians, 6.6 percent of Poles, 1.3 percent of Belarusians, 0.6 percent of Ukrainians, 0.1 percent of Jews and 0.1 percent of Latvians who live in Lithuania.

Inna Mihailova, customer manager, mentions:

“Lithuanian customers call and ask for the services and the warranty. It is written on the website but they call to be sure. Over the phone Lithuanian visitors try to negotiate the purchase price and via email they ask whether the goods are in the stock or whether the
delivery time is correct. They prefer to be contacted on the phone. Like that they will trust and rely on the company” (Interview 16th April).

Attending more closely to Lithuanian customers is a reason for opening an office in Lithuania as Imants Murnieks, Dateks CEO points out:

“Having an office in Lithuania is essential for an e-commerce business in the Baltic countries. Online trust is less common for Lithuanian customers than for Latvian customers. Online trust relates to the local laws. Latvian e-companies follow the rules less than the Estonian but more than Lithuanian. In Estonia, online customers trust Internet retailers because they operate within the national laws” (Interview 15th April).

Nowadays, Komtech online payment’s method is in process of development. Lithuanian customers are mixing up Komtech account number with Dateks account number. As Imants Murnieks, Dateks CEO, has the purpose of adjusting the online payment method to Lithuanian customers and to improve the payment methods:

“We will like to set up a website where customers can just buy and pay by credit card without phone or email contacts, but people in Latvia and in Lithuania do not trust credit card and they prefer bank transfer payment” (Interview 16th April).

A registered company can buy from Latvia, but it has to pay VAT and then Dateks will pay the taxes. However, it will not happen if there were an office in Lithuania. Dateks has a system which checks the validity of the European VAT in the invoices. As Dateks CEO explains:

“When Komtech will have the office in Lithuania, it will be easier for different reasons, such as tax reasons because the business buyers will transfer less money due to the invoicing of the VAT and it will be psychologically better because the amount transferred will be lower” (Interview 17th April).
*Komtech* is already registered in Lithuania as an e-commerce company but it will involve several expenses to open an office in Lithuania, such as the accounting. As Imants Murnieks, *Dateks* CEO, comments:

“In Estonia, the tax office is completely automated so the company can send the information to the tax office without an accountant. In this way, it will be easier to expand” (Interview 17th April).

The main difference between Latvian and Lithuanian customers is that *Dateks* call back to Latvian customers and they can pay by cash in the office, while the Lithuanian can pay only by credit card or bank transfer. *Dateks* plans to use the three payment methods strategy in Lithuania to increase the number of orders. As Imants Murnieks, *Dateks* CEO illustrates:

“Latvian customers are similar to Lithuanian customers in one thing. Both of them prefer to order online, go to a place where they can have a look to the goods, pay for it if they like it and take it with them right away. If they do not like, they can leave the goods” (Interview 16th April).

When we ask Imants Murnieks, *Dateks* CEO about the percentage of payment by credit cards and transfer he replies:

“It is difficult to have separate data for the payment because the system does not divide bank transfer and credit cards. However, we could say that 80 percent of Lithuanian customers do a bank transfer and 20 percent of buyers pay by credit card. We also need to take into consideration that we have until now an average of two daily orders from Lithuanian website” (Interview 19th April).

One of the problems that *Komtech* and *Dateks* are suffering with the option of transfer payment is the layout of stock, as Imants Murnieks, *Dateks* CEO, indicates:
“Sometimes the customer processes the online purchase and decided to pay by bank transfer two days later the order was placed. However, meanwhile the product could get out of stock” (Interview 18<sup>th</sup> April).

One main difference among Dateks and Komtech website is the lack of an internal search button. As Imants Murnieks, Dateks CEO, explains:

“The search button on the Lithuanian website will be added soon. From that day forward, Lithuanian visitors will understand how the website works and their visit time will be longer. For example, we can see that Latvian visitors are used to get the information that they need and to make a deep research in Dateks” (Interview 19<sup>th</sup> April).

5. Analysis and results

5.1. Cross-border strategy

Dateks planned the expansion to Lithuanian market in 2011, three years after the company was created. This fact reaffirms Reuven and Zhao’s (2002) idea which explains that e-commerce companies have the possibility to expand globally across different cultures quickly and to reach a worldwide target group regardless the company’s size, origin or financial power.

