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CROSS-BORDER E-COMMERCE PACKAGE DELIVERIES BETWEEN NORTHERN FINLAND AND RUSSIA

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ABSTRACT OF THE MASTER'S THESIS

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Abstract

The Russian e-commerce market has been growing rapidly during the past years and this growth has only accelerated since the beginning of the COVID-19 pandemic. Russia is Europe's largest internet market and thus presents opportunities for companies which hope to grow their e-commerce sales. Russian consumers trust and value Finnish brands and products and are likely to purchase them using cross-border e-commerce, especially now that the border is closed due to the COVID-19 pandemic. Even though Finnish companies have successfully incorporated e-commerce into their businesses with their domestic customers, only a very small percentage of them practice cross-border e-commerce. This is why it is important to recognize the barriers companies face regarding the Russian e-commerce market and the cross-border e-commerce package deliveries.

The purpose of the thesis is to overcome the barriers by finding ways to develop cross-border e-commerce package delivery between Northern Finland and Russia. The regions of Northern Ostrobothnia, Kainuu and the Republic of Karelia were chosen to be the main focus of the study as they all neighbor the Finnish-Russian border and each other. In order to identify possible ways to develop the delivery process between the regions, the knowledge that the companies have about the Russian e-commerce market, and the barriers they face regarding the market and the cross-border e-commerce package deliveries of the market need to be identified first.

The research follows an abductive process where the existing literature is studied first, and the empirical analysis is done based on the formed theoretical framework. The research is conducted as a qualitative multiple-case study and the empirical data is gathered via four semi-structured interviews with company representatives. The interviewees consist of company representatives from the Northern Ostrobothnia and Kainuu regions who practice cross-border e-commerce to Russia and a logistics service provider specializing in cross-border e-commerce package deliveries to Russia.

Based on the data, companies in the regions do not recognize the opportunities of the Russian e-commerce market very strongly. The majority of companies do not see Russia as a strategically important country despite its great growth potential. The main barriers that companies face regarding the e-commerce market in Russia are lack of knowledge and language barrier. As for the issues in the cross-border e-commerce package delivery to Russia, the unclear procedure regarding returns and exchanges of delivered products and issues with overly strict customs procedures were discovered. The cross-border e-commerce package delivery between the regions can be developed by sharing information about the Russian e-commerce market and practicalities relating to it, making the delivery process as customer friendly as possible, and creating a more flexible customs protocol.

Keywords

Cross-border e-commerce, mobile commerce, e-commerce logistics, cross-border logistics, package delivery, Russia, Karelia, Kainuu, Northern Ostrobothnia

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1 INTRODUCTION

1.1 Introduction to the research topic

This master's thesis examines how it is possible to develop cross-border e-commerce package deliveries from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia. Karelia CBC (2020) has launched LOGOKA project, which aims to promote cooperation between companies in the Northern Ostrobothnia, Kainuu and Karelia regions in order to develop knowledge and skills in cross-border trade and transport. All the regions that are in the focus of this thesis border each other and share a close cultural relationship as well as a geographical proximity to each other, which is why it makes sense to promote cross-border e-commerce development between the regions. This study supports the LOGOKA project with regard to the development of cross-border e-commerce package deliveries by finding out what kind of problems companies have related to them and offering solutions to these problems.

According to Korobkin (2020) Russia is Europe's largest internet market with 23% annual growth of e-commerce volume, which makes it a very potential market for businesses in the Northern Ostrobothnia and Kainuu regions that want to expand their e-commerce sales internationally. Online sales are likely to amount to 6% of total retail turnover in Russia by 2023. The focus of the companies should be in both bigger cities, which produce the main turnover, but also in regional Internet trading, such as in Karelia, because there the market is underdeveloped and therefore has less competition. It is also expected that within three years the majority of the sales in the Russian e-commerce market come from major players in the market, which is why this is a good time for companies to enter the market before it is completely dominated by large Internet retailers. (Popenkova & Nikishin, 2020.)

Even though the Russian e-commerce market shows great potential, the European Commission (2019) found that Finnish businesses are not utilizing the opportunities of cross-border e-commerce even when they have adopted e-commerce into their businesses for their domestic customers. Suutari et al. (2019) discovered multiple barriers relating to the cross-border e-commerce between Northern Finland and the Republic of Karelia, such as legal and regulatory difficulties and lack of information

about markets and partners. The topic of cross-border e-commerce between the regions needs to be studied further in order to gain more knowledge of the issues and to discover solutions for the questions related to package deliveries of cross-border e-commerce. The study also hopes to encourage companies to reach their potential customers in the Republic of Karelia by identifying the knowledge and barriers that companies currently have regarding the Russian e-commerce market.

1.2   Purpose and motivation of the study

The study will complement the LOGOKA project in regards one of its main objectives of developing "new options to cross-border package delivery" by identifying issues companies in the regions face and by offering possible solutions to them (Karelia CBC, 2020). The purpose of the study is to find ways to develop cross-border e-commerce package delivery between Northern Finland and Russia and to fill the research gap relating to package deliveries of cross-border e-commerce between the Northern Ostrobothnia, Kainuu and Karelia regions. The theory relating to the research topic is often about other e-commerce markets, so there is not much research about the Russian e-commerce market. Also, not many studies combine the issues of e-commerce logistics and cross-border e-commerce, which are the most important concepts of this thesis. E-commerce and logistics are larger concepts behind them, which is why they and their sub concepts form the theoretical background of the study. In the theoretical background of the study the key concepts regarding cross-border package delivery and e-commerce logistics are defined as they will support the empirical part of the study and help understand the issue better. The theoretical background will also include legislation and statistics regarding the trade and logistics between Finland and Karelia region of Russia.

The research problem of the study is to identify the issues companies from the Northern Ostrobothnia and Kainuu regions face regarding their cross-border e-commerce package deliveries to Russia. By doing this, the possibility to develop new options for cross-border package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia can be explored. First, the problems regarding cross-border e-commerce package delivery to Russia are identified by interviewing companies from the Northern Ostrobothnia and Kainuu regions, after which possible

solutions for the issues are explored. In order to do this, the companies' perceptions about the Russian e-commerce market and the possible barriers they might face regarding the market need to be identified first.

The motivation of the study is to help companies in the Northern Ostrobothnia and Kainuu regions with their issues regarding their e-commerce package deliveries to the Republic of Karelia. The study also hopes to identify the knowledge and preconceptions that companies might have about the Russian e-commerce market. Identifying possible false preconceptions and barriers that companies face, helps to come up with development ideas to overcome them. The study hopes to help Finnish companies in the Northern Ostrobothnia and Kainuu regions recognize the potential in the Russian e-commerce market and to encourage them to pursue it more strategically.

1.3   Research questions

The main research question was formulated to guide this research based on the purpose of the study and the previous research done on the topic:

The main research question:

How can cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia be developed?

Three sub questions were formed in order to answer the main research question and to gain a deeper understanding on the issue:

Research sub question 1:

What kind of knowledge companies in the Northern Ostrobothnia and Kainuu regions have about the opportunities of e-commerce in Russia?

Research sub question 2:

What kind of barriers companies in the Northern Ostrobothnia and Kainuu regions face when aiming for the Russian e-commerce market and what can be done to overcome them?

Research sub question 3:

What kind of issues companies in the Northern Ostrobothnia and Kainuu regions have regarding cross-border e-commerce package delivery to Russia?

1.4   Key concepts

The concepts of e-commerce, logistics, cross-border e-commerce and e-commerce logistics are especially relevant for the study, as they form the basis of the theoretical background.

E-commerce

According to Zwass (1996) electronic commerce, or e-commerce, can be defined as "sharing business information, maintaining business relationships, and conducting business transactions by means of telecommunications networks". Rebiazina, Smirnova and Daviy (2020) evaluate that as an emerging market Russia has great growth potential in regard to e-commerce as it has the biggest online audience in Europe.

Logistics

According to Kenton (2020), "logistics refers to the overall process of managing how resources are acquired, stored, and transported to their final destination". This thesis focuses to outbound logistics of tangible products. Outbound logistics are about getting the product to the customer. With tangible products this means warehousing, material handling and transport. (Hollensen, 2020, p. 24.)

Cross-border e-commerce

Cross-border e-commerce is online shopping where the customer purchases goods from a different country than where they live in (Kawa & Zdrenka, 2016). According to Kawa and Zdrenka (2016) it is becoming increasingly popular and has great growth potential.

E-commerce logistics

Bask, Lipponen and Tinnilä (2012) define e-commerce logistics as "the physical delivery of goods in e-commerce" and recognize its importance as an area for research due to the constant growth of the e-commerce market. Logistic service providers have a more important role in customer satisfaction with e-commerce than with traditional brick-and-mortar businesses because with e-commerce the delivery is an important part of the sales process (Ramanathan, 2010; Bask et al., 2012; Yu, Wang, Zhong & Huang, 2017).

The theoretical concepts, along with the description of the business environment, including relevant legislation and statistics, help define the theoretical framework for the study, which will support the empirical part of the study.

1.5 Description of research methods

The thesis follows an abductive process where the theory on the research is first studied and a strong theoretical base is formed, and then the empirical analysis is done based on the theoretical framework (Timmermans & Tavory, 2012). This study's empirical section will be conducted on the principles of a qualitative research. A qualitative research method was chosen for the study in order to gain a deeper understanding on cross-border package deliveries.

According to Yin (2003, p. 53) multiple-case studies, where more than one cases are analyzed, tend to produce better cases as they usually provide more material to analyze. A multiple-case study approach was chosen for this study in order to gain a deeper understanding on the phenomenon of cross-border e-commerce deliveries. The

single cases in this study consist of interviews with company representatives relating to cross-border e-commerce to Russia and reviewing the companies' websites as well as other material provided by them. All of the cases provide unique insight on the matter, which is why they are included in the study.

The research method used will be semi-structured interviews with different company representatives from the Northern Ostrobothnia and Kainuu regions. According to Qu and Dumay (2011) semi-structured interviews are popular due to their flexibility and ability to disclose "important and often hidden facets of human and organizational behaviour". The semi-structured interviews are organized with three company representatives from the Northern Ostrobothnia and Kainuu regions which practice cross-border e-commerce to Russian consumers, and a company representative from a company that specializes in parcel deliveries to Russia.

1.6 Structure of the study

This thesis proceeds as follows. The study begins by introducing the research topic of cross-border e-commerce package deliveries between Northern Ostrobothnia, Kainuu and the Republic of Karelia. In chapter 2, the description of the business environment, the relevant legislation and statistics are introduced in order to better understand the context of the study. Then the theoretical background of the study is defined in chapters 3 and 4. Along with the relevant legislation and statistics, the theoretical background is used in order to create a theoretical framework for the empirical part of the study in chapter 5.

After the theoretical framework is created, the methodology of the study is presented in chapter 6. The empirical part of the study is done based on the principles of a qualitative study. The findings of the interviews with representatives of companies from the Northern Ostrobothnia and Kainuu regions are presented in chapter 7 to determine the issues they are having with cross-border package deliveries of e-commerce to Karelia, and how much knowledge the companies have regarding the business opportunities of the Russian e-commerce market. In chapter 8 the conclusions are presented, including answers to the research questions, theoretical contribution,

managerial implications, reliability and limitations of the study and topics for possible future research.

2   DESCRIPTION OF THE BUSINESS ENVIRONMENT

2.1   Statistics

The first part of the description of the business environment consist of statistics related to cross-border package deliveries of e-commerce from Finland to the Republic of Karelia. In this chapter, statistics about Russian e-commerce market, Finnish exports, Northern Ostrobothnia and Kainuu and their exports, and the Republic of Karelia and its imports are presented. These statistics are relevant for the study as they describe the business environment in which the study is conducted in and help to understand the context of the study.

2.1.1   Russian e-commerce market and Finnish exports

According to Finnish Customs (2020b), Russia is the sixth biggest export country of Finland. However, there is still a plenty of room for growth for Finnish businesses in the Russian market, especially relating to e-commerce. According to Korobkin (2020) Russia, with 23% annual growth of e-commerce volume, is Europe's largest internet market. Nykänen (2020) goes even further than that and states that Russia is one of the world's biggest online markets, with over 40% of Russian e-commerce purchases made from foreign sites. Currently only 5% of Russia's total retail sales come from the e-commerce market, which leaves a lot of room for growth in the future (Korobkin, 2020).

Electronic goods and home appliances (31% of total domestic sales value) and clothing and footwear (23% of total domestic sales value) have the most significant demand in the e-commerce market in Russia. Other considerable product categories for e-commerce sales include car parts, groceries, homeware, and health and beauty. (Korobkin, 2020.) In the first three quarters of 2020, textiles, clothing, and footwear made up only 1,3% of Finnish exports to Russia (Finnish Customs, 2020b). It seems that there would be an opportunity for growth for Finnish clothing companies. Between January and September of 2020, electronic goods and appliances comprised 10% of Finnish exports to Russia (Finnish Customs, 2020b). As for other product categories, groceries formed 3,5% and furniture only 0,2%. Majority of Finnish

exports to Russia are related industry and manufacturing, which include machinery and equipment, paper and cardboard, and chemical industry products, however in this study, the focus will be on consumer products as the study focuses on cross-border package deliveries of e-commerce. (Finnish Customs, 2020b.)

30% of e-commerce purchases in Russia are made by using a smartphone or a tablet, with mobile applications and social media sites as sales platforms becoming increasingly popular (Korobkin, 2020). According to Poushter (2016), in 2015 45% of Russian adults reported owning a smartphone with the amount having risen 22% between 2013 and 2015. Out of those smartphone owners 85% use social media sites (Poushter, 2016). With the information being already 6 years old, and the smartphone usage rising so much between 2013 and 2015, the percentage is likely to be much higher currently. For example, O'Dea (2021) evaluates that in 2020 there were 106,23 million smartphone users in Russia. With estimated 145,934,462 people in Russia in 2020, this would mean that around 73% of Russian population were smartphone users in 2020 (Worldometer, 2021). In comparison, the evaluated amount of smartphone users in Finland in 2020 was 87,24%, which leaves a lot of room for growth in Russia, and thus creates potential for new e-commerce purchases to be made using smartphones utilizing mobile applications or social media sites (Niinimäki, 2020).

