Association for Information Systems
AIS Electronic Library (AISeL)

BLED 2015 Proceedings

BLED Proceedings

2015

Understanding Online Channel Expansion in an SME Context: A Business Model Perspective

John Jeansson
Linnaeus University, Kalmar, Sweden, John.jeansson@lnu.se

Shahrokh Nikou
IAMSR/Åbo Akademi University, Turku, Finland, Shahrokh.nikou@abo.fi

Rune Gustavsson
KTH, Stockholm, Sweden, runeg@kth.se

Siw Lundqvist
Linnaeus University, Sweden, siw.lundqvist@lnu.se

Leif Marcusson
Linnaeus University, Sweden, Leif.Marcusson@lnu.se

See next page for additional authors

Follow this and additional works at: http://aisel.aisnet.org/bled2015

Authors

John Jeansson, Shahrokh Nikou, Rune Gustavsson, Siw Lundqvist, Leif Marcusson, Anna Sell, and Pirkko Walden

Understanding Online Channel Expansion in an SME Context:
A Business Model Perspective

John Jeansson

Linnaeus University, Kalmar, Sweden

John.jeansson@lnu.se

Shahrokh Nikou

IAMSR/Åbo Akademi University, Turku, Finland

Shahrokh.nikou@abo.fi

Rune Gustavsson

KTH, Stockholm, Sweden

runeg@kth.se

Siw Lundqvist

Linnaeus University, Sweden

Siw.lundqvist@lnu.se

Leif Marcusson

Linnaeus University, Sweden

Leif.marcusson@lnu.se

Anna Sell

IAMSR/Åbo Akademi University, Turku, Finland

Anna.sell@åbo.fi

Pirkko Walden

IAMSR/Åbo Akademi University, Turku, Finland

Pirkko.walden@abo.fi

Abstract
The purpose of the paper is to study, from a business model perspective, value creating activities taken by SMEs when making a transition to an online multichannel context by

adopting and adding e-commerce and/or m-commerce. 16 SMEs in Sweden are studied using a basic qualitative research approach and an e-transit business model configuration. Main results of the study are the existence of primary and secondary transition activities and the existence of a discrepancy between actions taken and their perceived degree of importance. One main conclusion is that the combination of value creating activities an SME should focus on during different stages of an online channel expansion differ depending on transition category and will change over time.

1 Introduction

Over the last decades the traditional way of creating and capturing value in retail has gone through tremendous changes. It is no longer sufficient for a small and medium-sized enterprise (SME) to merely rely on face-to-face customer interaction as online channels (electronic and mobile commerce) have grown in importance and provide means to virtually interact with customers (Chen, et al. 2014). Customers in mature e-commerce markets such as UK, France, and Sweden now expect retailers to provide an integrated experience throughout several channels (Ecommerce-Europe, 2014; Postnord, 2014). Expanding into online channels could mean greater opportunities for SMEs. Studies on SMEs and e-commerce adoption suggest a positive influence on average sales growth rates (Abebe, 2014), financial gains both in terms of revenue growth and cost reduction (Johnston, et al. 2007), access to a wider range of markets, enhanced communication, and improved customer service (Stockdale & Standing, 2004). However, channel expansion is also very much a time of transition and new structures, adding greater complexity to how business is done. As SMEs are faced with new opportunities through online channels, the model by which they create and capture value is challenged, making the adoption of a business model that fits the organisation a crucial strategic decision (Chatterjee, 2013; Li, Troutt, et al., 2011). Zott, et al. (2011) present business models as a theoretically robust construct useful to researchers and practitioners alike in their quest to understand the realities of doing business in a highly complex and connected world. They provide four central themes describing the characteristics of business models: one, a business model seeks to understand the logic of how value is created and captured, two, a business model sets focus on activities performed by internal as well as external stakeholders, three, a business model emphasizes a holistic, system-level approach when explaining how SMEs do what they do, four, a business model is a unit of analysis that is centred around a specific SME yet its boundaries are wider and includes business partners as well as customers (Zott & Amit, 2013; Zott et al., 2011).

The purpose of this paper is to study online channel expansion of SMEs from a business model perspective. Such a perspective enables a holistic approach in order to better understand value creating activities taken by SMEs during online channel expansion. In order to do so, eight business model components from three different existing business model frameworks have been placed together into what, for the purpose of this paper, is named an e-transit business model configuration. The research question this paper addresses is: *what value creating activities are taken by SMEs when expanding to online channels?*

2   Related Work

This paper is positioned between the phenomenon of online channel expansion, the context of SMEs, and the business model as a unit of analysis. As these three fields converge they constitute the theoretical backdrop of the e-transit business model configuration.