The changes in company’s infrastructure are another dimension of the planned expansion. Dateks reformulated their account system; develop its own software which can translate supplier’s information into six languages and it is planning an internal search system for Lithuanian website. All the changes have done considering the future expansion. Epstein (2004a) illustrates how Amazon designed most of its own functions, including the search system, customer accounts system and IT infrastructure. The new design contributed Amazon’s site to increase its re-purchase customer rate (Epstein, 2004a).
5.2. Localization strategy in e-commerce

Taking into account Dateks scenario and the theoretical background, it can be considered the importance of localization strategies in an e-retail expansion. As Wind (1986) considers, a localized approach asserts that consumers differ across countries. According to the data, Latvia and Lithuania have different national identities. Knowing this fact, Imants Murnieks, Dateks CEO, expanded to Lithuania using a local URL (.lt) and a local company name, Komtech which is the combination of two Lithuanian words (kompiuteris and technologija). According to Tixier (2005), Dateks expansion strategy follows a localized approach “by having several websites that are adapted to the different markets and countries”. In this case, Dateks and Komtech are developed according to the local market and the local language and with the country related URL such as “.lv” (Latvia) and “.lt” (Lithuania).

According to Singh and Boughton (2002), Dateks website has not followed a standardized approach, as the website content was translated into Lithuanian language:

“A standardized website used the same web content, in the same language, for both domestic and international users. Standardized websites do not prominently display any information about their international operations” (Singh and Boughton, 2002).

5.3. Cross-border factors

We have identified five cross-border factors for e-tailers. Furthermore, it can be seen that the cross-border factors are always linked to local characteristics:

1. Supplier relations: an e-retail company is expected to develop close and strong relations with the suppliers which are acting on the new market. The local suppliers have the local knowledge of the channels and service infrastructure.
2. Customer protection: as customers need to feel confident on the new websites, e-retailers will show all relevant information that customers could be interested in. Customer protection is a decisive factor which offers security to the customer.

3. Online payment: the goal of the online payment factor is to build a reliable and efficient website by offering a variety of payment methods according to customer’s needs. The company also needs to understand local regulations regarding taxes.

4. Delivery options: keeping in mind that customers purchase online because they want to save time and money, the delivery is supposed not be a worry for the customer. Operating an effective cross-border delivery requires significant changes, such as handling capabilities to accommodate long distance selling and local return policies. For e-commerce companies probably will afford to cover higher operating costs in the shipping options.

5. Website content: easy to use and translated to local language. Customers expect to purchase as fast as possible and with a few clicks according to the websites that they are used to. E-tailers also need to localize images and colors.

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<th>GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Supplier relations</td>
<td>• Strong relationships: socially complex and imperfectly imitable.</td>
<td>• Superior service (\rightarrow) competitive advantage.</td>
</tr>
<tr>
<td>2. Customer protection</td>
<td>• Secure online environment: warranty and refund.</td>
<td>• Trustworthy website (\rightarrow) consumer confidence.</td>
</tr>
<tr>
<td>3. Online payment</td>
<td>• Reliable, efficient, affordable and strategic payment methods.</td>
<td>• Adapt to customer needs.</td>
</tr>
<tr>
<td>4. Delivery options</td>
<td>• Cost-effective delivery.</td>
<td>• Add value service to the customer.</td>
</tr>
<tr>
<td>5. Website content</td>
<td>• Local Marketing strategies: local URL, local language, local taste in colors, local search engines.</td>
<td>• Adapt the website to the local taste.</td>
</tr>
</tbody>
</table>

Table 4: Cross-border factors, strategies and goals. Sources: own construction (2013).
5.3.1. Supplier relations

The three main suppliers have a relationship with Dateks since 1999. As Dateks CEO commented, the financial crisis that hit Latvia reinforced or weakened the bonds supplier-companies. According to Deborah, Roth and Bearden (2010) strong supplier relations can enable e-tailers to deliver superior service, thereby satisfying customers, which turn to superior performance. The authors also describe the relationships between e-retailers and suppliers as “a complex mix of physical, human and organizational capabilities, which are not obvious and require time to develop and integrate”. Dateks CEO has a relation, not only professional but also human, of fifteen years with one of his main suppliers Also. In this case this relation is socially complex, due to historical circumstances, because of that it is no easy to imitate. Socially complex and imperfectly imitable are qualities highlighted also by Deborah, Roth and Bearden (2010).

A strong relation with the supplier can lead to competitive advantage based on increased site traffic and superior service (Day, 1994). As Imants Munieks points out, Dateks has higher prices because of the quality and extra service. At the same time, Dateks CEO is conscious that consumers are very sensitive to the price but he knows that his service is superior and consumers look for information in their website. It means that the high quality of the information leads to an increase of the website traffic.