Table 1. E-commerce in Finland (adapted from European Commission, 2019).

Finnish retail stores	Percentage (%)
Finnish retail stores that sell to consumers using digital channels	48%
Finnish retail stores that sell to EU or non-EU country consumers using digital channels	6%
Finnish companies that do not currently sell online, but would be interested in selling online over the next year, but only to consumers in Finland	23,4%

According to European Commission (2019), Finnish retail stores sell to consumers using digital channels, such as webstores, more than is the European average with 48% of retail stores selling to consumers using them. Also, using e-commerce or mobile commerce for selling has increased most among Finnish retailers compared to other EU countries with a 13,6% rise. However, only 6% of Finnish retail stores sell to EU or non-EU country consumers, leaving Finland in the bottom 25% of EU countries that sell their products abroad using e-commerce. According to the report, 23,4% of Finnish companies that do not currently sell online would be interested in selling online over the next year, but only to consumers in Finland. (European Commission, 2019.) It seems that Finnish companies do not utilize the opportunities of cross-border e-commerce enough, even though they have adopted e-commerce into their businesses successfully with their domestic customers. According to European Commission (2019), Finnish companies consider multiple barriers to be important in cross-border e-commerce, but there does not seem to be a single barrier that is considered to be significantly more important than others.

According to Nykänen (2020) Finnish products enjoy a great brand reputation among Russian consumers, which is not utilized enough by Finnish companies. Due to the COVID-19 pandemic, many Finnish companies close to the Russian border have lost their Russian customers, but still have not utilized cross-border e-commerce to reconnect with their customers (Nykänen, 2020). Finnish companies should be encouraged to do so in order to advance Finnish exports. According to Finnish Commerce Federation (2020), Finnish online stores are reviewed to be excellent, and they should be able to grow stronger both domestically and internationally. While online consumers are very price driven, Finnish Commerce Federation (2020) considers the variety of own brands and products to be a strength for Finnish online stores internationally. Russian consumers value quality brands and premium products, and with Finnish companies and products enjoying the brand reputation of being reliable among Russians, the companies should take advantage of this by selling their unique brands and products to Russian customers using cross-border e-commerce (Nykänen, 2020).

2.1.2 Special features of Northern Ostrobothnia's exports

According to Pohjois-Pohjanmaan liitto (n.d.a), there were 412 830 people living in Northern Ostrobothnia in 2019. There are 30 municipalities in Northern Ostrobothnia, with the biggest city being Oulu with over 200 000 inhabitants. Oulu is also the fifth biggest city in Finland (Pohjois-Pohjanmaan liitto, n.d.b). The population growth of the region focuses on the Oulu area, whereas in other areas of Northern Ostrobothnia the population is decreasing. (Pohjois-Pohjanmaan liitto, n.d.a.) Northern Ostrobothnia is the second biggest region in Finland based on its surface area and fourth biggest based on its population. 7,5% of Finnish population lives in the region. Northern Ostrobothnia is a young region as the average age of its population is only 40,2 years and every fifth inhabitant is less than 15 years old. (Pohjois-Pohjanmaan liitto, n.d.b.)

Table 2. Exports of Northern Ostrobothnia (adapted from Finnish Customs, 2020a).

Northern Ostrobothnia	2019 (January-June)	2020 (January-June)	Change (%)
Value of exports	1 147 million euros	794 million euros	-30,8
Percentage of exports created by industry	93,9%	93,7%	-0,02
Percentage of exports created by the commercial sector	1,2%	1,2%	0
Percentage of exports created by others	4,9%	5,1%	+0,02
Share of exports created by private domestic companies	63,5%	58,6%	-4,9

Share of exports created by foreign owned businesses	36,5%	41,4%	+4,9
Number of businesses practicing foreign trade	380	370	-2,7

During the first half of 2020, the value of exports dropped 30,8% in Northern Ostrobothnia compared to the same time period of the previous year. Most likely the arrival of COVID-19 has affected this significant drop. Between January and June of 2020, Northern Ostrobothnia was responsible of 2,9% of all exports in Finland. Majority of Northern Ostrobothnia's exports (93,7%) during the same time period came from industry, whereas the commercial sector was responsible for 1,2% of the exports and the rest 5,1% were classified as others. The export shares were very similar during the same time period in 2019. The shares of owner types were divided as follows in Northern Ostrobothnia: private domestic companies made up 58,6% of exports and foreign owned businesses 41,4%. During the first half of 2020, there were 370 businesses in Northern Ostrobothnia that sold to customers outside of EU for more than 5 000 euros, which was ten businesses less than during the same review period in 2019. (Finnish Customs, 2020a.)

2.1.3   Special features of Kainuu's exports

According to Kainuun liitto (2020), Kainuu is the third biggest region in Finland based on its size and has the population density of only 3,6 inhabitants per square kilometer, therefore leaving a lot of unpopulated space. There are eight municipalities in Kainuu, and the region has the population of 72 306 people. 1,7% of Finnish population in 2019 lived in Kainuu. The population in Kainuu is decreasing due to ageing population, which is likely to lead to labor shortage in the future. The gross domestic product of Kainuu is 33 117 euros per inhabitant, which has gone up by 6,1%. (Kainuun liitto, 2020.) According to Kainuun liitto (2020), there are 27 700 jobs and an unemployment rate of 9,9% in Kainuu, which is the third lowest among Finnish regions. Only 1% of all unemployed people in Finland in the August of 2020 were from Kainuu. There are

a lot of travelers in Kainuu as well. In 2019, 2,6% of all Finnish summer residents were staying in Kainuu and there are 12 800 summer cottages in the region. Skiing center and national parks attract people to the area. (Kainuun liitto, 2020.)

Table 3. Exports of Kainuu (adapted from Finnish Customs, 2020a).

Kainuu	2019 (January-June)	2020 (January-June)	Change (%)
Value of exports	211 million euros	168 million euros	-20,4
Percentage of exports created by industry	27,6%	30,3%	+2,7
Percentage of exports created by the commercial sector	58,4%	49,0%	-9,4
Percentage of exports created by others	14,0%	20,7%	+6,7
Share of exports created by private domestic companies	25,0%	25,6%	+0,6
Share of exports created by foreign owned businesses	74,4%	74,4%	0
Share of exports created by government or municipality	0,6%	0%	-0,6
Number of businesses practicing foreign trade	42	46	+9,5

In Kainuu, the value of exports during the first half of 2020 was the second lowest in the whole country, with 168 million euros, only Åland having an even lower value.

The value of exports dropped 20,4% compared to the same review period of the previous year, which is likely affected by the COVID-19 pandemic. Kainuu was responsible for 0,6% of Finnish exports between January and June of 2020. Industry in Kainuu made up the smallest share of exports compared to other regions in Finland with only 30,3% during the first half of 2020. The rest of Kainuu's exports came from the commercial sector with 49% and others with 20,7%. The commercial sector's exports in Kainuu were the second biggest in Finland compared to the other regions, however, they were even bigger with 58,4% during the first half of 2019. Private domestic companies were responsible for 25,6% of exports in Kainuu and foreign owned businesses 74,4% between January and June of 2020. Kainuu was one of the four regions in Finland where foreign owned businesses were responsible for the majority of exports. There were only 46 businesses that sold to customers outside of EU for more than 5 000 euros in Kainuu during the first half of 2020, which is the lowest amount in the whole country. However, compared to the same time period in 2019, there is actually a raise of four businesses practicing foreign trade. (Finnish Customs, 2020a.) According to Kainuun liitto (2014), sales at local grocery stores are highly dependent on customers from Russia. It is estimated that 15-20 million euros a year come from Russian's shopping trips to Kainuu and 10 million euros of that is left in Kainuu by Russian tourists. Kainuu's businesses need to market to Russian customers more and also create working webstores that are in Russian in order to attract more Russian traffic. (Kainuun liitto, 2014.)

2.1.4   The Republic of Karelia and its imports

The Republic of Karelia is the fifth biggest republic and the 18th biggest region in the Russian Federation with surface area of 180 520 km². The Republic of Karelia has the longest border with a European Union member country, Finland, out of all Russian regions. This is why Finnish and Russian cultures are intertwined in the republic. The population of the Republic of Karelia is around 614 000 people, and its capital is Petrozavodsk, which was founded in 1703. The official language of the republic is Russian, but Karelian, Finnish and Vepsian languages receive support from the government as well. The main livelihoods of the area are woodworking, mining, metallurgy, paper industry and mechanical engineering. (Administration of the Head of the Republic of Karelia, n.d.)

Table 4. Imports and exports of the Republic of Karelia (adapted from OEC, n.d.).

The Republic of Karelia	2019
Value of imports	145 million euros
Value of imports from Finland	42 million euros
Value of exports	754,6 million euros
Value of exports to Finland	194 million euros

The value of imports in the Republic of Karelia in 2019 were approximately 145 million euros, out of which around 42 million euros worth of imports originated from Finland. Finland's and the Republic of Karelia's economies are interconnected as Finland is the top import origin country in the Republic of Karelia, and Finland is also the top destination of the republic's exports. Altogether, the Republic of Karelia's exports were valued at around 754,6 million euros in 2019, and Finland received 25,7% of them. However, exports to Finland dropped 9,71% when comparing September 2019 and September 2020. Majority of exports to Finland were wood products and iron ore. 28,8% of all imports to the republic came from Finland in 2019. Majority of Finnish imports to the Republic of Karelia were animal food with 35% and paper goods with 35,17%. Comparing September 2019 and September 2020, Finnish imports dropped 22,6%, which is likely affected by the arrival of COVID-19. (OEC, n.d.)

The statistics reveal how the Russian e-commerce and mobile commerce markets are on the rise, but how at the same time companies in Kainuu and Northern Ostrobothnia, and companies in Finland in general, do not utilize the opportunities of Russian e-commerce. Finnish businesses have quality products, and the Finnish brand is valued in Russia. Also, almost half of them have working webstores, but for some reason they only practice very little cross-border e-commerce. According to the export statistics, very little of the Finnish exports to Russia come from consumer products, even though the demand seems to exist. This issue needs to be studied further in order to understand

why companies are not willing to try to expand to the Russian e-commerce market. This thesis studies the issue by interviewing companies about their perceptions and experiences regarding the Russian e-commerce market.

2.2 Legislation relating to cross-border package deliveries of e-commerce from Finland to the Republic of Karelia

The second part of the description of business environment of the study consists of the legislation relating to cross-border package deliveries of e-commerce from Finland to the Republic of Karelia. This is relevant for the study as legal issues are important in cross-border deliveries. The legal issues covered in the chapter include customs regulations and information about sanctions that affect the trade between Finland and Russia.

According to Posti Group Oyj (2021), when delivering a parcel to Russia the sender must include an "address label (incl. customs declaration), one separate CN23 customs declaration, for merchandise a pro forma invoice or commercial invoice in three copies (+ other documents required for customs clearance), import license for certain merchandise, [and] certificate of origin for merchandise". The address label and the customs declaration must include the recipients address in full. In the customs declaration, it is important that it clearly states what is inside the package and that all the information in the documents matches with the other documents. All attached documents must be either in Russian, English or French. (Posti Group Oyj, 2021.)

When a Russian consumer orders something from Finland that does not exceed the value of 200 euros, which should include transportation costs, they do not have to pay customs duties for the order if the ordered product is for personal use. If the value of the order exceeds 200 euros, a 15% customs charge is collected for the value in excess of 200 euros. (Posti Group Oyj, 2021; Krasnov, 2019.) When selling products to customers outside of Europe the company does not need to pay value added tax in Finland (Tulli, 2021a). According to Krasnov (2019) it should be taken into account that if selling in Russian webstores, the product information needs to be available in Russian. This is one of the reasons why Krasnov (2019) recommends using a Russian webstore platform when first starting to sell to Russian consumers along with the fact

that Russian customers prefer using their own payment options, such as Yandex Money.

Krasnov (2019) states that many Finnish businesses falsely assume that starting to sell their products online to Russian consumers takes a lot of work. However, when selling directly to consumers the laws are not as strict as in B2B selling. The business does not need to have a sales contract or an import certification, nor do they need to start a subsidiary in Russia. Also, the sanctions on different products, such as current Russian sanctions on foodstuff and farm products, do not apply to consumer trade, only to trade between companies, so it is possible to sell them online directly to consumers. (Krasnov, 2019.) However, according to Posti Group Oyj (2021), all foodstuff and farm products are on a list of prohibited items, so it is not possible to send them to Russian consumers using their services.

Sanctions imposed by the Russian government apply to the imports of farm products and foodstuff from Western countries. The sanctions apply to different meat products, dairy products, vegetables, fruits, nuts, fish, and foodstuff that include either milk or vegetable oil. However, for example, lactose free dairy products and milk, and vitamins are excluded from the sanctions. Also, the sanctions do not apply to passenger imports for private use, which is why private Russian people are allowed to import a reasonable amount of foodstuff with them after visiting, for example, Finland. However, the all the imported amount of food must be for the passenger's own use, as reselling is not allowed. The sanctions were first introduced in 2014 and so far they have been extended to apply until the end of 2021. (Suomalais-Venäläinen kauppakamari, n.d.a.)