2.1 Online Channel Expansion

In this paper the concept of online channels encompasses e-commerce and m-commerce. E-commerce is defined as: "the process of buying, selling, or exchanging products, services, or information via computer networks" (Turban, et al. 2006, p.4), and m-commerce is defined as: "any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobile access to computer-mediated networks with the help of an electronic device." (Tiwari, et al. 2006, p.40). Any combination of e-commerce, m-commerce, and the physical store is often referred to as a multichannel retail landscape (Zhang et al., 2010). When making a transition from a single channel to a multichannel environment there are several issues to consider. Weill and Vitale (2001) stress the need of business model configuration, managing points of customer interaction, understanding targeted customer segments, and creating the IT infrastructure capability. Valos (2009) emphasises the need of a strategic approach to market communication and Thomas and Sullivan (2005) stress the importance of leveraging enterprise-level data in order to understand and predict customers´ channel choices. Zhang et al. (2010) suggest that organisations build a structure where they manage multiple channels instead of each channel on their own. They argue that organisations need to balance what to offer in all channels and to what extent each channel with its distinct characteristics should be allowed to be unique. In the end, such a balance is quite unique and something for each organisation to find (Avery, Steenburgh, Deighton, & Caravella, 2012; Wagner, Schramm-Klein, & Steinmann, 2013).

2.2 Business Model Perspective

Business model research within an online context has increased over the years (Zott et al., 2011). There are several definitions of what constitutes a business model. In this paper, a business model is considered to be a model describing the rationale of how an organisation creates, delivers, and captures value, as well as a unit of analysis that enables a holistic understanding of the activities a focal organisation, including their partners, conducts in order to "do business" (Osterwalder & Pigneur, 2010; Weill & Vitale, 2001; Zott & Amit, 2013; Zott et al., 2011). As a response to environmental changes, such as making a transition to a multichannel environment, organisations often find themselves innovating existing business models (Schneider & Spieth, 2013). Gunzel and Holm (2013) argue that such a business model innovation process is quite differentiated. Innovation at the front-end of the business model tends to be more trial-and-error oriented where back-end tends to be more coupled with a linear approach. Moingeon and Lehmann-Ortega (2010) speak of business model creation as a learning process, where identifying core objectives and developing business specific profit logic are needed in order to successfully design business models (Chatterjee, 2013). Business model innovation processes, especially during online transitions, are highly information

driven and depend to a large extent on how well organisations are able to connect technology and strategy (Ja-Shen & Ching, 2002; Weill & Vitale, 2001).

2.3 The Context of SMEs

The studied SMEs in this paper are located in Sweden. SMEs constitute the backbone of both the European and the Swedish economy, accounting for 99.8% of all enterprises and 66.8% of total employment in the European non-financial business sector, and for 99.9% of all enterprises and 65.8% of employments in the Swedish non-financial business sector (EuropeanCommission, 2014a). In this paper the European Union definition of SMEs is used, which encompasses micro, small, and medium-sized enterprises. A SME employs fewer than 250 persons and has an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million (EuropeanCommission, 2014b). SMEs possess specific characteristics that are of interest when to understand their online channel expansion, see table 1. When adopting online channels SMEs tend to be heavily influenced by the level of IT skills within the organisation, and access to help outside it. SMEs risk propensity also affects adoption, having a direct impact during pre-adoption decision and more of an indirect impact when deciding to continue using online channels (Wilson, et al. 2008). Karjaluoto and Huhtamäki (2010) argue that SMEs utilize online channels in various ways in order to reach different goals and that there is not one ideal level of online channel usage that would be the same for each company. However, Mustaffa and Beaumont (2004) found that SMEs are especially keen to utilize online channels in order to extend their geographical reach. Overall, studies of European companies online channel adoption show that SMEs are late adopters and laggards (Vlachos, 2011).

Perspectives	SME Characteristics	Reference
Management	Owner is the CEO, highly visible and close to point of delivery, centralized and intuitive decision making, time constraints, modest in skills and competence.	(Zach et al., 2014; Wong and Aspinwall, 2004; Ghobadian and Gallear, 1997)
Customers and market	Mostly local and regional markets-few international, dependent on small customer base, close and frequent contact with customers, many known customers personally and socially.	(Zach et al., 2014; Wong and Aspinwall, 2004; Ghobadian and Gallear, 1997)
Processes and procedures	Flexible, adaptable and less complicated processes, low degree of standardization, focus on operational processes-less focus on strategic processes, mostly people dominated.	(Zach et al., 2014; Wong and Aspinwall, 2004; Ghobadian and Gallear, 1997)
Structures	Flat with fewer levels of hierarchy, flexible, often rapid response to environmental changes, low degree of specialization, multi-tasked owner-managers, limited and unclear division of activities, organic and fluid culture, low resistance to change, influenced by owner-manager.	(Zach et al., 2014; Wong and Aspinwall, 2004; Ghobadian and Gallear, 1997)
Information systems (IS) and information technology (IT)	Flexible information flows, limited knowledge of IS, limited managerial expertise and attention, lack of strategic planning, limited in-house IT expertise, greater reliance on third parties, emphasis on packaged applications, IS function in its earlier stages.	(Zach et al., 2014)
Resources	Modest financial resources, limited human capital, more versatile employees, no specific training budget, training and staff development likely to be ad hoc and in small scale,	(Zach et al., 2014; Wong and Aspinwall, 2004; Ghobadian and Gallear, 1997)

Table 1: General characteristics of SMEs.