5.3.2. Customer protection

Some level of customer protection aids people to feel comfortable shopping online. Dateks CEO, Imants Munieks confirms that “Dateks and Komtech follow the rules of the EU in customer e-commerce legislation”. Ethical issues are important in e-commerce and online retailing to establish a trustworthy, secure online environment and consumer confidence (Nardal, and Sahin, 2011). At online retailing activities most of the ethical
problems are related to “reliability”. Unethical activities may have negative consequences for firm well-being by eroding customer trust (Babin, Griffin and Boles, 2004). Many consumers do not trust the security of e-commerce. Therefore consumer adaptation to e-commerce need many activities related to reliability, privacy, security and non-deception issues (Nardal and Sahin, 2011).

5.3.3. Online payment

Online payment is considered unsecure in Latvia and Lithuania. Credit card is a less popular payment system in Latvia than in other countries. However, this situation may change in the near future and those firms in retail industry may need to find a way to catch up with the usage of Internet technology.

This fact supports Martens, Gómez and Turlea (2013) theory about the maturity of online payment systems.

“The market share of cash payments on delivery is considered to be an indicator of the relative underdevelopment of payments systems, combined with an absence of trust in online payment and high transaction costs” (Martens, Gómez and Turlea, 2013).

Lithuanian customers can pay by electronic credit cards or bank transfer. Electronic credit cards payment handles 30 percent of Komtech website. It could be said that Lithuania and Latvia are in the transition from immature online markets to mature online markets. This transition stage is linked to the trust in online transactions. As soon as the development of the online payment continues without any inconvenience, consumers will trust more in the new payment.

Latvia has a number of commercial banks which provide corporate banking, retail, brokerage facilities, investment services, and derivative transactions in addition to credit cards and point-of-sale transactions (SEB Bank, Swedbank, Nordea, DNB Bank, Citadele
bank and ABLV Bank). These are banking systems which work within the principles of European laws.

5.3.4. Delivery options

Wolfinbarger and Gilly (2003) explain that accurate fulfillment (what is displayed and described online) and reliability (delivering the right product within the time frame promised) are key determinants of consumer e-tail satisfaction and quality perceptions. In this case, Dateks does an accurate fulfillment and reliability. At it shows on the website the company compromise to deliver the goods according to the delivery time that it is explicit online.

As Wolfinbarger and Gilly (2003) confirm the physical distance that involves the buyer and the supplier, makes quick and accurate goods delivery critically important. Dateks is conscious about the delivery and work as fast as they can in follow the deadlines with a service added. A long and strong relation with the suppliers helps to accomplish the delivery in a cost-effective way.

An efficient parcel delivery system needs to be in place to physically ship the goods from their warehouses to the consumer and to minimize physical transport costs and delivery time. Dateks deliver the parcel from their office to the customers, as soon as they are ready and before the deadlines. Logistics is related to the company services. If e-retailers plan to sell their products abroad, they will need to provide additional delivery options. In the case of Dateks, once the office in Lithuania will be open, the number of order should be increased and the delivery cost should be lower. A new delivery option will be added (pick the goods up from the office) and the cost of delivery will be lower as Dateks CEO pointed out. The majority of European countries are well equipped referring to
delivery options but crossing borders always involves some kind of obstacle, at least an increase in tariffs (Gratadour, Plat and Soriano, 2012).

5.3.5. Website content

Komtech website was launched in the beginning of February 2013 and the data for this study was collected two months later. It means that the period of time for the analysis is from the beginning of February till the end of March 2013. The data from these two months shows that, Komtech visitors spent on average of 1.51 minutes, while Latvian visitors spent 22 seconds longer on Dateks website:

<table>
<thead>
<tr>
<th></th>
<th>Average daily visits</th>
<th>Average visit duration</th>
<th>Pages / Visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dateks.lv</td>
<td>5.560</td>
<td>2.13 min.</td>
<td>2.93</td>
</tr>
<tr>
<td>Komtech.lt</td>
<td>248</td>
<td>1.51 min.</td>
<td>1.93</td>
</tr>
</tbody>
</table>

Table 5: Average traffic visit from February to March 2013. Source: own construction made on collected data from Google Analytics (2013).

When we asked Imants Murnieks, Dateks CEO, about the analysis of Komtech website, he replies: “It will take probably two or three months until we will be able to collect more data from Google Analytics. Then we will be able to know better about Lithuanian visitor behavior”. (Interview 19th April).

Lithuanian visitors have a look at an average of 1.93 pages, while Latvian customers visit an average of 2.93 pages and they spend an average of 2.13 minutes on the website. As points out by Imants Murnieks:

“Lithuanians visitors find accidently the webpage, look at a few pages and go away. They have not discovered yet how much information they can get from Komtech website.” (Interview 19th April).