The European Union has also imposed sanctions against the Russian Federation due to the Ukrainian crisis. The sanctions affect the funding of Russian banks, and also certain exporters with deliveries to Russia, Crimea and Sevastopol. The exporters are affected if their products that have export restrictions include products that are used to find oil or drill it, are dual-use products, are defense equipment or are other products that are separately listed. Dual-use products have sanctions if at least one of the ways to use the product is for military use. The EU sanctions can be undone if the Ukrainian crisis is alleviated. If the terms of the Minsk agreement are met, the sanctions that

apply to the mainland of Ukraine can be lifted. Also, if the area of Crimea is returned to Ukraine, the sanctions that apply to said area can be invalidated. (Suomalais-Venäläinen kauppakamari, n.d.b.)

Postal consignments are products that are exported using post to deliver the parcels. An electronic export declaration for Finnish customs is only needed to be lodged if the value of the postal parcel exceeds 1 000 euros. (Tulli, 2021b.) However, there are exceptions when the electronic export declaration needs to be done even for postal parcels of lower value, such as if "the goods are subject to export prohibitions or restrictions" or "the export declaration concerns a special procedure" (Tulli, 2021b). The export declaration needs to be lodged before the parcel, including the export accompanying document, is given to the post office (Tulli, 2021b). Tulli (2021b) states that "when the goods have exited the EU, Customs will issue a decision on release with confirmation of exit either electronically or to be retrieved from Customs". If the sent postal parcel is worth 1 000 euros or less, customs declaration CN22 or CN233 needs to be attached to it (Tulli, 2021b).

These legal issues relating to cross-border package deliveries of e-commerce from Finland to Russia are important for the study as they help to understand the context of the business environment in which the interviewed companies have to work in. When sending orders to Russian customers the companies need to be aware of the legislation issues, such as export declaration, required customs forms and sanctions. They also need to be aware of the Russian import regulations as, even though they do not affect the companies directly, they affect their Russian customers and therefore their buying behavior. It is also necessary for the companies to understand the regulations relating to cross-border e-commerce to Russia in order to have accurate knowledge and to prevent preconceptions that might hinder companies' willingness to enter the Russian e-commerce market.

3 E-COMMERCE

An early definition of e-commerce, or electronic commerce, by Zwass (1996) is "sharing business information, maintaining business relationships, and conducting business transactions by means of telecommunications networks". According to Heng (2003), e-commerce is using an electronic communication medium to perform commercial activities, such as payment management, communicating information and negotiating and exchanging financial instruments. Based on the descriptions, e-commerce is vital for almost all modern-day businesses even though all of them do not have online stores. Even without online stores, businesses are likely to have websites where they share information about their company and products. In this study, e-commerce is defined as the purchasing that is done online and also as the selling of goods and services by different types of businesses using the Internet (Solaymani, Sohaili & Yazdinejad, 2012).

E-commerce began to shape its current form in 1993, when internet made its commercial arrival with the introduction of the World Wide Web. In the beginning of e-commerce and online stores, there where issues relating to the insufficient bandwidth and how to get consumers to trust online stores. (Zwass, 1996.) Even though the issues are not quite as relevant nowadays, they still affect e-commerce especially in emerging markets, such as Russia.

Rebiazina et al. (2020) suggest that the Russian e-commerce market has been growing steadily over the past ten years and Russia has the largest online audience in Europe currently. However, e-commerce market formed only 1,7% of Russian's total retail market in 2018, so there is still a lot of room for growth for e-commerce businesses in the country. According to their study, there are different barriers and drivers for the development of e-commerce in Russia. Drivers include things such as more competitive prices, good delivery options and better assortment of products, especially unique ones. Barriers in turn include mistrust in online purchasing and mistrust in using credit cards over cash. (Rebiazina et al., 2020.)

According to Popenkova and Nikishin (2020), pickup by buyer is the most common delivery method in Russia, as delivery is often paid. In the second place is delivery

using Russian Post, which is most popular with foreign online stores. They also identify four trends that are likely to affect Russian e-commerce in the near future. According to their study, online sales are likely to amount to 6% of total retail turnover in Russia by 2023. The increase in online sales is expected to be improved by the coronavirus and the legalization of online drug sales. The focus of the companies should be in both bigger cities – as they produce the main turnover – but also in regional Internet trading, because there the market is underdeveloped and therefore has less competition. It is also expected that within three years the majority of the sales in the Russian e-commerce market come from major players in the market, which is why this is a good time for companies to enter the market before it is completely dominated by large Internet retailers. (Popenkova & Nikishin, 2020.)

3.1 Cross-border e-commerce

According to Kawa and Zdrenka (2016) cross-border e-commerce is online shopping where the customer purchases goods from a different country than where they live in. They have identified different barriers that affect cross-border e-commerce, first of which is cost of delivery. They discovered that consumers are not willing to spend too much money on delivery, and if the delivery cost for buying abroad is a lot higher than when buying from domestic online stores, the consumers are likely to keep buying goods from domestic stores. Order fulfilment time is the second biggest obstacle as the delivery times tend to be longer when ordering from abroad. Other barriers include different languages, currencies, payment forms, and laws and taxes. If an online store is using a different language, currency, or a form of payment than the customer prefers, the likeliness of a purchase reduces. Also, different laws and taxes that apply to cross-border e-commerce might fend off customers if they are not familiar with them. (Kawa & Zdrenka, 2016.)

Gomez-Herrera, Martens and Turlea (2014) also recognize language as an important barrier regarding cross-border e-commerce. It is important that companies recognize this barrier and develop their online stores accordingly. If a company wants to attract customers from a foreign country, they need to include the foreign language in question as a language option in their webstore. This is especially important when targeting Russian consumers, as according to Krasnov (2019) only 10% of Russians

speak at least little English, which makes the Russian language option necessary in online stores.

Hollensen (2020, pp. 90–91) recognize that nowadays it is common for companies to be 'born global' which means that the company aims to mainly do cross-border e-commerce over an Internet-based platform. Laudon and Guercio Traver (2019, p. 54) acknowledge the global reach and ubiquity e-commerce provides for companies. E-commerce gives companies an opportunity to practice their businesses anywhere and anytime (Laudon & Guercio Traver, 2019, p. 54). However, as European Commission (2019) found, Finnish businesses are not utilizing the opportunities of cross-border e-commerce, even though they use e-commerce in their home market a lot compared to other European countries.

Rusachenko (2020) identified challenges that Finnish SMEs (small and medium sized enterprises) face when considering starting cross-border e-commerce trade in Russia. The biggest challenges discovered in the thesis were "lack of resources, lack of knowledge about selling on a Russian market, language barrier and other markets over Russian market" (Rusachenko, 2020). In addition to those challenges, political and legislative issues were also mentioned. According to the thesis, Finnish SMEs do not have the resources to learn the necessary information regarding market entry in Russia or to implement it. A small business does not have the resources to enter all markets it finds interesting. Russian market is seen as complex due to legislative and political reasons, which is why the SMEs might prefer other countries when considering starting cross-border e-commerce. Language barrier is mentioned again as an important challenge relating to the Russian e-commerce market. Without learning Russian, the companies will have a hard time dealing with customer service of the Russian customers. (Rusachenko, 2020.)

Rusachenko (2020) also proposes solutions for these challenges. One possible solution for the Finnish SMEs is to outsource their Russian e-commerce processes to a broker company, which would take care of the distribution of products on a Russian online store platform, transactions and delivery chain. In return for the service, the SME would need to pay commission to the broker company. Another way to deal with the

challenges is to utilize the services universities and other organizations, such as Team Finland, offer companies that hope to expand their businesses. (Rusachenko, 2020.)

3.2 Mobile commerce

According to Laudon and Guercio Traver (2019, pp. 60–61), mobile commerce or m-commerce can be defined as "the use of mobile devices to enable online transactions". In mobile commerce, mobile devices, such as tablets or smartphones, use cellular and wireless networks in order to connect to the Internet, where consumers then purchase products and services, and also conduct other activities related to purchasing, such as make travel reservations (Laudon & Guercio Traver, 2019, pp. 60–61). As stated by Cheong and Mohammed-Baksh (2019), mobile commerce has "two different forms: one using mobile web browsers, and the other, using smartphone shopping apps". Factors that affect the growth of the mobile commerce market are, among other things, the increasing amount of time consumers spend using their mobile devices, larger smartphone screens, websites designed to be used on a mobile device, and improved mobile search functionality (Laudon & Guercio Traver, 2019, pp. 60–61).

Mobile commerce shows great growth potential. According to Pousttchi, Tilson, Lyytinen and Hufenbach (2015), mobile commerce is one of the most important phenomenon in digitalization. Retail mobile commerce has grown over 30% annually over the past several years, and in 2018, it was responsible for 60% of all retail e-commerce revenues around the world. It is expected that the share of mobile commerce in e-commerce continues to grow, and that in 2022 over 70% of all retail e-commerce revenues will come from mobile commerce. Originally, mobile commerce mainly consisted of digital goods, such as music and games. However, nowadays traditional retail products and travel services facilitate the growth of mobile commerce. (Laudon & Guercio Traver, 2019, pp. 498–501.) In Russia, 30% of e-commerce purchases are made by using a smartphone or a tablet, and mobile applications and social media sites as sales platforms are increasing in popularity (Korobkin, 2020). This, combined with the fact that smartphone ownership is rising in Russia (Poushter, 2016), shows that mobile commerce has great growth potential in the Russian market.

Mobile applications, or apps, as purchasing platforms are becoming increasingly important in mobile commerce (Laudon & Guercio Traver, 2019, pp. 498–501). Cheong and Mohammed-Baksh (2019) recognize that shopping apps offer customers numerous benefits as they are made to be used on a smartphone, which is why the usability is more comfortable compared to using the smartphone's web browser. Tang (2019) encourages businesses to take advantage of the app trend in mobile commerce and to create new business opportunities using them. Consumer engagement and customer retention should be supported by the companies in the mobile apps in order to gain mobile commerce revenues (Tang, 2019).

This study focuses on e-commerce in general as it is the broader concept that mobile commerce is also a part of. The main difference between the two concepts is that e-commerce is the purchasing and selling that is done online (Solaymani et al., 2012), whereas mobile commerce only covers the online purchasing that is done using mobile devices, such as tablets or smartphones (Laudon & Guercio Traver, 2019, pp. 60–61). The study chose not to limit its focus only to mobile commerce as it wants to cover all aspects of cross-border e-commerce.

4   LOGISTICS

Even though logistics as a basic function for businesses has been around for a long time, logistics as a concept is a relevantly new topic (Karrus, 2001, pp. 12–14). Karrus (2001, pp. 12–14) defines logistics as leading and developing value adding services, such as procurement, production and storing. Whereas, according to Kenton (2020), "logistics refers to the overall process of managing how resources are acquired, stored, and transported to their final destination".

Hollensen (2020, p. 24) separates inbound and outbound logistics. Inbound logistics are related to things such as materials, handling, stock control and transport, which have something to do with receiving, storing and distributing the inputs to the product or service. Outbound logistics in turn are about getting the product to the customer, by means of collection, storage and distribution of the product. With tangible products this means warehousing, material handling and transport, whereas with services this would mean getting the customer to the service. (Hollensen, 2020, p. 24.) This thesis focuses to outbound logistics of tangible products.

4.1   E-commerce logistics

Bask et al. (2012) acknowledge e-commerce logistics, which is "the physical delivery of goods in e-commerce", as an interesting area for research due to the continuous growth of the e-commerce market. With e-commerce, logistic service providers have a more important role in customer satisfaction than in traditional business (Ramanathan, 2010; Bask et al., 2012; Yu, Wang, Zhong & Huang, 2017). This is because in traditional brick-and-mortar businesses the customer does not deal with the logistic service providers themselves as they receive the products directly from the store, whereas with e-commerce the logistic service providers are the only ones who have direct contact with the customer. Ramanathan (2010) found that logistics performance is a part of how customers view the company they have ordered the products from.

Bask et al. (2012) discovered that one of the most important things in successful e-commerce logistics is adequate volumes, which means that the delivery volumes need

to be big enough in order for the deliveries to be profitable for the delivery companies or logistics service providers. This is an issue with e-commerce parcel deliveries as the volumes are typically low which is why the deliveries need to be combined together to make it profitable for the logistic service providers which in turn might lead to longer lead times.

Bask et al. (2012), Yu et al. (2017) and Karrus (2001, pp. 307–323) identify "last mile" problems as a major issue in e-commerce logistics. Last mile is the last leg of the logistics journey of a product, the part right before it reaches the end customer, and it is the most expensive part as well as it can account for up to 50% of the total supply chain cost (Hubner, Kuhn & Wollenburg, 2016). Home delivery is the most problematic last mile delivery option as it requires the customer to be at home at the time of the delivery and the logistics service provider needs to make multiple drops to several customers (Karrus, 2001, pp. 307–323; Bask et al., 2012; Hubner et al., 2016). However, there are other options for last mile delivery than home delivery.

Other options include pick-up from store, manned pick-up points (such as kiosks) and unmanned pick-up points (parcel lockers) (Karrus, 2001, pp. 307–323). Pick-up from store is handy for the customer if they want to speed up their shopping time or reserve a certain product to be sure that they are able to get it. Pick-up from store is also easy for the seller because they only need to collect the product before the customer comes to pick it up, so there is no need for a logistics service provider if the store has the product in stock. However, it does have its limitations as the pick-up is limited to the store's opening hours and the location might not be the most convenient to the customer. (Karrus, 2001, pp. 307–323; Hubner et al., 2016.) With manned pick-up points, such as kiosks or small stores, the benefits for the customer include the possibility to choose the closest pick-up point and the opportunity for other services while picking up the parcel. Benefit for the logistics service provider is that there are less delivery points compared to home deliveries. Nevertheless, the pick-up is still limited to the opening hours of the pick-up point. (Karrus, 2001, pp. 307–323.) Unmanned pick-up points, or parcel lockers, have similar benefits to manned pick-up points. The customer can choose the closest parcel locker to them, and as they are often located in stores, malls or other public areas, they are most likely close to other services the customer might need. Logistics service provider benefits include more space for

parcels and less delivery points. However, the negative sides include the investment cost for the logistics service provider and the constriction of opening hours depending on the location of the parcel locker. (Karrus, 2001, pp. 307–323; Bask et al., 2012.)