3   E-transit Business Model Configuration

A generic business model framework has its value, however, the existence of several different frameworks with different components could suggest that certain components might be more suitable in certain contexts. Here we identify and use a configuration of business model components corresponding to the studied context, rather than advocating for a new generic business model framework. Components of the e-transit business model configuration have their theoretical foundation in the studies of Weill and Vitale (2001), Osterwalder and Pigneur (2010) and El Sawy and Pereira (2013).

Osterwalder, et al. (2005) make an effort to identify the most common business model components from literature and compile them into one framework, the business model Canvas, which includes work from Weill and Vitale (2001) but not from El Sawy and Pereira (2013). They identify nine components: customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structures (Osterwalder & Pigneur, 2010). The nine components could be divided into two categories, where key resources, key activities, key partnerships, and cost structures conduct the back-end of the business model emphasising efficiency, and where customer segments, value proposition, channels, customer relationships, and revenue streams conduct the front-end of business models emphasising value (Gunzel & Holm, 2013; Osterwalder & Pigneur, 2010). However, the business model Canvas does not take the online context into specific considerations. Weill and Vitale (2001), on the other hand, take an e-business model archetype perspective when studying organisations transition from a physical context to an e-business context. They propose eight components: customer segments, value proposition, channels, customer relationship, sources of revenue, core competencies, key information, and IT infrastructure. They emphasize the importance of information and the ability to capture, share, and exploit key information in order to be successful (Weill & Vitale, 2001). However, Weill & Vitale (2001) do not - for obvious reasons - take the mobile, often service oriented platform, channel into consideration, which calls for yet another framework. El Sawy and Pereira (2013) propose the VISOR business model framework, which has a digital platform perspective and an ecosystem approach. The framework has five components: value proposition, interface, service platforms, operational model, and revenue model. They especially emphasize the importance of interface, which is the user interface experience including both hardware and software. It links the value proposition with the IT infrastructure that delivers it. They also stress the importance of service platforms, which enable, shape, and support business processes and relationships needed in order to deliver proposed value as well as to improve the same (El Sawy & Pereira, 2013). Together these three existing business model frameworks provide specific components and perspectives regarded as suitable to online channel expansion in a SME context.

3.1 Configuration Perspectives

Adopting a business model perspective is very much to set focus on SMEs value creating activities. SMEs, in general, tend to be activity focused (Ghobadian & Gallear, 1997; Wong & Aspinwall-Roberts, 2004), and each selected e-transit configuration component is given an activity oriented name and described from an activity perspective, see table 2. The eight perspectives are: knowing the customer, offering

value, creating points of interactions, finding new ways, making money, building networks, informating, and optimizing resources. Some of the perspectives correspond to all three existing business model frameworks and some correspond to only one or two of the frameworks.

Configuration perspective	Activity description	Existing business model framework component
Knowing the customer	Activities taken by an SME in order to identify and describe its customers, as well as to build relationships through different channels using different tools.	Customer segments, Customer relationships, (Osterwalder and Pigneur, 2005). Customer segments, Customer relationships, (Weill and Vitale, 2001). Value proposition, (El Sawy and Pereira, 2013).
Offering value	Activities taken by an SME in order to provide a package of both a solution to a perceived problem as well as a specific product/service to a specific customer segment through a specific channel.	Value proposition, (Osterwalder and Pigneur, 2005). Value proposition, (Weill and Vitale, 2001). Value proposition, (El Sawy and Pereira, 2013).
Creating points of interactions	Activities taken by an SME in order to design and facilitate places where the company and the customer could interact and where transactions of information, money, products and services could take place.	Channels, (Osterwalder and Pigneur, 2005). Channels, (Weill and Vitale, 2001). Interface, (El Sawy and Pereira, 2013).
Finding new ways	Activities taken by an SME in order to add and create value to and through their product, service and information that a specific customer is willing to pay for.	Key activities, (Osterwalder and Pigneur, 2005). NA, (Weill and Vitale, 2001). Organizing model, (El Sawy and Pereira, 2013).
Making money	Activities taken by an SME in order to increase revenue streams as well as to manage costs of doing business.	Revenue streams, cost structures, (Osterwalder and Pigneur, 2005). Sources of revenue, (Weill and Vitale, 2001). Revenue model, (El Sawy and Pereira, 2013).
Building networks	Activities taken by an SME in order to establish a value network of different actors to be part of the company´s value proposition.	Key partnerships, (Osterwalder and Pigneur, 2005). NA, (Weill and Vitale, 2001). Organizing model, (El Sawy and Pereira, 2013).
Informating	Activities taken by an SME in order to gain access to key information and to exploit that information in order to make informed decisions regarding existing and future success of chosen business model.	NA, (Osterwalder and Pigneur, 2005). Key information, (Weill and Vitale, 2001). NA, (El Sawy and Pereira, 2013).
Optimizing resources	Activities taken by an SME in order to acquire and maintain resources in a way that makes the most out of them. Resources could be physical, financial, intellectual or human, including core competencies, IT-infrastructure, and digital service platforms.	Key resources, (Osterwalder and Pigneur, 2005). IT infrastructure, core competencies, (Weill and Vitale, 2001). EService platforms, (El Sawy and Pereira, 2013).