Dateks and Komtech websites use a free analytics tool called Google Analytics, a web analytic tool that uses the page-tagging approach in order to gather information from
visitors to a site. The page-tagging approach is one of the two major methods for collecting data for web analysis. This process is based on an invisible image used to detect when a page has been successfully loaded and, through JavaScript, the information about the page and the visitor are sent back to a remote server. Google Analytics tool reports several KPIs described before and these data are used for analyzing the web content.

The focus of this analysis is to compare several KPIs for Dateks and Komtech for the months of February and March 2013. The reasons for the choice of these months are two. The first one is because the data were collected in the 19 April 2013, so the latest data were up to March 2013. The second one is that Komtech website started to operate in February 2013.

As previously agreed with the CEO of Dateks, we will not publish any sensible data but only the percentage of the KPIs.

1. The first KPI that we can analyze is the order conversion rate. The results of the calculations for February and March 2013 are respectively 0.52 percent and 0.61 percent for Dateks and 0.4 percent and 0.51 percent for Komtech. Based on a study of FoundPages (2007), the common conversion rates for e-commerce websites is around 0.5 percent. In our cases, Dateks and Komtech results are growing and, while Dateks is over the average of similar website, Komtech reached the average percentage already in March, after one month of its launch.

2. The second KPI that we can analyze is the bounce rate. In this case the results are completely different, in fact the bounce rate of Dateks is 51.08 percent and the one of Komtech is 71.40 percent. According to Quinn (2011), the average bounce rate is 50 percent. If the result is over 60 percent, it means that there are minor problems to solve and if it is more than 80 percent, there are major problems to be dealt with. The result of Dateks
is on the average, while the one of Komtech is higher because it is a new website that the customers are starting to discover.

6. Conclusion

Let now return to the initial question of how e-retail can be adapted to a new market place and which cross-border factors are taken into account in the strategic process of expansion. There could be benefits for e-retailers in a new country but the new playing field comes with a set of barriers that an e-commerce company needs to think about. Aside from a handful of companies that operate e-commerce sites around the world, few have a truly international online footprint. In other words, there are opportunities for market penetration but it requires planning because the markets are not clones.

When all operational hurdles, such as legal issues, logistics, translation, marketing and branding are passed, customer experience makes the difference. The local customer’s experience is a key. Based on the presented study, it is clear that being cross-border is about localization: serving the local customers on the way they expect to shop so that they feel the same trust as with a local retailer. The Latvian case study follows the Lithuanian customer behavior in order to develop Dateks strategy: the company, from the beginning, focused on customer trying to offer customized service, for example free shipping, payment methods or telephone assistance.

The results show that the five cross-border factors contribute to understand an expansion strategy. Supplier relations, customer protection, online payment, delivery options and website content are key considerations for e-retailers who want to expand beyond the borders. According to the case study analysis, the cross-border factors are linked not only to a localization strategy but also to a cost-effective strategy. As every expansion strategy is time consuming, the five categories can be a guide for e-tailers. When
there is a high linguistic and geographical affinity between two countries, time-consuming and the initial costs are lower.

We can conclude that going cross-border is a challenging journey: considering cross-border factors as a compass which is guided by the local customer needs and having as a destiny the brand strength. By doing so, e-retailers announce the benefits of online shopping and are enabled to build more trust in e-commerce.

6.1. Implications and future research

More research is required about e-commerce cross-border factors. It is a relatively recent topic and there is a scarcity of studies done in Europe. Suggested areas of future research include exploring the level of importance of the cross-border factors in different e-tail sectors, comparing the impact of cross-border factors in other countries, analyzing the cross-border factors with empirical data from distinct e-tail sectors and examining several localization settings. The present case study has been performed in a specific place at a specific time. After the identification of the cross-border factors, a long term measurement could be a guide for a deeper understanding. For future researchers, it may be interesting to measure the level of local adaptation of e-tailers.

There are a number of limitations in the context of which the present study’s main conclusions should be considered. These come mainly from time and cost constraints, which did not allow the collection of a larger and more than one selected case study. Future researchers could aim to improve this.
References


**List of interviews**


Appendices

Appendix I - Employees’ interview guide

Section A - Introductory questions

1. Name and surname:
2. Age:
3. Studies:
4. Job position:
5. Time at current position:
6. Responsibilities in Dateks:

Section B - Experiences in Latvia and Lithuania

7. Do you have previous experience of working at an e-commerce company?
8. What is your experience of the Latvian market?
9. What is your experience of the Lithuanian market?
10. How long have you been working in Latvia?