An e-commerce company can either choose a self-support model or an outsourcing model for their logistics. Some companies choose a self-support model where the company builds their own logistics network. The benefit of the self-support model is the ability to control the service quality, especially with last mile delivery. The downside of the self-support model is the cost it takes to manage a whole logistics network on top of the main activity of the business. Especially with e-commerce, where the logistics network might be even worldwide, the self-support model is too much to manage for most businesses. Other option for e-commerce companies is to choose the outsourcing model. The benefit of the outsourcing model is that by outsourcing logistics the company is free to focus on its core competence and therefore able to be more competitive. The main downside of the outsourcing model is the lack of control over logistics. The company is not able to fully control that the customer's requirements are taken into consideration, and if there are customer complaints relating to logistics the company cannot handle them directly. The outsourcing model is more popular among e-commerce businesses. The third option for e-commerce companies is to do a hybrid model. In areas where customer satisfaction is highly important the company could utilize the self-support model, so that they will have more control over the logistics and use the outsourcing model for other areas where organizing logistics themselves would be too much work over the benefits. (Yu et al., 2017.)

4.2   Cross-border logistics

According to Saunders (2014) cross-border logistics can be defined as "simply any logistics processes that involves moving goods from one geographic boundary, usually separated by political entity (i.e., political entities or legal jurisdictions such as governments, sovereign states, federal states, and other applicable subnational entities)". Cross-border logistics are most often outsourced nowadays. It is recommended that customers with routine logistics routes in cross-border logistics should put out for tenders regularly in order to organize their logistics in the most affordable way. (Karrus, 2001, p. 129.)

Wenying (2019) summarizes the modes of cross-border logistics of e-commerce to express parcels and overseas warehousing. Express parcels are a good choice for a smaller company that is only starting their cross-border sales. The restrictions on the goods that can be shipped, and the long delivery time are negative sides of express parcels. Overseas warehousing mode entails predicting demand and shipping products to warehouses abroad based on the forecasted demand. Overseas warehousing helps companies as the volumes and sizes of products can be bigger than with express parcels. Also, there are cost savings due to the higher volumes and the delivery can be faster if the required product is warehoused closer to the customer. However, overseas warehousing mode requires successful forecasting of sales trends or otherwise the storage costs might get too high. (Wenying, 2019.)

In truck transportation of goods between Finland and Russia, it is common that the trucks do not have loads for both directions, but for only one way. This is reflected on the prize of the transports, and it is not environmentally friendly or efficient. Also, it seems that there is hardly any options for less-than-truckload shipping, and almost all transportations require full truck loads. (Wallin, 2013.) Full truckloads are impossible to organize with B2C e-commerce deliveries between Finland and Russia due to low volumes, which limits the delivery options for them unless the option of a delivery terminal is explored.

Karrus (2001, p. 129) identifies unclear delivery instructions as a major issue in cross-border logistics as they are common and lead to delayed deliveries. Suutari et al. (2019) found several barriers that affect the cross-border logistics between Finland and Russia. These barriers include lack of knowledge regarding legislation and regulation in foreign markets, lack of foreign trade and market knowledge, and lack of knowledge regarding operations, such as return logistics, in foreign markets. They suggest that the barriers can be diminished by educating companies about the opportunities and practicalities relating to cross-border logistics between Finland and Russia. (Suutari et al., 2019.)

4.3 Package delivery

Majority of the deliveries of cross-border e-commerce are packages or parcels. This study focuses on package and parcel deliveries as they are most relevant in cross-border e-commerce logistics. This rules out full truck load deliveries or big cargo deliveries from the study.

Lancioni and Chandran (1990) state that packages have an important role in international deliveries as they give information to the transportation company that helps the package to safely arrive at the consignee′s location. With deliveries regarding Finnish e-commerce parcels to Russia, it is necessary to include official documents, such as customs declarations and invoices, to the package in order for it to be able to cross the border (Posti Group Oyj, 2021). This shows the important role of packages in cross-border deliveries.

For cross-border e-commerce, it is most common that the logistics are outsourced to logistics service providers, such as courier companies, that are able to deliver small volumes (Rusachenko, 2020). As soon as the package is picked up from the shipper, the shipper is no longer able to control how and in what condition will the package arrive to the customer (Lancioni & Chandran, 1990). This is why the choice of a logistics service provider is important for an e-commerce company.
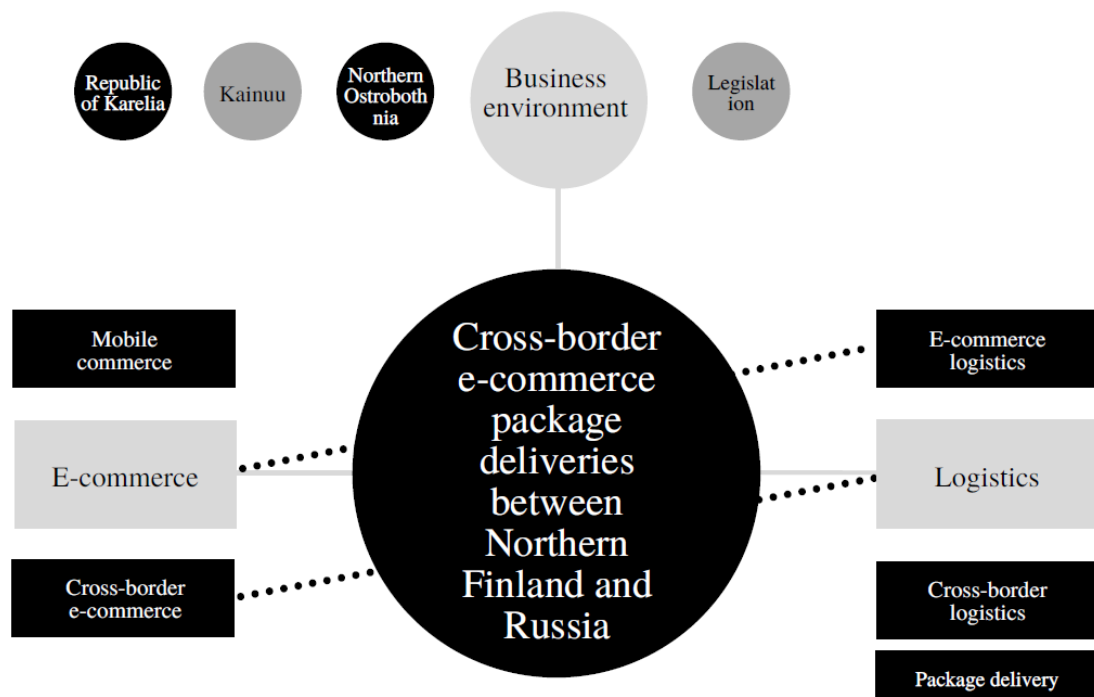
5   THEORETICAL FRAMEWORK

Figure 1. Cross-border e-commerce package deliveries between Northern Finland and Russia.

Figure 1 presents how the concepts introduced in the previous chapters are interconnected and how they form the theoretical framework of the study. The concepts were identified to be important factors in cross-border logistics of Russian e-commerce after researching previous theory on the subject. In the empirical section of the thesis, it is tested if all the concepts emerge as relevant based on the interviews.

Cross-border e-commerce and e-commerce logistics are the most important concepts for the study, which is why they are shown as interconnected with both e-commerce and logistics in the figure. The study examines cross-border e-commerce and its logistics from Finland to Russia, so the concepts of cross-border e-commerce and e-commerce logistics are the most important for the study, and the other concepts support the understanding of those concepts.

E-commerce and logistics are larger concepts on which the other concepts are based on. They form the basis for the theoretical framework of the study. E-commerce and mobile commerce are important for the study, as they are needed to understand the

concepts of e-commerce logistics and cross-border e-commerce, which are the main focus of the study.

E-commerce logistics and cross-border e-commerce are also connected to cross-border logistics and package delivery through logistics. Cross-border logistics and package delivery are important concepts for the study as well. The concepts are related to logistics, which is why they are under it.

The business environment is included in the theoretical framework as it helps to understand the context of the study. Statistics about the involved regions, such as Kainuu, Northern Ostrobothnia and the Republic of Karelia, as well as legislation related to cross-border logistics of Russian e-commerce are important for the theoretical framework as they help understand the perspective which this thesis is studying.

The theoretical framework figure aims to simplify how all the concepts relating to cross-border e-commerce and its logistics are interconnected. It provides theoretical understanding on the issue of cross-border e-commerce from Northern Finland to Russia by identifying the theoretical concepts relating to it. The framework can be used to distinguish valuable factors that affect cross-border e-commerce from Finland to Russia, and therefore it can help companies or researchers to find possible issues.

In the findings chapter, the theoretical framework is mirrored to the interviews conducted with the company representatives to see if all of the concepts are truly important in cross-border e-commerce and its logistics. The theoretical framework is evaluated based on the interviews in order to find out which concepts are important in cross-border e-commerce between Northern Ostrobothnia and Kainuu regions and the Republic of Karelia. At the end of the findings chapter, the revised theoretical framework is introduced.

6   METHODOLOGY

In this chapter the used data and research method will be described and justified. The research method used in the study is semi-structured interviews, which are based on the principles of a qualitative research.

6.1   Research method

According to Fossey, Harvey, McDermott and Davidson (2002), "qualitative research aims to address questions concerned with developing an understanding of the meaning and experience dimensions of humans' lives and social worlds". A qualitative research method was chosen for the study in order to gain a deeper understanding on cross-border package deliveries. The thesis follows an abductive process where the theory on the research is first studied and a strong theoretical base is formed, and then the empirical analysis is done based on the theoretical framework (Timmermans & Tavory, 2012).

According to Hyde (2000), a case study is a common way to conduct a qualitative research. Case studies are an effective way to gain answers to "why" and "how" questions, which is why they were chosen as a research method for this study (Yin, 2003, p. 1). Majority of the interview questions (see Appendix 1 and 2) are exploratory questions, which case studies are best to answer.

Hyde (2000) states that a case study can be used to study a phenomenon, or a small number of instances, as it is used in this study. According to Yin (2003, p. 53) multiple-case studies, where more than one cases are analyzed, tend to produce better cases as they usually provide more material to analyze. A multiple-case study approach was chosen for this study in order to gain a deeper understanding on the phenomenon of cross-border e-commerce deliveries.

The unit of analysis for this study is cross-border e-commerce between Northern Finland and Russia and it is studied through multiple-case study approach. According to Stake (2013), multiple-case studies are formed of single cases that together from a collection of cases, called a quintain, which provides insights for the unit of analysis.

The single cases in this study consist of interviews with company representatives relating to cross-border e-commerce to Russia and reviewing the companies' websites as well as other material provided by them, such as the delivery process description (Figure 3). All of the cases provide unique insight on the matter, which is why they are included in the quintain. The case companies vary in size, their e-commerce and cross-border e-commerce adoption level, and their knowledge of the Russian e-commerce market. Also, one of the case companies is a logistics service provider, whereas the others are businesses which conduct e-commerce. The logistics service provider was added to the study to learn more about cross-border e-commerce logistics. All the single cases are unique, but they are all categorically bound together to form the quintain (Stake, 2013), which analyses cross-border e-commerce between Northern Finland and Russia in this study.

According to Qu and Dumay (2011) semi-structured interviews are popular due to their flexibility and ability to disclose "important and often hidden facets of human and organizational behaviour". The semi-structured interviews are organized with different company representatives from the Northern Ostrobothnia and Kainuu regions which practice cross-border e-commerce to Russia, and a company representative from a company that specializes in parcel deliveries to Russia. The interviews focus on gaining understanding relating to the issues surrounding cross-border e-commerce package deliveries of the companies in Northern Ostrobothnia and Kainuu regions.

A semi-structured interview was chosen for data collection due to its flexibility. It enables the interviewer to customize the interviews a little, by for example modifying the order of the questions, in order to reach the most effective outcome, while also having the support of a prepared interview guide. The interview guides can be fairly loose or quite strictly scripted. (Qu & Dumay, 2011.)

According to Qu and Dumay (2011), the interview guides should feature "a series of broad themes to be covered during the interview to help direct the conversation toward the topics and issues about which the interviewers want to learn". In this study, the interview guide is divided into four themes, that are Background, Mapping the current situation, Russian e-commerce and deliveries and Development ideas and future prospects/plans.

6.2   Research process and data collection

The research process follows multiple-case study approach by Yin (2003, pp. 49–51). The process begins with theory development after which the cases are selected, and the data collection protocol is chosen. This is the first stage of the multiple-case study approach called define and design. In this study the chosen data collection protocol is semi-structured interviews and reviewing the company websites and other material provided by them. The second stage, called prepare, collect and analyze, consists of conducting the interviews with companies and writing individual case reports of them. For this study, four different companies were chosen as the interviewees. Two of the companies are from Northern Ostrobothnia and one of them is from Kainuu. Also, a company that specializes in parcel deliveries to Russia was interviewed in order to gain more information about the logistics of Russian e-commerce after it was found that the other companies do not have that much knowledge about it. Each of the companies are interviewed separately, after which the interviews are transcribed into individual case reports in order to make analyzing them easier. The third and last stage of the multiple-case study approach is called analyze and conclude. In this stage, cross-case conclusions are first made, and the theory is modified based on these conclusions. Then policy implications are developed and finally a cross-case report is written. The analyze and conclude stage is represented in this thesis as the findings and conclusions chapters.
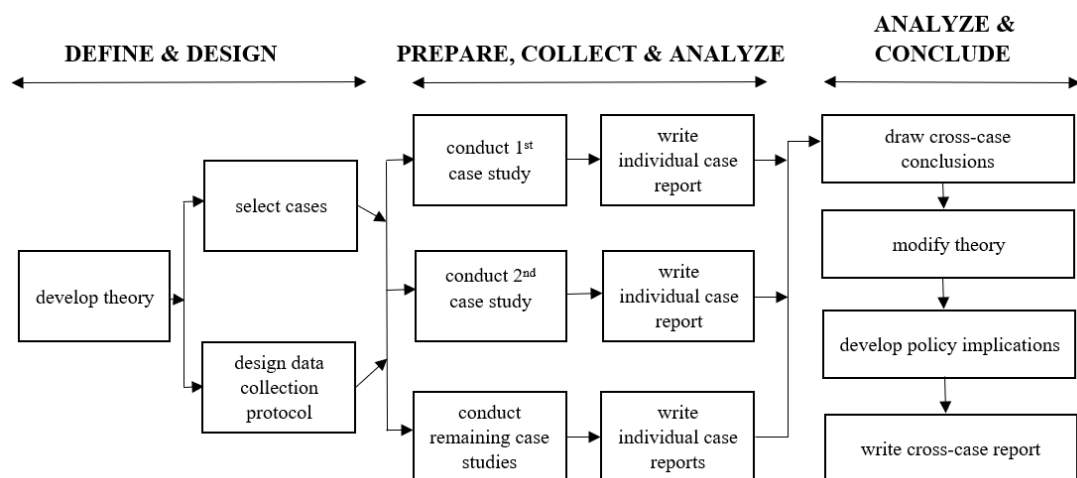

Figure 2. Multiple-case study approach (adapted from Yin, 2003, p. 50).