Table 2: Configuration perspectives used in the e-transit business model configuration with corresponding components from existing business model frameworks.

4 Research Method

Conducted research uses what Merriam (2009) refers to as a basic qualitative research approach. In qualitative research a holistic view is desired of that which is studied and to understand a phenomenon from a participant´s perspective (Merriam, 2009; Miles & Huberman, 1994).

4.1 Sample Selection

A purposeful sampling strategy was used when selecting participating SMEs. The intention of such a strategy is to select SMEs that could provide rich information of the topic at hand (Patton, 2001). Based on Patton's (2001) 16 sampling strategies this study used, what best could be described as, a combination between intensity, criterion, and convenience sampling. In order to be included in the study SMEs had to meet four criteria: *first*, to qualify as an SME according to the European commission definition (EuropeanCommission, 2014a), *second*, to have conducted at least one expansion including either or both e-commerce or m-commerce as a retail channel within the last five years prior the study, *third*, to sell products or services to consumers, *fourth*, to operate in Sweden. In total 16 companies were included and categorised based on three transition categories: *PEM*, which includes SMEs that made a transition from having a physical (P) channel to include both e-commerce (E) and m-commerce (M), *PE*, which includes SMEs that made a transition from having a physical channel to include e-commerce, and *EM*, which includes SMEs that made a transition from having an e-commerce channel to include m-commerce, see table 3. Respondents were selected based on their position and role within the company. In order to be selected they had to be either the owner-manager or a high-level decision maker or project manager who had been involved in making strategic decision regarding the channel expansion. Choosing respondents in such positions enables a rich picture of how decisions on channel expansion are made, factors influencing such decisions, value creating activities, and results of performed actions.

4.2 Data Collection

Interviews were the main data collecting method. On average, each interview took 60-90 minutes; they were conducted on site at each company´s head office, except at two occasions when a telephone interview had to be conducted due to practical issues. Each interview was recorded and transcribed verbatim shortly afterwards. The interviews were semi-structured and an interview guide was used at all interviews. Interview questions were carefully designed to cover each business model configuration perspective. Questions were asked with the purpose of capturing the perspective and worldview of respondents and did not necessarily follow the same order and wording in all interviews (Merriam, 2009). Each respondent were also asked to grade on a 5 point Likert scale, from strongly disagree to strongly agree, each business model configuration´s perceived degree of importance to the success of performed channel expansion, see table 4. Data were also collected through available documentation and company websites (Creswell, 2007).

4.3 Data Analysis

Initially the interview transcripts were printed and read carefully by at least two researchers. A first version of a list of codes was developed which had a descriptive

character. The list was then revised during the different rounds of coding. Codes that did not work were deleted and codes that overlapped were merged (Miles & Huberman, 1994). Each interview transcript was manually open coded in order to categorise data according to the e-transit business model configuration perspectives. During this time codes and notes were made in each margin of the printed transcript (Merriam, 2009; Miles & Huberman, 1994). A second round of coding was conducted in which activities taken by SMEs in order to achieve their channel expansion were coded and categorised. A third round of coding was conducted in order to ensure that assigned codes actually denoted the meaning of underlying quotations (Miles & Huberman, 1994). As themes of activities emerged the following questions were asked in order to gain a deeper understanding: What activities can be identified and which stakeholders are involved and how? How often do identified activities occur and how are they spoken of in terms of importance? How are identified activities organised and how do they evolve over time? What initiates identified activities and what are their results? (Lofland, et al.2006).

	Transition category PEM	Transition category PE	Transition category EM
Number of Companies	5	7	4
Size of companies (Micro/Small/ Medium)	2/2/1	4/1/2	3/1/0
Business model	Direct to customer	Direct to customer, Franchise, Producer,	Direct to customer, Intermediary
Industry	Hotel and hospitality, home and furniture, IT-accessories, fashion and styling	Clothes, handicraft, home and furniture, toys, hotel and hospitality	Events, phone-accessories, hardware and tools
Product/ Service	3/2	5/2	4
Transition	E→M/E→P P→E/M	P→E E→P	E→M

Table 3: Participating SMEs categorised based on transition categories. Transition describes the character of expansion (arrows indicate different structures of transition that were present within each category, e= e-commerce, m= m-commerce, p= physical store).