Section C - Online shopping

11. Do you buy online?
12. From which website have you bought online?
13. How do you pay online?
14. Would you buy from a website that it’s not Latvian?
15. Why?

Section D - Consumer behaviour

16. What do you think that customers expect from an e-commerce company?
   Please order from 1 to 3. 1 is the most important, 3 is the least important. In case of you consider other points, please fill up “other”
   - Facilities on e-payments
   - The best prices on the products
   - Fast delivery
17. What is in your opinion the most important think for an e-commerce company in order to keep the customers engage with the brand?

Appendix II - Chief Executive Officer’s (CEO) interview guide

Section A - Introductory questions

1. Name, surname, position, time at current position and previous positions, responsibilities.
2. Do you have any expertise within a specific field?
3. What is your experience from the Latvian and Lithuanian market? How long have you been living/working in Latvia? How long have you been working towards the Latvian and Lithuanian market?
4. Do you have experience of working with e-commerce/e-business, in Latvia and Lithuania?
5. Do you have experience of the Latvian and Lithuanian e-retail market?

Section B - Business model

6. What can you tell us about the business model of Dateks? Which elements are included and which are the most important elements?
7. What is the target market?
8. Who is the target customer?
9. Where is the location of wholesalers and the production sites?
10. What are the main costs?
11. Cost structure: cost driven or value driven?
12. Outsourced activities.
13. Does Dateks have other revenue streams than the core business?

Section C - Expansion to Lithuania

14. Why have you decided to expand to Lithuania? Why now?
15. What have been the steps of the expansion?
16. Which are the strategies behind expansions and the reasoning behind the decisions?
17. What is the expansion expected to cost?
18. What is the timeframe for the launch process?
19. Will the target customer change?
20. Can you explain about the website contents, such as the language, the domain, the graphic of the website, the payment methods, the warranties and the delivery options for the Latvian and the Lithuanian market?
21. What is the expected delivery time for Latvian and Lithuanian customers?
22. Can you explain about the communication strategies, such as the global branding, the corporate branding and the online advertising communication for the local market for the Latvian and the Lithuanian market?

Section D - Lithuanian preferences

23. Will you change the appearance/layout/domain of the website?
24. What do you know about Lithuanian preferences?

Section E - Consumer behavior

25. What do you know about Latvian and Lithuanian consumer behavior and the online consumer behavior?
26. Which are the differences between Latvian and Lithuanian consumer behavior?
27. How important is the personal contact for Latvian and Lithuanian consumers when they are shopping?
28. Does the lack of personal contact have a negative impact on e-commerce?
29. What do Latvian and Lithuanian consumers value in the process of choosing products?

30. What adjustments are common for a Latvian company entering the Lithuanian market in order to attract customers?

31. How does income levels and consumer behavior differ between regions and classes in Latvia and Lithuania?

32. How does consumer behavior change when income increases for Latvian and Lithuanian consumers?

33. How do Latvian and Lithuanian consider customer service functions and how do you execute this consideration?

Section F - Company strategies

34. Is your e-commerce strategy performing according to your expectations?

35. Do you rely on the strengths of the physical stores?

36. Are you going to expand to more categories of products?

37. What difference makes the Latvian website from the Lithuanian website? What kind of personalization have you made to adapt to the Lithuanian customers?

38. What is your business strategy?

39. What do you want to achieve-outcome?

40. What is your communication strategy?

41. How do you integrate both strategies?

42. How are you going to meet your goals?

43. Is the communication strategy helping to define the business strategy?

44. How can you increase engagement and drive conversions with interactive content?

Section G - Website content and website design

45. Is your website content well adapted to Smartphones or tablets?

46. Why did you decide to have this kind of web design? Do you follow other Latvian company?

47. How do you elaborate the website content?

48. Do you use interactive content?

49. Who are your competitors?

50. How do you make the selection of products?

51. Do you leave some products out of the selection?

52. How do you link customers to Dateks through other content sites? Do you have any affiliate program?

53. How do you bring traffic to the website?

54. Where do you receive the biggest traffic from? Social media?

55. How does the customer reach you? Do the customers use the email link on the home page? Do they use only the phone number? What kind of questions do they ask?

56. Who is in charge of the keyword research and creation in Latvia and in Lithuania?

57. Could we see the keyword metrics?

Section H - E-commerce in Latvia and Lithuania

58. What are the biggest players in the Latvian and Lithuanian e-market today?

59. What can you tell us about Latvian and Lithuanian online payment solutions?
Appendix III - Supplier’s interview guide

1. How long have you been working together?
2. When and how did the relation between Also and Dateks start?
3. Can you describe how Also works?