Qualitative research does not have a minimum number of participants, which is why qualitative sampling may only have a few participants. This, however, does not mean that the amount of data gathered would be small, quite the opposite. The data amount can be fairly large as interviews typically create hours of material to transcribe and analyze. (Fossey et al., 2002.) Altogether three companies from Northern Ostrobothnia and Kainuu regions with experience of cross-border e-commerce deliveries to Russia were chosen to be interviewed in this study. As all the companies had only little experience in Russian e-commerce, an interview with a logistics company specialized in parcel deliveries to Russia was also added to the study to gain a deeper understanding of cross-border logistics.

The companies selected as interviewees were Kure, Kajaanin Musiikki and Gugguu. These companies were chosen based on their availability to participate in an interview, the fact that they have had e-commerce orders from Russian customers and that their company is registered in either Northern Ostrobothnia or in Kainuu. When trying to find companies to interview it was noticed that only few companies have e-commerce deliveries to Russia, which is why all companies that have experience of even one e-commerce order from Russia were applicable to participate in the interviews. The people interviewed from the companies were the people that were in charge of their company's online store and e-commerce sales, as they have the most knowledge of their company's cross-border e-commerce. In addition to the three companies that practice cross-border e-commerce to Russia, a company called wCargo, that specializes in cross-border parcel deliveries to Russia, was interviewed as they are able to share more knowledge relating to the logistics behind cross-border e-commerce.

Kure is a store in Oulu city center in Northern Ostrobothnia that sells Finnish design products, such as clothing, jewelry, and home décor items. It has three founding members that run the store as its entrepreneurs. Kure's values are about promoting Finnish brands and design. (Kure, 2018.) Gugguu is a children's fashion brand that makes sustainable, durable and visually pleasing clothing for children aged 0 to 12. Gugguu is based in Oulu, but it does not have a store there. Its sales are mostly based on their webstore and retailers. (Gugguu, 2019.) Kajaanin Musiikki is a music store located in the city center of Kajaani in Kainuu, and it has operated since 2006. They opened their webstore only a year ago in 2020. (Visit Kajaani, n.d.) wCargo was

founded in 2003 and it specializes in parcel deliveries to Russia. They have an terminal in Helsinki-Vantaa airport and a second one only about 10 kilometers from a Finnish-Russian border crossing station. wCargo is also an official partner of the Russian Post. (wCargo, 2017.)

Gugguu has the most cross-border e-commerce sales out of the companies with 10-20 orders to foreign countries a day, international sales being 8% out of all their sales. Kajaanin Musiikki and Kure have more occasional cross-border e-commerce sales so far, but both have plans to expand internationally in the future. wCargo on the other hand specializes in deliveries of cross-border e-commerce to Russia, so their strategy is focused on internationality. (Interviews.)

The interviews with the companies were conducted as semi-structured interviews. Semi-structured interviews were chosen for the study as they follow interview guides, but also leave room for more flexibility with things, such as the order of the questions. This allows the interviewees to express themselves more freely, and thus might lead to uncovering more information. (Qu & Dumay, 2011.)

The interviews were conducted between 3rd of March and 30th of March. The interviews were held in Finnish, because all the interviewees and the interviewer are Finnish speaking. Two of the interviews were held in person and the other two using Zoom, due to the COVID-19 pandemic and the distance between the interviewer and the interviewees. All of the interviews were recorded and then transcribed in order to make analyzing them easier and more accurate. The interview questions used for wCargo translated into English can be found from Appendix 2, whereas the interview questions translated into English for the rest of the interviewees can be found from Appendix 1.

Table 5. Interview information.

Interviewee	Method	Date	Duration (hh:mm:ss)
Entrepreneur, Kure	Face-to-face interview	3rd March 2021	00:37:39

Entrepreneur, Kajaanin Musiikki	Face-to-face interview	24th March 2021	00:25:32
E-commerce Manager, Gugguu	Zoom interview	26th March 2021	00:51:02
Sales Manager, wCargo	Zoom interview	30th March 2021	01:22:23

The data collected from the interviews was then transcribed and analyzed qualitatively. The interview guides were based on the research questions and the theoretical framework. As the interview guides were divided into four themes, the analysis of the data is also sectioned similarly. However, the data analysis is done under four different themes as it was noticed during the interviews that those themes were the most important ones and best to answer the research questions. The interviews are analyzed under the four themes, compared against the other interviews and cross-case conclusions are then drawn based on them. The interviews are able to shed light to the situation that companies are currently facing with their cross-border e-commerce deliveries to Russia.

7 FINDINGS

In this chapter, the data collected from the semi-structured interviews is analyzed and compared to the other interviews and the theoretical framework. It identifies the current situation of the companies with regard to their e-commerce and cross-border e-commerce. After that, knowledge of the Russian e-commerce market and the barriers related to it are identified, as well as the issues related to the deliveries of cross-border e-commerce to Russia. Finally, future prospects about the Russian cross-border e-commerce are discussed and possible development ideas of the companies regarding the deliveries are presented.

The chapter structure is based on the four themes that surfaced from the semi-structured interviews. The chapter includes direct citations from the interviewees, which have been translated into English.

7.1 The current situation of the companies

When trying to find companies to interview about their cross-border e-commerce to Russia, it was discovered that Russia is not a very targeted country among Finnish businesses which have webstores. When emailing 56 companies which are established in either Northern Ostrobothnia or in Kainuu and have a working webstore, only three answered that they have some deliveries to Russia and would be willing to take part in an interview. Most of the emailed companies replied saying that they had not have any orders from Russia, or that they only target the Finnish market with their webstore. This seems to line up with the study conducted by European Commission (2019), discovering that Finnish companies do not utilize the opportunities of cross-border e-commerce enough, even though they have adopted e-commerce into their businesses successfully with their domestic customers.

The interviewed companies vary in size and in the implementation of their e-commerce and cross-border e-commerce. One company targets the global e-commerce market, another had only opened their webstore a year ago, and the third has had the webstore as long as the brick-and-mortar store but has focused more on domestic sales rather that cross-border e-commerce. All the interviewed companies relate positively towards

e-commerce and see its growth potential. All of them also practice cross-border e-commerce, even though some do it in a more intentional and strategic manner, whereas for some it is more of a bonus which comes with having the webstore. One of the interviewed companies is aiming for international growth, and it has started it by targeting the Swedish and German markets by creating their own webstores for them and advertising them using local influencers. All the companies' webstores support at least English and Finnish, Swedish being a language choice in all but one of them. The data reveals that companies are experienced with e-commerce, but that cross-border e-commerce is not as common or as strategically important as domestic sales for most of the companies.

> "The webstore was opened [when] COVID-19 restrictions started in the March of last year, maybe a couple weeks after that. So, it is about one year old." (Entrepreneur, Kajaanin Musiikki)

> "Most of our sales come from the webstore. Actually, we do not even currently have another brick-and-mortar store other than our outlet store, which only has a small role. But if our own brick-and-mortar store and our retailers, even if they would sell our products online, are taken into account, still our own webstore's part of our sales is 80%."[...]"Our products are sold to 30 or 35 different countries around the world from our webstore."[...] "Our goal is that by 2025 half of our sales come from the international market..." (E-commerce Manager, Gugguu)

The importance of mobile commerce in e-commerce of today was highlighted in the interviews. All the interviewees recognized its importance, with most of the traffic from their webstores coming from mobile devices, especially from smartphones. Based on the interviews it seems to be clear that mobile commerce has a very important role in e-commerce and in cross-border e-commerce as well. It seems that mobile commerce has come to stay as it is so clearly the most important sales channel for the webstores.

> "Currently almost 80% of the [webstore] users use it with a smartphone and then probably 10% with a tablet and 10% with a computer. The trend has constantly gone in the direction that most of the traffic comes from a smartphone. In the beginning there must have been more computer users, but nowadays smartphones are the thing to do business with." (Entrepreneur, Kure)

> "For us it (mobile commerce) is absolutely most important. So, from our traffic, it depends a bit from the month, 80-90% comes from mobile devices. So, all site development, and well, really all development work and such, happens very much on a mobile basis because it is what you want to do because that is what people use nowadays." (E-commerce Manager, Gugguu)

The companies were asked to describe their cross-border logistics, by explaining the delivery process of their cross-border e-commerce. Currently none of the interviewed companies organized the delivery of their products themselves but have outsourced their logistics. The logistics partners used in cross-border logistics include Posti, DHL and EMS, among others. All the interviewed companies handled their product warehouses themselves as well as preparing the products for shipping, which includes packaging the orders correctly and including needed customs declarations and other formal documents on the parcels. Then the parcels were either picked up by the logistics service provider or sent to them for shipping to the customer.

> "In practice, the packages are normally processed, i.e., the order is collected, placed into the package and then the logistics service providers pick up these packages from our warehouse on a daily basis and then they leave out into the world." (E-commerce Manager, Gugguu)

Even though all the interviewed companies recognize the opportunities that cross-border e-commerce provide, they also acknowledge the challenges related to it. The lack of knowledge relating to the culture and language was clearly identified to be the biggest barrier in cross-border e-commerce. The companies identified that knowing the local language is important in cross-border e-commerce as it helps with making advertising that is more influential and providing better customer service. The companies think that advertising in the local language is more effective than for example advertising in English. Also, knowing the local culture helps to better connect with the potential customer. Quality customer service is easier to provide if local language is used as all the customers do not necessarily know how to speak English.

> "More resources would be needed and well... some more knowledge about other countries' practices and cultures as well. Especially if you would start marketing there, you would have to know what works there. Most likely an external marketer who knows more about the foreign practices would have to be used abroad." (Entrepreneur, Kure)

> "The challenges depend on the country a lot, but what we have noticed is that for example advertising and such usually works best when it is done in the local language."[...]"And then, of course, is the issue that how can you handle the customer service in a way that it is genuinely a quality experience for the customer. If there is no mutual language, which is an issue in countries where English speaking skills are not as common as they are in Finland, how can the communication with the customer be handled in a way that both parties are happy and there are no misunderstandings." (E-commerce Manager, Gugguu)

Even though the current situation of the companies varies regarding the implementation of their e-commerce and cross-border e-commerce, some conclusions can be made based on the data. All of the interviewees recognize the opportunities regarding e-commerce and cross-border e-commerce and have plans to expand. However, based on the data, the domestic market has the main focus on Finnish companies' strategy. Interviews reveal that mobile commerce is the most important aspect of e-commerce nowadays and that outsourcing is the most common way to organize cross-border e-commerce logistics. As for challenges related to cross-border e-commerce, lack of knowledge and language were identified to be the biggest barriers that affect companies.

7.2 Knowledge of the Russian e-commerce market and barriers related to it

In this chapter, the companies' situation with Russian e-commerce and their perceptions related to the market are gone over. The companies' perceptions about the Russian e-commerce market varied a lot. Many of the interviewees were surprised to hear that Russia has Europe's largest internet market. Some of the interviewees had the preconception that Russian people would not use e-commerce that much due to lack of trust in it and due to the preference to pay with cash. Russia's size was also seen to be somewhat intimidating as it makes targeting the market difficult unless it is somehow divided into parts. On the other hand, one of the interviewees was very informed about the potential of the Russian e-commerce market as it is their main focus. Based on the data the Russian e-commerce market's potential is not fully recognized by companies and the market is seen as little underdeveloped.

> "My own preconception is that people in Russia do not order that much from foreign countries." (Entrepreneur, Kure)

"It (Russian market) is a huge opportunity for all businesses. It is the largest market in Europe based on the number of users. Even though the exchange rate of ruble is weak at the moment for the Russian consumer, purchases are still made. The average purchase has increased. Quantitatively I know that less purchases are made than before, but then again, the average purchase has increased." (Sales Manager, wCargo)

When the interviewees were asked to assume what kind of products would have demand in the Russian e-commerce market, most of the answers were related to the interviewee's company's own product selections. However, many also believed that product that are not available in Russia would have the most demand. Also, popular quality products which have demand in other places as well are assumed to have demand in Russia as well.

"Probably products they do not have available as much there. But then again I believe that bigger brands have as much demand there as anywhere else." (Entrepreneur, Kure)

Out of the interviewed companies only one company has identified Russia as a strategically important country for them, whereas others have placed their focus on different markets. Based on the data it seems that companies prefer to strategically target mainly domestic markets or other EU countries, whereas the Russian market is often overlooked even though Russia shares a border with Finland. The interviews reveal that Russian e-commerce market is not seen as strategically important by Finnish companies even if it shows great growth potential. It seems that for Finnish companies other international markets, such as Sweden, are seen as more strategically important that the Russian e-commerce market.