5   Results

In this section respondents' descriptions of online channel expansion activities are presented together with how they perceived each configuration perspectives' degree of importance in relationship to undertaken online channel expansion. Together actions taken and perceived importance paint a rich picture of what participating SMEs regarded as important to do in order to succeed with their channel expansion. The results are categorised according to participating SMEs transition category. The proportion of identified activities and the level of perceived importance of each

configuration perspective often varied within a transition category as well as aggregated between transition categories, see table 4.

5.1 Transition Category PEM

SMEs that made a transition from having a physical channel to include both e-commerce and m-commerce described a large amount of activities. Activities varied in character and corresponded to seven of the eight e-transit configuration perspectives. The most frequently described configuration perspectives were: building networks, making money, and optimizing resources. The only perspective to which no description of activity could be assigned was the perspective of finding new ways. When asked to grade the importance of different configuration perspectives there were no perspective that all SMEs in this category perceived alike. However, aggregated there was a clear line between the three perspectives that most SMEs perceived to be of high importance (creating points of interactions, finding new ways, informating) and the five perceived to be of low importance (knowing the customer, offering value, making money, building networks, optimizing resources).

Transition category	Transition category PEM		Transition category PE		Transition category EM	
Configuration perspective	Proportion of activities	Perception of importance	Proportion of activities	Perception of importance	Proportion of activities	Perception of importance
Knowing the customer	11%	Low	4%	High	-	High
Offering value	3%	Low	4%	Low	-	Low
Creating point of interactions	3%	High	4%	High	-	High
Finding new ways	-	High	-	High	-	Low
Making money	21%	Low	18%	High	43%	Low
Building networks	24%	Low	33%	High	14%	Low
Informating	7%	High	4%	High	-	Low
Optimizing resources	31%	Low	33%	High	43%	High

Table 4: The table shows proportion of described activities by SMEs together with SMEs perception of each configuration perspective´s degree of importance (High = a majority of SMEs perceived the perspective to be of importance, Low = a majority of SMEs perceived the perspective not to be of importance).

5.2 Transition Category PE

SMEs that expanded from a physical channel to include an e-commerce channel described fewer activities than SMEs in the PEM category, but substantially more than SMEs in the EM category. Activities varied in character and corresponded to seven of the eight e-transit configuration perspectives. The configuration perspectives of making money, building networks, and optimizing resources were by far the most frequently described. SMEs within the PE category perceived four of the eight configuration perspectives alike, all four being perceived to be of high importance (knowing the customer, creating points of interactions, informating, optimizing resources).

Aggregated, only the configuration perspective of offering value was by a majority of SMEs perceive to be of low importance.

5.3 Transition Category EM

SMEs that made a transition from an e-commerce setting to include m-commerce described a significantly lesser amount of activities than SMEs within the other two categories. Activities showed a limited variation in character and corresponded only to three configuration perspectives, making money, building networks, and optimizing resources. Within the EM transition category there were two configuration perspectives that SMEs perceived alike, finding new ways and making money, which were perceived to be of low importance. Just as within the PEM category there was a clear line between the three perspectives that most SMEs within the EM category perceived to be of high importance (knowing the customer, creating points of interactions, optimizing resources) and the five perceived to be of low importance (offering value, finding new ways, making money, building networks, informating).

5.4 Cross-category Connections

The configuration perspectives of making money, building networks and optimizing resources were the most frequently described perspectives in all three transitions categories. Only two configuration perspectives were perceived alike in all transitions categories: offering value was perceived to be of low importance in all transition categories, and creating points of interactions was perceived to be of high importance. Apart from that, SMEs within the PEM and PE category shared the same perceived degree of importance (high) in two configuration perspectives (finding new ways, informating); PEM and EM shared the same perceived degree of importance (low) in two configuration perspectives (making money, building networks); PE and EM shared the same perceived degree of importance (high) in two configuration perspectives (knowing the customer, optimizing resources).

5.5 Activities of Value Creation

Activities of value creation are descriptions made by SMEs of how they acted in order to overcome challenges when conducting their channel expansion. Activities are categorised based on configuration perspectives and grouped into primary and secondary activities. Primary activities correspond to configuration perspectives present in all three transition categories, and secondary activities correspond to perspectives not present in all transition categories.

5.6 Primary Activities

• *Activities corresponding to making money*; SMEs in the PEM transition category described managing payment solutions when conducting business in other countries as an important activity. SMEs in the PE category also spoke of payment systems but stressed the importance to reach a good agreement with payment service providers. All transition categories described how they had to manage demands from suppliers to have a certain price level for their products online, across channels and between countries. Managing increased cost was also an activity within this perspective that was described in all transition categories.

• *Activities corresponding to building networks* was described in all transition categories but with great variety. Within the PEM category SMEs frequently spoke of

managing their logistic partners. Both within the PEM and PE category SMEs described how they needed to manage and overcome suppliers fear or scepticism of using the e-commerce channel. SMEs in both the EM and PEM category spoke of the importance to be precise in ones requirements and to avoid lock-in when managing their relationships with developers of technical solutions. SMEs in the PE category emphasized the challenge to find the right partner within their network to get support. SMEs in the PEM category spoke of finding partners that would be willing to contribute to value creation and not just try to profit for themselves. SMEs within the PEM category also mentioned the management of third party booking platforms and to gain influence over its future development.

• *Activities corresponding to optimizing resources*; there were three activity areas that dominated SMEs descriptions. *One*, activities of competence was described by SMEs in both the PEM and PE transition category in terms of finding the right competence and to integrate new competence within the organisation. *Two*, activities of technical infrastructure were described in all three transition categories and consisted of activities in order to develop and integrate the different technical platforms with each other, especially integration between enterprise systems and e-commerce platforms. *Three*, activities of content were described in all three transition categories. SMEs in both the PEM and EM transition category spoke of challenges when managing content in a mobile context having to adapt to a smaller screen size. SMEs in the PE category spoke of creating a well structured website that could be easily navigated.

5.7 Secondary Activities

• *Activities corresponding to knowing the customer;* SMEs in the PEM category described activities such as, supporting customer adoption of new technical solutions and managing customer loyalty. SMEs in the PE category spoke of building closer relationship with customers to prevent them from moving to other retailers. SMEs in the EM category did not explicitly mention activities related to this configuration perspective.

• *Activities corresponding to offering value*; SMEs in the PEM category spoke of the importance of explaining to customers in a pedagogic way the company's delivering times and shipment costs. SMEs in the PE category described the importance of being able to visualize products digitally in a way that made them justice. SMEs in the EM category did not explicitly mention activities related to this configuration perspective.

• *Activities corresponding to creating points of interactions*; SMEs in the PEM category mentioned creating the same customer experience no matter which channel customers chose. PE category SMEs described the importance of integrating their web store and physical store. SMEs in the EM transition category did not explicitly speak of creating point of interactions.

• *Activities corresponding to informating*; SMEs in the PEM category described managing product information updates from suppliers and managing customer reviews and ratings on websites and social media sites in a transparent fashion as important informating activities. SMEs in the PE category expressed difficulties in having the time to take hold of all the data/information available. SMEs in the EM category did not explicitly mention activities related to this configuration perspective.

• *Activities corresponding to finding new ways* was the only perspective to which no activities described by SMEs could be explicitly related.

6   Discussion

The results of the study indicate that there are three perspectives: making money, building networks, and optimizing resources, that regardless of studied transition type need the most attention when SMEs expand to an online multichannel setting. Interesting to notice is that none of the three perspectives is customer oriented, which often is stressed as an important area to work with (Thomas & Sullivan, 2005; Weill & Vitale, 2001). Both activities of building networks and optimizing resources are by Osterwalder and Pigneur (2010) and Gunzel and Holm (2013) related to back-end business model components having a strong efficiency drive. This suggests that during the initial stages of online transitions SMEs are more occupied with building and creating the functionality of the new channel, rather than getting to know and interacting with customers and developing existing value proposition beyond that which the channel itself provides. The identified difference between SMEs descriptions of activities and their perceived degree of importance is also quite interesting. It could suggest that the level of attention a certain area in a business model requires changes over time. When respondents described activities taken they reflected on what they actually did, retrospectively, in order to conduct the transition. When asked to grade degree of importance they did so not only in retrospective but also with current state in mind, when having accomplished the transition. The results then indicates that as the transition comes into place and the initial phase is over the scope of SMEs changes and to some degree broadens, which the high grading of creating points of interactions could be an articulation of. Creating points of interactions is by Osterwalder and Pigneur (2010) and Gunzel and Holm (2013) related to front-end business model components having a value drive. Studied SMEs could then be argued to have shifted the character of their activities from an initial efficiency-focus to an expanded value-focus. This emerging picture of SMEs activities corresponds to some degree with identified SME characteristics as they tend to be managed more at an operative than a strategic level, have a limited number of employees, be highly dependent on external technology competencies, scarce on resources, and mostly have a local and well known customer base (Ghobadian & Gallear, 1997; Wong & Aspinwall-Roberts, 2004; Zachet al. 2014).

It is also interesting to notice the difference in described amount of activities between transition categories. SMEs that included an m-commerce channel did only describe a moderate amount of activities with an even greater efficiency-focus. This does not suggest that an m-commerce transition is easily done. It could however suggest that when SMEs already have made one online transition (in our case e-commerce) some of the challenges of the online context have already been faced. Left are activities needed to address specific issues regarding m-commerce, for example adapting content to a smaller screen size.