"Currently the Russian e-commerce market is not on our focus. Presently we have two countries in our focus, Sweden and Germany. We have limited our globalization a bit in order to have more control over it, because we have to think about our marketing budget, et cetera, to keep it sensible. But surely, it will be more relevant for us at some point, as it is such a big market and we know that they have knowledge of our brand and a desire to buy our products, so it will certainly be topical later." (E-commerce Manager, Gugguu)

The opportunities of the Russian e-commerce market are mostly recognized even though they are not pursued strategically. Russia's size and therefore its sizable population are seen as an opportunity, as is the fact that they do not have all the same

products available as European consumers do. All of the interviewees also believe that their products would have demand in Russia. The data reveals that even though the companies do recognize some of Russia's e-commerce opportunities, it is not on the top of their priority lists.

> "As the amount of people there is significant, then why not the potential opportunity for e-commerce sales? It is a fact that there are e-commerce sales from Finland to Russia. Depending on the industry, surely even large sums of money can be made. I believe that it is a stone that we should turn at some point." (E-commerce Manager, Gugguu)

Data suggests that while companies recognize some of the opportunities that Russian e-commerce market has, its full extend is a surprise for most. Only one of the interviewees was aware that Russia has the fastest growing e-commerce market in Europe. This implies that companies are not fully aware of the opportunities the Russian e-commerce market has to offer. It seems that Finnish companies would benefit from information that could be provided about the Russian e-commerce market in order to alleviate preconceptions that they might have about it.

> "I was not aware (that Russia has Europe's fastest growing e-commerce market) … As I said it is hard to imagine anything about Russia as it is so closed off." (Entrepreneur, Kajaanin Musiikki)

Interviews reveal that the major challenges of the Russian e-commerce market that affect companies are the language barrier and the lack of knowledge. Although Finland is Russia's border neighbor, and both Northern Ostrobothnia and Kainuu are located next to the Finnish-Russian border, the Russian language is not a common skill there. All of the interviewees believe that best results in marketing, customer service and customer acquisition can be achieved when using the local language to communicate with the consumers in Russia. This would require the companies to use extra resources, such as hiring a translator to translate the webstore to Russian or even hiring an extra employee to translate all the necessary information and to oversee the webstore and the customer service in Russian. Based on the data, not many companies are willing to go the extra mile in order to target Russian consumers. The lack of knowledge regarding the Russian e-commerce market is also seen to be an important issue. Data reveals that companies would benefit from additional information about the Russian

e-commerce market, culture and legislation in order to be able to better serve and target Russian consumers. This would also alleviate the preconceptions companies might have about the Russian e-commerce market. The size of the Russian market is also seen as a challenge as it is hard to make one's product known and to get visibility in bigger markets with lots of competitors compared to smaller markets.

> "Let's say that I find it quite challenging to go there, even if Russia is our neighbor country. I at least feel that I do not know much about their markets and it has been hard to find information about them, I really do not know even any colleagues that sell a lot to Russia." (Entrepreneur, Kure)

Even if the interviews reveal that most companies do not see Russia as strategically important as other countries, many companies have made even some investments in order to better serve their Russian customers. Most of the interviewed companies offer the option to choose Russia as a delivery country on their webstore, but it does not seem to be very common based on how hard it was to find companies to interview for this thesis, as the prerequisite for participating in an interview was that the company had delivered at least one e-commerce order to Russia. None of the interviewed companies' webstores had the option to choose Russian language. Some had the option to show the prices in rubles, whereas others had the option to change some of the text in the webstore to Russian, such as the headings or some delivery information. The data reveals that couple of the companies had made rough drafts of webstores aimed for Russian consumers, but they had not been launched. Based on the interviews it seems that while companies have made some investments in their webstores to target Russian customers, many of them had only happened because the webstore platform offered them as a standard setting, or very little to target Russian customers is done, but other markets are strategically more important, which is why no more effort for the Russian e-commerce market is made.

> "I have to say that no investments have been made. Maybe that we have Russian language in some of the buttons in the webstore. We have a (webstore) platform where it is automatically available, so at least it has not been turned off." (Entrepreneur, Kure)

Based on the data, it can be concluded that the opportunities of the Russian e-commerce market are not strongly recognized by Finnish businesses. Preconceptions

about the market are common and they seem to exist due to lack of knowledge about the Russian e-commerce market. Some opportunities of the Russian e-commerce market are recognized, such as the size of the market and the different business environment where not all kinds of products are readily available thus creating demand for cross-border e-commerce. Even with these opportunities recognized, companies still prefer to target other markets. Most companies do not see Russia as a strategically important country even though it has shown tremendous growth potential. This is due to the barriers that companies experience regarding cross-border e-commerce to Russia. The lack of knowledge of the market seems to be the biggest barrier as it prevents the companies from seeing the potential in Russian e-commerce in the first place and stops them from allowing Russian consumers to order from their webstores. It also prevents them from effectively targeting Russian consumers once the company has opened a delivery option to Russia. Language barrier is the second biggest as it prevents companies from targeting Russian customers and providing the best customer service possible. The language barrier is especially high with Russian consumers compared to other nationalities as speaking and understanding English is not as common there. Even with the barriers, the companies have still made some investments in Russian e-commerce, such as small translations. However, these investments are often not seen to be strategically important.

7.3 Deliveries of Russian e-commerce and issues related to them

The data reveals that the frequency of orders from Russia varies a lot between companies, some have very occasional deliveries with only one delivery a year, whereas others have them between every couple months. Based on the interviews the amount of Russian e-commerce deliveries that companies in the Northern Ostrobothnia and Kainuu regions have is quite low compared to the fact that many companies that are located near the Finnish-Russian border have a lot of Russian customers when the borders are normally open. It seems that during the COVID-19 pandemic the companies, which normally have a lot of Russian customers come in their stores, could have utilized e-commerce more efficiently to retain these customers.

> "Now they (Russian customers) have stopped coming altogether, but when the world was still open... The Russian customers visited very often; you can say

that every third customer was Russian, so a lot. It is a little over a hundred
kilometers to the border from here, so they used to come here often."
(Entrepreneur, Kajaanin Musiikki)

Interviews reveal that many companies are not very aware of how their delivery
process for e-commerce deliveries to Russia happens. Most of the companies have
automated systems which makes the deliveries simple for them but are also the reason
why the companies do not know that much about the delivery process of their cross-
border e-commerce order deliveries. All of the companies outsource their cross-border
e-commerce order deliveries, but all of them also handle warehousing, packaging and
required customs protocols themselves. First the companies receive the order, then
they package it with all the necessary documents which the automated system prints
out for them. After that, the export declaration is done for Finnish customs and after it
has been accepted, the package is picked up or send to the postal service provider, in
these cases Posti. Posti then delivers the package over to Russia to the customer. Most
of the companies are not aware of what happens to the package after it has been handed
over to the postal service provider; they, for example, do not know for sure if the
package is delivered to the customer's home or if the customer needs to pick it up from
somewhere.

"What happens with us is that the shipment is packed, and all the info is
cleared through customs and then it leaves with Posti and then from there to
EMS (Express Mail Service)." […] "Practically the delivery process is the
same as with any other non-EU country." (E-commerce Manager, Gugguu)

The data collected from the interview with the logistics service provider answers what
happens to the packages if their services are used. They provide a service where an
add-on is included in their customer's webstore which automatically prints out a label
when an order is made. The company then needs to package the order and add the label
after which the package is sent to the logistics service provider's terminal. There the
logistics service provider handles all the necessary customs procedures, such as the
export declaration and works together with Russian Post to deliver the parcel over to
the company's customer. If the package is not picked up or it needs to be returned to
the company, the logistics service provider handles all the necessary arrangements and
customs issues. A more detailed depiction of the delivery process can be found from
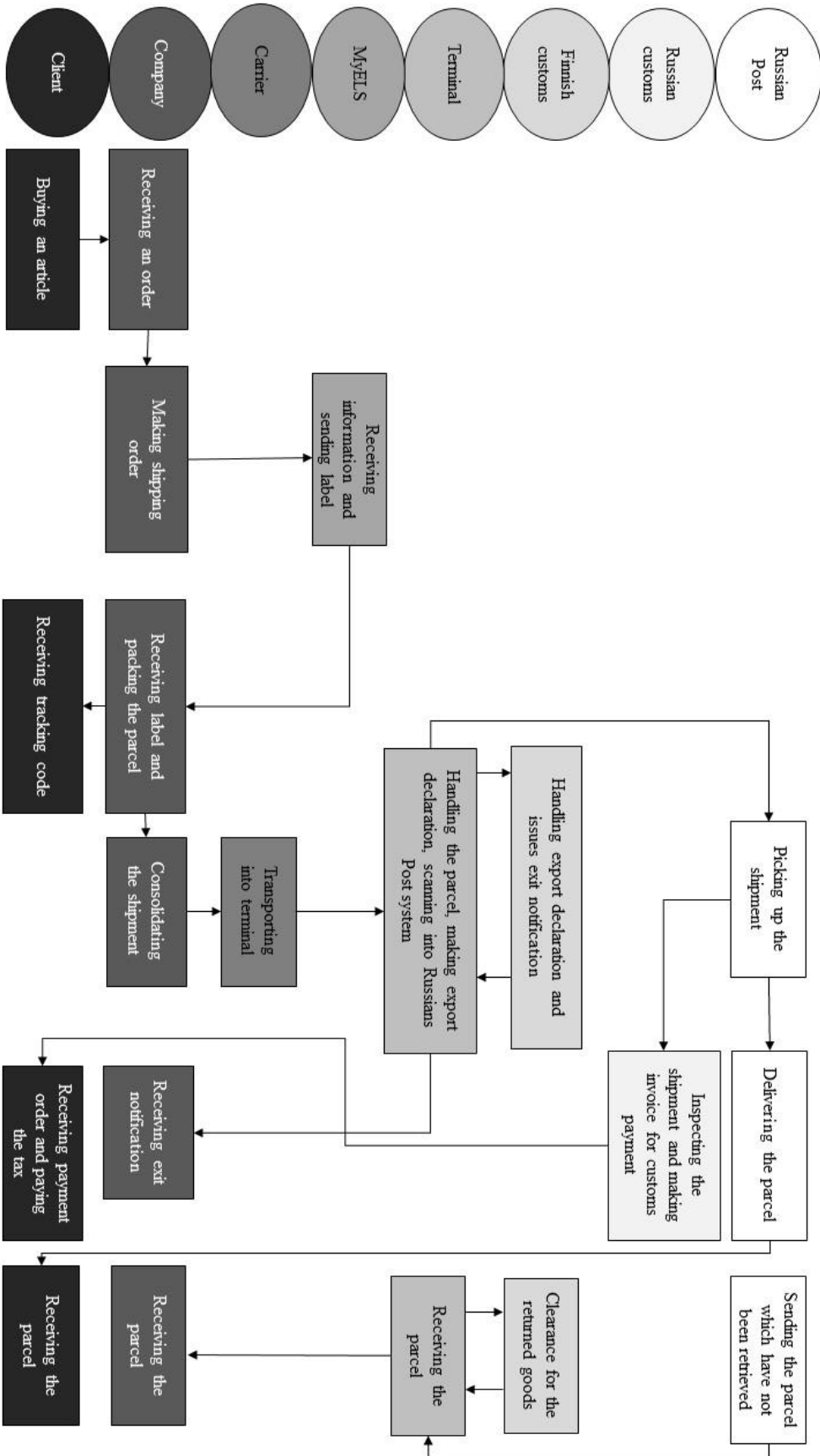Figure 3.

Figure 3. The delivery process of Russian e-commerce using wCargo (Nykänen, 2021).

Based on the data, companies seem to be satisfied with the way the deliveries of Russian e-commerce are handled. Companies find that delivering orders to Russia is no more complicated than delivering orders to other non-EU countries. Companies seem to find the delivery process where the delivery is outsourced to a logistics service provider simple and easy for them, as all of them think that the delivery process is functional the way they are handling it currently. Especially the automated systems that print out the necessary documents for the packages are seen as a big advantage nowadays as they simplify the delivery process for the companies.

> "It is probably our system that makes the delivery process easy for us. It is built for us in a way that all we need to do is click on the mouse a few times to get the package label out of there." (Entrepreneur, Kure)

Even though, based on the data, companies are generally satisfied with the deliveries of Russian e-commerce, they were still able to identify some challenges in the delivery process. Most of the identified issues are related to special situations, such as returns or exchanges. Companies found it hard to organize returns from the Russian customer to the company due to issues like high costs and unclear procedure. The interviews also reveal that logistics service providers face some issues with Russian customs with the deliveries. Sometimes Russian customs inspects the delivery trucks very thoroughly at the border which then leads to delays in delivery times.

> "It was a return shipment that was supposed to come towards us, and it was very unclear as to whether they (the logistics service provider) would pick it up from the customer directly or whether the customer should take it somewhere in its package. And it took a couple of weeks to figure it out." (E-commerce Manager, Gugguu)

Even though the amount of Russian e-commerce deliveries vary between the companies, some conclusions can be made based on the interviews. It appears that not many companies in the Northern Ostrobothnia and Kainuu regions take advantage of cross-border e-commerce even now when the Russian border is closed due to the COVID-19 pandemic. Due to their proximity to the Russian border, companies in the regions often have Russian customers who visit their stores usually. As the border is closed, cross-border e-commerce could be used to retain the Russian customers.

Based on the data, outsourcing the logistics seems to be the most common way to organize the deliveries of Russian e-commerce. Companies seem to be satisfied with the delivery process due to its automatization and thus easiness for them. Even if companies are generally pleased with the delivery process of Russian e-commerce, challenges were identified regarding returns and exchanges and sometimes with Russian customs.