The use of the e-transit business model configuration contributed to a rich picture of activities taken by SMEs during their channel expansion. The chosen configuration perspectives corresponded well with described activities and all activities could be placed within a configuration perspective. However, the configuration perspectives of informating and creating points of interactions that were explicitly or heavily influenced by the more specific online business model frameworks, did not correspond as expected. Activities of informating, which was proposed to be of great importance by Weill and Vitale (2001) in an online context, supported by Thomas and Sullivan (2005), was not

mentioned by SMEs to any great extent, although graded to be of high importance by SMEs expanding from a physical channel. When spoken of by SMEs it was often in the context of them knowing the importance and possibilities of the configuration perspective but at the moment not having the time or resources to act on that understanding. The same pattern could be seen with the perspective of creating points of interactions, which generated even less corresponding activities. However, this perspective was the only one that all transition categories graded to be of high importance. These results indicate that both configuration perspectives were relevant in the e-transit business model configuration they were however not as evident during the initial stages of studied SMEs channel transition.

7   Conclusions, Limitations, and Further Research

As studied SMEs embarked on their online channel expansion they not only initiated a technology change, they also initiated a change in how to create and offer value to their customers. In other words, their decision to pursue possible benefits of online channel expansion changed their business model. Stated research question targeted the understanding of what value creating activities SMEs take when expanding to online channels. By using a business model perspective a rich picture of two main sets of activities has been gained, primary and secondary transition activities. A discrepancy was also found between activities SMEs actually took and what they perceived to be of importance to take. The practical implication of this is knowledge offered to SMEs, whom are thinking of conducting an online channel expansion, of which kind of issues to expect and to some degree when to expect them. Theoretical implications of the study are both the suggested e-transit business model configuration, and a richer picture of the characteristics of SMEs actions during times of business model change and online channel transition.

The study is not without limitations and should be read and understood based on its context. Interviews were made with owner-managers, high-level decision makers, or project managers within a company and not with external stakeholders or partnering companies. Including external stakeholders might have given a more holistic understanding of activities needed in order to conduct an online channel expansion. However, the purpose of the study was to study actions taken by participating SMEs.

Further research could be aimed at testing proposed e-transit business model configuration in a larger setting and with a different methodological approach. Another interesting area could be to further study how value-creating activities change over time.

Acknowledgements

References

Abebe, Michael. (2014). Electronic commerce adoption, entrepreneurial orientation and small- aand medium-sized enterprise (SME) performance. *Journal of Small Business Management, 21*(1), 100-116.

Avery, Jill, Steenburgh, Thomas J., Deighton, John, & Caravella, Mary. (2012). Adding Bricks to Clicks: Predicting the Patterns of Cross-Channel Elasticities Over Time. *Journal of Marketing, 76*(3), 96-111. doi: 10.1509/jm.09.0081

Chatterjee, Sayan. (2013). Simple Rules for Designing Business Models. *California Management Review, 55*(2), 97-124.

Chen, Jing Elaine, Pan, Shan L., & Ouyang, Tao Hua. (2014). Routine reconfiguration in traditional companies' e-commerce strategy implementation: A trajectory perspective. *Information & Management, 51*(2), 270-282. doi: http://dx.doi.org/10.1016/j.im.2013.11.008

Creswell, John. (2007). *Qualitative Inquiry and Research design, choosing among five traditions* (2 ed.). Thousand oaks: Sage Publications.

Ecommerce-Europe. (2014). European B2C E-commerce Report 2014. Retrieved 2014/12/10, 2014, from http://www.ecommerce-europe.eu/

El Sawy, Omar A., & Pereira, Francis. (2013). *Business modelling in the dynamic digital space, an ecosystem approach*. New York: Springer.

EuropeanCommission. (2014a, 11/07/2014). Facts and figures: SME definition. *Enterprise and Industry.* Retrieved 9/10/2014, 2014

EuropeanCommission. (2014b). SME Performance Review. *Enterprise and Industry.* Retrieved 21/10/2014, 2014

Ghobadian, Abby, & Gallear, David. (1997). TQM and organization size *International Journal of Operations, 17*(2), 121-163.

Gunzel, Franziska, & Holm, Anna B. (2013). One size does not fit all: understanding the front-end and back-end of business model innovation. *International Journal of Innovation Management, 17*(1), 1340002-1340001-1340002-1340034. doi: 10.1142/S1363919613400021

Ja-Shen, Chen, & Ching, Russel K. H. (2002). A proposed framework for transitioning to an e-business model *Quarterly Journal of Electronic Commerce, 3*(4), 375.

Johnston, David, Wade, Michael, & McClean, Ron. (2007). Does e-Business matter to SMEs? A comparison of the financial impacts of internet business solutions on European and North American SMEs. *Journal of Small Business Management, 45*(3), 354-361.

Karjaluoto, Heikki, & Huhtamäki, Maija. (2010). The Role of Electronic Channels in Micro-Sized Brick-and-Mortar Firms. *Journal of Small Business & Entrepreneurship, 23*(1), 17-38.

Li, Xiaolin, Troutt, Marvin, Brandyberry, Alan, & Wang, Tuo. (2011). Decision factors for the adoption and continued use of online direct sales channels among SMEs. *Journal of the Association for Information Systems, 12*(1), 1-31.

Lofland, John, Snow, David, Anderson, Leon, & Lofland, Lyn H. (2006). *Analysing social settings*. Belmont: Wadsworth, Cengage Learning.

Merriam, B. Sherran. (2009). *Qualitative Research, a guide to design and implementation*. San Francisco: Jossey-Bass.

Miles, Matthew, & Huberman, Micheal. (1994). *Qualitative Data Analysis: An Expanded Sourcebook.* (2 ed.). Thousand Oaks: Sage publications.

Moingeon, Bertrand, & Lehmann-Ortega, Laurence. (2010). Creation and Implementation of a New Business Model: a Disarming Case Study. *Management, 13*(4), 266-297.

Mustaffa, S., & Beaumont, N. (2004). The effect of electronic commerce on small Australian enterprises. *Technovation, 24*, 85-95. doi: 10.1016/S0166-4972(02)00039-1

Osterwalder, A, & Pigneur, Y. (2010). *Business model generation*: John Wiley and Sons.

Osterwalder, A, Pigneur, Y, & Tucci, Cristopher. (2005). Clarifying business models: origins, present, and future of the concept *Communications of AIS, 16*, 1-25.

Patton, Michael Quinn. (2001). *Qualitative Research & Evaluation Methods* (3 ed.). Thousand Oaks: Sage Publications.

Postnord. (2014). E-commerce in the Nordics 2014. Retrieved 2014/12/10, 2014, from http://www.postnord.com/en/media/publications/e-handel/

Schneider, Sabrina, & Spieth, Patrick. (2013). Business model innovation: towards an integrated future research agenda. *International Journal of Innovation Management, 17*(1), 1340001-1340001-1340001-1340034. doi: 10.1142/S136391961340001X

Stockdale, Rosemary, & Standing, Craig. (2004). Benefits and barriers of electronic marketplace participation: an SME perspective. *The Journal of Enterprise Information Management, 17*(4), 301-311.

Thomas, Jacquelyn S., & Sullivan, Ursula Y. (2005). Managing Marketing Communications with Multichannel Customers. *Journal of Marketing, 69*(4), 239-251. doi: 10.1509/jmkg.2005.69.4.239

Tiwari, Rajnish, Buse, Stephen, & Herstatt, Cornelius. (2006). From electronic to mobile commerce, Opportunities through technology convergence for business services. *TECH MONITOR*(Sept-Oct), 38-45.

Turban, Efraim, King, David, Viehland, Dennis, & Lee, Jae. (2006). *Electronic Commerce, a managerial perspective 2006*. Upper Saddle River: Pearson Prentice Hall.

Valos, Michael J. (2009). Structure, people and process challenges of multichannel marketing: Insights from marketers. *Journal of Database Marketing & Customer Strategy Management, 16*(3), 197-206. doi: 10.1057/dbm.2009.21

Vlachos, Ilias. (2011). SMEs E-Business Behaviour: A Demographics and Strategic Analysis. *Journal of Enterprise Resource Planning Studies, 2011*, 1-21.

Wagner, Gerhard, Schramm-Klein, Hanna, & Steinmann, Sascha. (2013). Effects of cross-channel synergies and complementarity in a multichannel e-commerce system – an investigation of the interrelation of e-commerce, m-commerce and IETV-commerce. *International Review of Retail, Distribution & Consumer Research, 23*(5), 571-581. doi: 10.1080/09593969.2013.832697

Weill, Peter, & Vitale, Michael. (2001). *Place to Space, migrating to e-business models*. Boston: Harvard Business School Press.

Wilson, Hugh, Daniel, Elisabeth, & Davies, Ian (2008). The diffusion of e-commerce in UK SMEs. *Journal of Marketing Management, 24*(5-6), 489-516.

Wong, Kuan Yew, & Aspinwall-Roberts, Elaine. (2004). Characterizing knowledge management in the small business environment. *Journal of knowledge management, 8*(3), 44-61.

Zach, Ondrej, Munkvold, Bjorn Erik, & Olsen, Dag Håkon. (2014). ERP system implementation in SMEs: exploring the influences of the SME context. *Enterprise Information Systems, 8*(2), 309-335.

Zhang, Jie, Farris, Paul W., Irvin, John W., Kushwaha, Tarun, Steenburgh, Thomas J., & Weitz, Barton A. (2010). Crafting Integrated Multichannel Retailing Strategies. *Journal of Interactive Marketing, 24*(2), 168-180. doi: http://dx.doi.org/10.1016/j.intmar.2010.02.002

Zott, Christoph, & Amit, Raphael. (2013). The business model: A theoretically anchored robust construct for strategic analysis. *Strategic Organization, 11*(4), 403-411.

Zott, Christoph, Amit, Raphael, & Massa, Lorenzo. (2011). The Business Model: Recent Developments and Future Research. *JOURNAL OF MANAGEMENT, 37*(4), 1019-1042.