7.4 Future prospects and development ideas for the delivery process

The interviews reveal that companies find the future of e-commerce bright and plan to invest more into it in the future. Mainly companies have plans to make their webstores more user-friendly, especially considering the growth of mobile commerce. The popularity of mobile commerce makes it a priority for companies to make sure that their webstores are usable on a mobile platform, such as on a smart phone. Other future plans regarding e-commerce highlight expanding cross-border e-commerce sales by, for example, adding different delivery options to better serve especially cross-border customers.

> "We have been considering changing the webstore platform, but it has been an ongoing process for a while already. But our intention is to make an online store that works very well when used on a smartphone. And then of course at the same time we will also try to make cross-border e-commerce more functional. We will try to get more delivery options, DHL possibly, maybe FedEx." (Entrepreneur, Kure)

Most companies do not have any future plans regarding Russian e-commerce, as their strategy is more often focused on other markets. One of the companies plans to translate their webstore into Russian soon in order to start targeting more Russian customers. The logistics service provider hopes to expand their deliveries to Russia by exploring the opportunity to start refrigerated transport chains or oversize package shipping and by starting to offer cash on delivery as a payment method for all their customers. Based on the interviews it seems that most companies either do not focus on cross-border e-commerce or they strategically focus on other e-commerce markets than the Russian market.

"Translating the whole webstore (into Russian), that is our priority number one. Now it is like they would walk into an empty supermarket. We have to make it look like a real store." (Entrepreneur, Kajaanin Musiikki)

The interviews reveal that even though Russian e-commerce is not a priority for most companies in Kainuu and Northern Ostrobothnia regions, they were still able to identify possible ways to develop the delivery process based on their own experiences. The issue of not knowing enough about the market raises again. Companies feel that they would benefit of an information package about Russia and how the deliveries et cetera actually work there and what things need to be considered when conducting cross-border e-commerce there. Other point that was raised was making the delivery process better for the Russian customer. Based on the data, companies hope that their customers would enjoy easy deliveries with working tracking codes and such, as well as cheaper deliveries to encourage shopping from Finnish webstores. The third point that was highlighted in the data was developing customs protocols. The automatization of the customs process was seen as an advantage, as now most companies have the package labels and other necessary customs documents printed out automatically when the order is handled. It was also suggested that customs could also offer a customs clearance limit where products with value under the limit could be delivered without any customs declarations. Furthermore, the logistics service provider hoped that also other logistics service providers in Finland than Posti could receive the postal status and thus be exempt from making export declarations on every shipped package.

"We have to make export declarations for each outgoing package, because we do not have a postal status in Finland. After all, we do not have a postal permit in Finland." […] "Therefore, we have to do export declarations for each shipment, but when Posti is subject to the Postal Act, CN forms will suffice." (Sales Manager, wCargo)

Based on the data companies believe that e-commerce will continue to grow tremendously no matter what happens. Due to the COVID-19 pandemic the userbase of e-commerce diversified a lot in terms of age and these customers will continue to utilize e-commerce even after the pandemic. Despite this, companies believe that brick-and-mortar stores will not vanish altogether but that they will coexist with the webstores and form a sort of hybrid. Interviews also reveal that companies believe that new technologies, such as virtual reality, augmented reality and automatization, will

make webstores even more efficient in the future. New innovations will help save money and the environment by, for example, lessening the return percentage of e-commerce orders by allowing consumers to "try" products before ordering them by using technology like augmented reality.

> "Webstores are the place where the sales are done in the future. Brick-and-mortar stores will surely not just stop existing in the world. I do not believe that. I think it is going to turn more into like a combination, some kind of symbiosis, where they work together." (E-commerce Manager, Gugguu)

Based on the data companies believe that the Russian e-commerce market will continue to grow in the future. Even though all of the companies were not initially aware of the fact that Russia has the fastest growing e-commerce market in Europe, they still recognize its growth potential. None of the companies believed that the growth of e-commerce in Russia would decline in the near future. It seems that companies in the Northern Ostrobothnia and Kainuu regions recognize the potential in Russian e-commerce market but are not willing to invest in it currently, but maybe in the future.

> "It (Russian e-commerce market) is one of the fastest growing e-commerce markets in the world, already in the 9th place at the moment if I am correct. After all, the Russian e-commerce market is growing faster than the American market and some large European markets." (Sales Manager, wCargo)

Interviews reveal that companies view e-commerce as a positive thing that will keep becoming an increasingly important aspect of business. This is why companies in general have made investments into e-commerce and mobile commerce, such as increasing webstore usability on mobile platforms. Based on the data companies believe that e-commerce will continue to develop, and new innovations will provide ways to make webstores more efficient for the companies and their customers. The growth potential in Russian e-commerce is mostly recognized by companies, but future plans to invest in it are not common among companies in the Northern Ostrobothnia and Kainuu regions. Based on the interviews it seems that either most companies do not focus on cross-border e-commerce at all, or they place their strategical focus on other e-commerce markets than the Russian market, which is why most companies do not have solid future plans regarding expanding into Russian e-commerce.

Even though the Russian e-commerce market is mostly not the main focus of companies strategically, some development ideas for the delivery process were discovered. First of all, companies would benefit from an information package that includes all necessary info about the Russian e-commerce market, such as statistics and related legislation, and how to organize the deliveries and e-commerce sales in practice. The second point that arose from the data is making the delivery process more functional and cost friendly for the Russian customer. Lastly, developing customs processes regarding Russian e-commerce was identified to be important. An easier and a more flexible customs protocol would be appreciated by companies in the Northern Ostrobothnia and Kainuu regions.

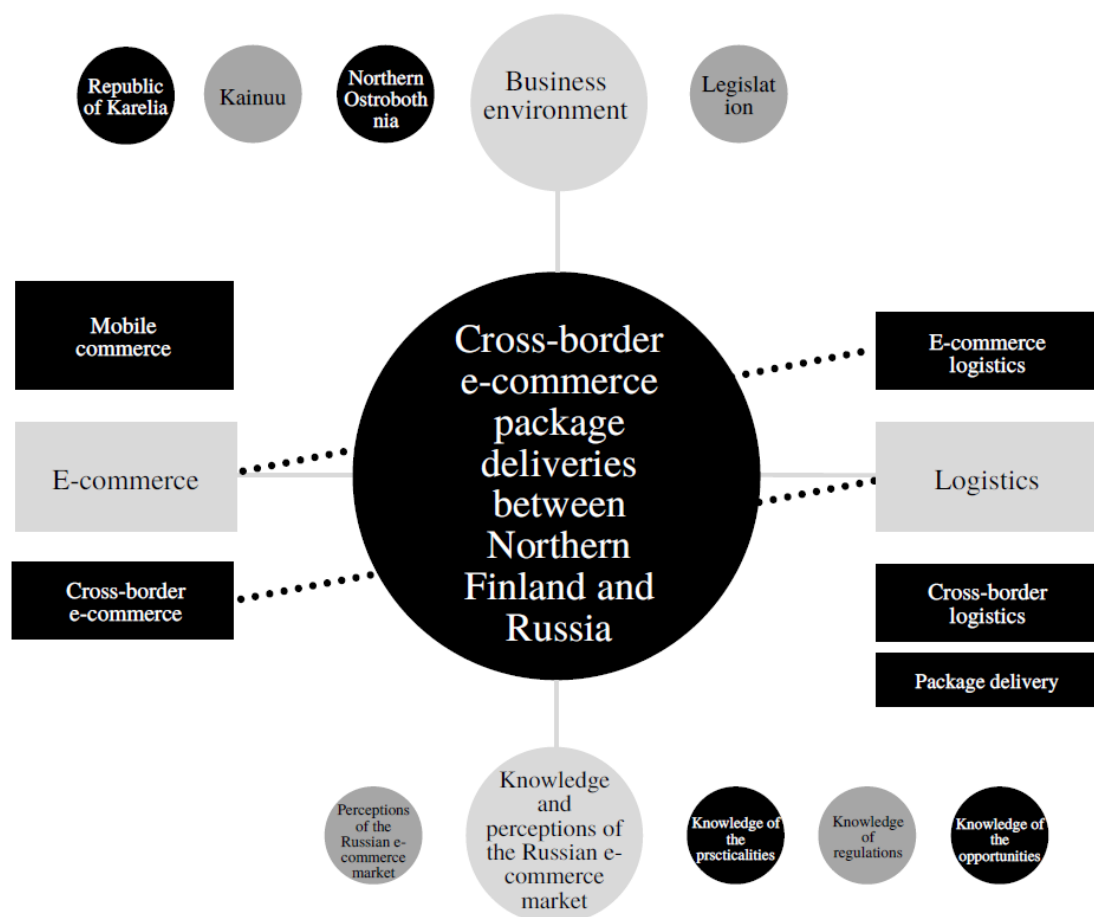## 7.5   Revisited theoretical framework

Figure 4. Revised version of cross-border e-commerce package deliveries between Northern Finland and Russia.

The theoretical framework was revisited after going through the empirical findings of this thesis. The theoretical framework (Figure 1) was first introduced in chapter 5. The revisited theoretical framework, depicted above in Figure 4, is based on the literature review and the findings that arose from the interviews conducted with the company representatives.

The concepts of logistics and e-commerce in the figure, as well as the subconcepts around them in black squares, show the most important theoretical concepts related to cross-border logistics of Russian e-commerce. The concepts in squares can be applied to depict important aspects of cross-border logistics of other e-commerce markets as well. The square boxes in the figure represent all the important theoretical factors in cross-border logistics of Russian e-commerce, whereas the circles represent the unique aspects of the context of this study which is the Russian e-commerce market.

Mobile commerce was made as big as e-commerce in the figure, because based on the interviews majority of e-commerce sales come from mobile commerce nowadays. Companies have also planned their future webstore development projects based on the popularity of mobile commerce. Based on the data, mobile commerce is currently the most important aspect of e-commerce.

The biggest change in the theoretical framework was the addition of the second circle group called "Knowledge and perceptions of the Russian e-commerce market". Based on the data it became clear that knowledge and perceptions have a big impact when it comes to the Russian e-commerce market. Knowledge of regulations, such as customs protocols, was raised as an issue in the interviews as companies feel that they would benefit from up to date information about all regulations that affect the Russian e-commerce market. Knowledge of opportunities is important in Russian e-commerce market as many companies are not aware of the full extent of them based on the interviews. Then again, companies that do recognize the opportunities of the market still often choose to target other cross-border e-commerce markets over the Russian market, which is likely due to perceptions that they have about it. More knowledge of the opportunities and practicalities relating to the Russian e-commerce market would likely help overcome some perceptions that companies might have about the market. Knowledge of practicalities, such as about the delivery process or working marketing

practices concerning the Russian e-commerce market would encourage companies to pursue the market.

8   CONCLUSIONS

The purpose of the study is to find ways to develop cross-border e-commerce package delivery between Northern Finland and Russia and to fill the research gap relating to package deliveries of cross-border e-commerce between the Northern Ostrobothnia, Kainuu and Karelia regions. The final chapter of the thesis will conclude the study by discussing the results and answering the research questions presented in the introduction. After that the theoretical contribution and the managerial implications of the study will be examined. Finally, the reliability and the limitations of the study are discussed, and possible topics of future research are explored.

8.1   Answers to the research questions

The main research question of the thesis is: *How can cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia be developed?* Three sub questions were formed in order to answer the main research question and to gain a deeper understanding on the issue. The sub questions are *What kind of knowledge companies in the Northern Ostrobothnia and Kainuu regions have about the opportunities of e-commerce in Russia?*; *What kind of barriers companies in the Northern Ostrobothnia and Kainuu regions face when aiming for the Russian e-commerce market and what can be done to overcome them?* and *What kind of issues companies in the Northern Ostrobothnia and Kainuu regions have regarding cross-border e-commerce package delivery to Russia?* The main research question is answered last.

What kind of knowledge companies in the Northern Ostrobothnia and Kainuu regions have about the opportunities of e-commerce in Russia?

In order to develop cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia, it is important to know how aware companies are about the opportunities of e-commerce in Russia. Preconceptions about the market are ordinary and they appear to exist due to lack of knowledge about the Russian e-commerce market. Based on the data, companies in the regions do not recognize the opportunities of the Russian e-commerce market very

strongly. Few opportunities were identified: the market's potential due to its size and the fact that they have a different product selection for some parts which creates a demand for cross-border e-commerce. While these opportunities are recognized, companies still mostly focus on other markets in their strategies over the Russian e-commerce market. The majority of companies do not see Russia as a strategically important country despite the fact that it has shown great growth potential. This might be because of the barriers that companies face regarding cross-border e-commerce to Russia.

What kind of barriers companies in the Northern Ostrobothnia and Kainuu regions face when aiming for the Russian e-commerce market and what can be done to overcome them?

Two major barriers that affect companies when aiming for the Russian e-commerce market were discovered: lack of knowledge and language barrier. The lack of knowledge of the market is the biggest barrier as it creates false preconceptions that stop companies from trying to enter the Russian e-commerce market. Due to lack of knowledge the potential of the Russian e-commerce market is not often recognized, and even if it is, false preconceptions created by lack of knowledge might stop companies from placing their focus on the Russian e-commerce market. This barrier could be overcome by providing easy to access information about the Russian e-commerce market to companies which are interested in it.

The language barrier is the other significant barrier as it stops companies from starting to target Russian customers and providing the best customer service possible. As knowing how to speak English is not as common in Russia as it is in Finland, it is hard for Finnish companies to find a common language with their Russian customers. This in turn affects the quality of customer service provided by the companies and makes it harder for them to target Russian consumers as the companies are not able to, for example, create marketing or webstores in the local language. The language barrier could be overcome by offering moderately priced translation services to companies in which the company webstore, for example, could be translated into Russian. Companies also have an option to outsource their Russian e-commerce sites.

What kind of issues companies in the Northern Ostrobothnia and Kainuu regions have regarding cross-border e-commerce package delivery to Russia?

Companies in the Northern Ostrobothnia and Kainuu regions were generally contented with the cross-border e-commerce package delivery to Russia, but they were still able to identify some issues about it. The process regarding returning or exchanging delivered products seemed to be problematic as there were no clear procedures in place. The process was expensive and unclear to the customer, the company and even the logistics service provider. It would be beneficial for all to come up with a clear protocol for handling returns and exchanges.

There were also issues identified with the Russian customs by the logistics service provider. Generally, the deliveries work fine, but occasionally the trucks are inspected very thoroughly at the border which results in delays in delivery times. The delivery process could be developed by avoiding unnecessary inspections at the border to keep the deliveries running smoothly.

How can cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia be developed?

Based on the findings, ways to improve cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia were identified. To start with, companies would benefit from receiving more information about the delivery process and the practicalities related to it. An information package, such as a pamphlet, that contains all necessary information about the Russian e-commerce market, how to pursue it, how the deliveries work, and what kind of regulations need to be taken into consideration could be made to help companies increase their knowledge.

Companies also hope to improve cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to Russia by making the delivery process as convenient for their customers as possible. Companies in general were happy about

how the delivery process was from their point-of-view, but they hoped that it could be made better for their Russian customers. The deliveries to Russia were sometimes quite pricey for their customers and companies do not have a lot of information about the delivery process after the package crosses the Finnish-Russian border. Companies hope that the delivery process would be as efficient and cost friendly as possible for their Russian customers. Also, the Russian customer is responsible for handling the customs process with the Russian customs themselves, which is why companies want the customs process to be as simple as possible.

An easier and a more flexible customs protocol would be appreciated by companies in the Northern Ostrobothnia and Kainuu regions as well as by the logistic service providers. Both agreed that developing customs processes regarding Russian e-commerce is an important issue in developing cross-border e-commerce package delivery between the regions. Making the customs protocol as simple as possible by allowing automatization and being more flexible on both sides of the border would help companies and logistic service providers.

8.2 Theoretical contribution

This study supports the findings of European Commission (2019) that state that Finnish companies do not utilize the opportunities of cross-border e-commerce enough, even though they have adopted e-commerce into their businesses successfully with their domestic customers. Even though the companies interviewed for this study all practice cross-border e-commerce, most of them do it in a small scale and strategically focus mainly on the domestic market. Also, when trying to find companies to interview for this thesis, most of the contacted companies replied saying that they only target the Finnish market with their webstores or that they have never shipped any orders to Russia. This seems to line up with the findings of European Commission (2019) that Finnish companies who practice e-commerce mainly allow orders only from their domestic customers, or if they do practice cross-border e-commerce, they often do not target non-EU countries.

Suutari et al. (2019) discovered multiple barriers relating to the cross-border e-commerce between Northern Finland and the Republic of Karelia, such as marketing

in Russia, lack of information about the Russian market and legal and regulatory difficulties. This thesis supports the research by Suutari et al. (2019) with regard to the identified barriers that companies in Northern Finland face when practicing cross-border e-commerce to Russia. The most significant barriers identified by Suutari et al. (2019) are legal and regulatory difficulties, marketing in Russia, knowledge in Russian market, localization on Russian market and delivery and refunding, which were identified in this thesis as well when analyzing the data. It seems that lack of knowledge is generally recognized as a significant barrier, as it was identified to be a major barrier in this thesis as well. The language barrier which was noted in the findings as the second biggest barrier is also supported by earlier research. Language barrier is recognized to be an important barrier in cross-border e-commerce by many other researchers (Gomez-Herrera et al., 2014; Kawa & Zdrenka, 2016; Krasnov, 2019; Rusachenko, 2020).

This study also supports other research that state that mobile commerce will be the most important aspect of e-commerce in the future (Laudon & Guercio Traver, 2019, pp. 498–501). Only, this thesis would go even further than that to state that mobile commerce already is the most important aspect of e-commerce. This is because all the interviewed companies recognized its importance and said that mobile commerce is responsible for the clear majority of their e-commerce sales.

This study found that outsourcing logistics is the most common way to organize e-commerce logistics among companies from Northern Ostrobothnia and Kainuu regions. Cross-border logistics are most often outsourced (Karrus, 2001, p. 129). According to Yu et al. (2017), the main downside of the outsourcing model is the lack of control over logistics. This is also supported by the thesis as it was discovered that most companies were not aware of what happens to the deliveries after they cross the Finnish-Russian border. This also portrays the lack of knowledge that affects the cross-border e-commerce package delivery from the Northern Ostrobothnia and Kainuu regions to the Republic of Karelia.

Even though the study is largely supported by earlier research, it still differs from it also. In this thesis, the findings emphasized the importance of customer satisfaction more than previous research. Based on the interviews, it is important for companies to

have satisfied customers as they hoped more relaxed customs procedures for their Russian customers, as well as raised the language barrier as an issue because they wanted to be able to provide quality customer service to their Russian customers.

8.3   Managerial implications

Three types of managerial implications can be made based on the findings: managerial implications targeted to e-commerce companies, logistics service providers and public organizations. Based on the study, e-commerce companies should seek out more knowledge about the opportunities that the Russian e-commerce market can offer. The Russian e-commerce market is growing at a fast rate and there is a demand for overseas products, so the companies should explore opportunities to expand there. The false preconceptions that some companies have about the Russian e-commerce market could be overcome if the companies would study the Russian e-commerce market and expand their knowledge. Companies could also overcome at least part of the language barrier by simply hiring someone to translate their webstores into Russian, which would already a be big help for their Russian customers.

Managerial implications targeted to logistics service providers are mainly about sharing more information with their customers. The logistics service providers could provide their customers more information about the delivery process of cross-border e-commerce and about the special circumstances related to it, such as the protocol on returns or exchanges. This would help companies provide better customer service for their Russian customers. The logistics service providers should also make the delivery process as automated as possible for the companies, as the importance of a clear and simple delivery process was highlighted in the interviews.

Public organizations, such as universities or government agencies, could put together an information package about the Russian e-commerce market which could include practical information about the market and how to conduct business in it. The information package could be available online for companies interested in the Russian e-commerce market. This way the barrier of lack of knowledge about the Russian e-commerce market and its opportunities could be diminished among Finnish companies. Also, both Finnish and Russian Customs should make their customs

protocols as automated and simple as possible in order to hasten the deliveries and lessen the burden of Finnish companies who practice cross-border e-commerce, as well as their Russian customers.

8.4   Reliability and limitations of the study

The empirical part of the study was conducted by using semi-structured interviews. Half of the interviews were conducted face-to-face and half remotely using Zoom. All the interviews were recorded and then transcribed word for word in order to make sure that the results are as reliable as possible. Also, the interviewees were the company representatives who were responsible for managing their companies' e-commerce, so they were able to give first-hand information which can be considered to be reliable. However, all the findings were analyzed by the researcher, so evidently their personal perspective on the issue is likely to affect the reliability of the study, even though objectivity was naturally pursued.

The sample size for the study was rather small, with only 4 interviewees, which is likely to affect the reliability of the results. Nonetheless, as the study was a multiple case-study it should be more reliable than a single case study, as according to Yin (2003, p. 53) multiple-case studies tend to produce better cases as they usually provide more material to analyze than single case studies. Still, a bigger sample might have resulted in even more reliable results.

Due to restricted time to complete the study, the interviewees were chosen based on their availability and willingness to participate in the research. It would have been interesting to see more variation on how much the companies practice cross-border e-commerce to Russia. All the interviewed companies had a fairly low level of deliveries to Russia, which is why it would have been interesting to find a company to interview which has a lot of Russian e-commerce sales. This lack of variation was lessened by including a logistics service provider specializing in cross-border e-commerce to Russia to the study.

While the thesis was limited to apply to companies from Northern Ostrobothnia and Kainuu regions and customers from the Republic of Karelia, it can be generalized to

apply to all Finnish B2C-companies that practice cross-border e-commerce to Russia and all Russian customers. Even though the interviewed companies were formed in Russia's border regions, Northern Ostrobothnia and Kainuu, the proximity to the border was not as important as first anticipated, as all the interviewed companies outsource their cross-border e-commerce logistics. The proximity to the border only comes up when suggesting that Finnish companies which regularly have a lot of Russian customers come to their stores, could use e-commerce to retain these customers during the COVID-19 pandemic when the border is closed. However, even this statement does not apply to only companies in the Northern Ostrobothnia and Kainuu regions but can be generalized to all companies in Finland that regularly receive Russian visitors.

8.5 Future research

Based on the findings of this thesis, it would be interesting to study the perceptions that companies have about the Russian e-commerce market more. Most companies seem to place their strategical focus on other markets over the Russian e-commerce market, even though it has shown great growth potential. It would be interesting to know why is that.

Also, the effects of strict customs protocols on the delivery process could be studied, as well as the aspect that what would happen if the customs protocols were made more flexible. It would be interesting to know how much customs protocols and other regulations between Finland and Russia restrict the cross-border e-commerce market of the countries. This could be done as a comparative study between Russia and another EU-country and border neighbor, such as Sweden, to see how much stricter border restrictions affect the e-commerce market between Finland and the countries.

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<div align="right">**Appendix 1**</div>

OUTLINE OF A SEMI-STRUCTURED INTERVIEW

Background

1. Tell me about your company. What do you do, how old is the company, etc.
2. What is your job description in the company?
3. What tasks does your job description include?

Mapping the current situation

4. What is the share of e-commerce in your sales compared to brick and mortar store sales?
5. What is your company's attitude towards e-commerce?
6. What kind of experiences do you have from e-commerce sales?
7. How important is mobile commerce (i.e., online commerce on a smartphone or tablet) to your business?
8. Where everywhere are your products sold in your online store?
9. Have you considered investing in cross-border e-commerce?
10. What kind of investments have you made to cross-border e-commerce?
11. Is cross-border e-commerce strategically important to you?
12. How many shipments have you had abroad? Where?
13. What kind of delivery process do you have in cross-border e-commerce?
14. How easy / difficult have you found the sales and delivery process to abroad?
15. Why / what is easy and what / why difficult?
16. How do you see the potential of cross-border e-commerce? What about the challenges?

Russian e-commerce and deliveries

17. What are your perceptions of the Russian e-commerce market?
18. What kind of products do you believe to be in demand in the Russian e-commerce market?

19. Is Russian e-commerce strategically important to you? How does it appear (e.g., in online store)?

20. How do you see the potential of e-commerce in Russia? What about the challenges?

21. Are you aware that Russia has Europe's fastest growing e-commerce market where quality products are valued?

22. Do you think that there could be a demand for your products in the Russian e-commerce market?

23. What kind of investments have you made in Russian e-commerce?

24. How many shipments have you had to Russia?

25. How have you taken care of them? (Posti, DHL, etc. or something else?)

26. How much do you know about the delivery process from you to the Russian customer? What are the steps involved?

27. How easy / difficult have you found the process?

28. Why / what is easy and what / why difficult?

29. Have you had any problems with the deliveries? What kind?

30. What have you found to work in the delivery process? Why?

Development ideas and future prospects/plans

31. How do you think the delivery process could be made more efficient / easier?

32. Do you think there would be a need to develop the delivery process for online orders between Finland and Russia? How?

33. What future plans do you have with regard to e-commerce?

34. Have you planned investments in Russian e-commerce? What kind if you have?

35. How do you see the development of the e-commerce market in the future?

36. How do you see the development of the Russian e-commerce market in the future? What about in terms of deliveries (continues the same way, or something new)?

OUTLINE OF A SEMI-STRUCTURED INTERVIEW FOR WCARGO

Background

1. Tell me about your company. What do you do, how old is the company, etc.
2. What is your job description in the company?
3. What tasks does your job description include?

Mapping the current situation

4. How many deliveries do you have currently?
5. To which countries do they go to mainly?
6. What kind of deliveries are they mainly? (Private people's or companies? Big cargo or parcels?)
7. How important are e-commerce deliveries to your company?
8. What kind of clientele do you have? (Big or small businesses?)
9. What kind is the delivery process from the point-of-view of your customer?
10. What kind is it from your point-of-view?
11. What is the strategically most important part of your business? Why?
12. What are the biggest challenges in cross-border deliveries? Why?
13. What are the biggest opportunities in cross-border deliveries? Why?
14. How easy / difficult have you found the delivery process to abroad?
15. Why / what is easy and what / why difficult?

Russian e-commerce and deliveries

16. What are your perceptions of the Russian e-commerce market?
17. What kind of products do you believe to be in demand in the Russian e-commerce market?
18. Are Russian e-commerce deliveries strategically important to you? How does it show (e.g., in marketing)?
19. How do you see the potential of e-commerce in Russia? What about the challenges?

20. How do you help your customers with e-commerce deliveries to Russia?

21. What kind of products do your customers ship to Russia?

22. Have you advertised the opportunities in Russia to your customers? How?

23. What kind of investments have you made in the deliveries of Russian e-commerce?

24. How many shipments have you had to Russia?

25. What is your delivery process to Russia? What are the steps involved?

26. How easy / difficult have you found the process?

27. Why / what is easy and what / why difficult?

28. Have you had any problems with the deliveries? What kind?

29. What have you found to work in the delivery process? Why?

30. What kind of price list do the deliveries have?

31. What kind is the delivery process to Russia from the point-of-view of your customer? What do they have to do for it?

Development ideas and future prospects/plans

32. How do you think the delivery process could be made more efficient / easier?

33. Do you think there would be a need to develop the delivery process for online orders between Finland and Russia? How?

34. What future plans do you have with regard to e-commerce deliveries?

35. Have you planned investments in Russian e-commerce deliveries? What kind if you have?

36. How do you see the development of the e-commerce market in the future?

37. How do you see the development of the Russian e-commerce market in the future? What about in terms of deliveries (continues the same way, will there be less / more, or will you change the delivery process somehow)?