GO DIGITAL: B2C MICROENTERPRISE CHANNEL EXPANSIONS

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ABSTRACT

Online channels are highly relevant for microenterprises, but research focusing specifically on the challenges and circumstances faced by microenterprises doing channel expansions is scarce. A channel expansion is a strategic decision that will modify the business strategy of the company. Through twenty-two case studies in Finland and Sweden, we investigate microenterprises doing channel expansions. The goal of the research is to find out how microenterprises carry out channel expansions and what characteristics emerge from the two national samples. We look at the channel expansion from a business model perspective, which gives us a practical tool to probe the micro-entrepreneurs to discuss their expansions from many dimensions. Our findings show that microenterprises struggle to balance technology, business, and customer demands with competence and resources. A lack of strategic planning leads to a situation where both positive and negative outcomes of the channel expansions are largely unanticipated and unexpected.

Keywords: Business models; Channel expansion; Competence; Micro-entrepreneurs; Micro-enterprises; Online channels; Owner-managers; SMEs

1. Introduction

Channel strategy continues to be a top concern for retailers of all shapes and sizes. Going online is frequently touted as a way for small enterprises to reach new markets and customer segments and to provide possibilities for growth. The process of microenterprises going online – microenterprise channel expansion – is not a well-researched topic and it deviates from what is known in literature about larger enterprises.

Microenterprises operate under a different set of conditions and constraints than larger companies in terms of e.g., resources, competences, goals and value networks. This affects their possibilities and approaches to channel expansion. Investigating small enterprises is important as over 95% of the world's businesses are small, medium or micro-sized [UNHCR 2017], meaning that small enterprises are important contributors to the economy globally.

In our study, we focus on two industrialized economies, Sweden and Finland. The study of Sweden and Finland provides an interesting insight into a context of early adoption and innovation. These two neighboring countries have a highly developed IT infrastructure, have amongst the highest Internet access and use in Europe and are early adopters regarding e-commerce, mobile technology and m-commerce [Eurostat 2008; Statistics Finland 2013]. More than 99% of all businesses in Sweden are classified as small and medium-sized enterprises (SMEs) and of those 94% are microenterprises. Finland shows very similar figures, as 93% of all businesses are microenterprises [MacGregor and Vrazalic 2005; Eurostat 2008; Statistics Finland 2013]. Yet, scarcely a sixth of Finnish SMEs sell their products or services online [Rikama 2015]. This number is likely to be even lower for microenterprises. Järvinen [2017] describes that 35% of Finnish SMEs are "digital dropouts" without any type of online presence. In the study, almost 80% of Finnish SMEs with online presence only have static webpages ("brochure ware"). At the same time, consumers have increasingly taken into use digital channels to find information to support their purchase decisions. Microenterprises in Finland and Sweden are thus faced with a changing landscape, experiencing pressure both from consumers and national and international competitors.

Examining online channel expansion in these two economies will provide a rich picture of microenterprise channel expansion as a phenomenon. Results from two countries may be broader and more applicable to other countries, than results from a national sample. Moreover, few studies on microenterprise channel expansions use cross-national samples. A large cross-national sample enables us to look beyond local or isolated phenomena, get a more panoramic view and avoid not seeing the wood for the trees.

The objective of the paper is to study how microenterprises in Sweden and Finland conduct their channel expansion, so that a deeper understanding of expansion characteristics and dynamics could be gained. The study is administered using a case study approach. Our overarching aim is to add to the current sparse understanding on microenterprise channel expansions. The following two research questions guided our work:

1. *How do microenterprises carry out channel expansions?*
2. *What characteristics of channel expansions emerge from the two national samples?*

Most studies on smaller enterprises focus on SMEs, not microenterprises, and on companies with a low level of digital maturity. Microenterprises on the highest level of digital channel adoption are a less researched area, which we contribute to.

The remaining part of the paper is organized as follows. Related work and background are outlined in Section 2. The study framework is presented in Section 3, and research methodology in section 4. Section 5 presents the results, and section 6 provides discussion on our research questions and some conclusions.

2. Related Work

2.1. Characteristics of microenterprises

In order to study microenterprises' channel expansions, it is important to understand the special characteristics of microenterprises. In the small-to-medium sized enterprise literature, much of the focus is specifically on small and medium-sized enterprises, excluding microenterprises. This is understandable as SMEs and microenterprises share many of the same characteristics, e.g. they are typically local, have regional orientation and flat organizational structures. Some characteristics are similar, but more pronounced in the microenterprise, e.g. the resource scarcity that is typical for both SMEs and microenterprises. Any resource constraint affecting the SME can be assumed to affect also microenterprises. The central characteristics of microenterprises are outlined in Table 1. Many of the characteristics can be viewed either as constraints to be solved or strengths to be explored. As an example, often the owner-manager is the lone decision maker who also runs the day-to-day operations of the company. The company's capabilities equal those of the manager's and employing outside services is often beyond reach, leading to constraints in time, money and competence. This can affect both daily operations and planning for the future negatively. However, the flatter organizational structure and concentration of competence allows microenterprises to be flexible and open to change which enables them to react to environmental changes and customer needs in a rapid way.

2.2. Microenterprises and channel expansion

Karjaluoto and Huhtamäki [2010] describe four levels of digital channel adoption in microenterprises: (1) *Informational* – the least sophisticated level of utilization, i.e. website as a brochure, (2) *Communicational* – website enables communication, (3) *Transactional* – e.g. elementary e-shop without possibility to pay online, and (4) *Integrated part of business* – a level where integration of internal and external systems occurs and the digital channel is used both for marketing and doing business. In their multiple case study, none of the participating companies reached the highest level of digital channel adoption. In our study, we focus only on microenterprises operating on the highest level identified by Karjaluoto and Huhtamäki [2010]. Other significant findings by Karjaluoto and Huhtamäki [2010] were that the microenterprise owner's motivation and capabilities are crucial in determining how digital channels are used in the company. This is in line with Nikunen et al. [2017] who bring forth owner-managers' human capital as an important pre-determinant of adopting digital channels. Knowledge of digital tools and their utilization was especially related to successful impact. Karjaluoto and Huhtamäki [2010] further state that human and financial resource scarcity is clearly prevalent in the study and inhibits micro-entrepreneurs from adopting digital channels.

They also emphasize that it is important for micro-entrepreneurs to make use of customer databases in order to build strong customer relationships [Karjaluoto and Huhtamäki 2010]. Small companies should build strong partnerships and cooperate with other small companies in order to gain value as it is difficult to do everything by themselves, with limited human and financial resources [Bollweg et al. 2018].

Table 1: Overview of microenterprise characteristics

Dimension	Characteristics	References
Management	Managers juggle many different roles. Career development paths do not exist as in large firms. Managers run the day-to-day business. Manager has a financial stake in the business. Less formal decision models, high reliance on owner's intuition. The company reflects the values, attitudes, motivations and abilities of the manager. Centralized and intuitive decision making.	Devins et al. 2005; Kelliher and Reinl 2009; Zach et al. 2014; Wong and Aspinwall 2004; Ghobadian and Gallear 1997; Lussier and Sonfield 2015
Customers and market	Low internal capability to go international. Market research seldom carried out. Tendency to be growth averse. Dependent on small customer base, close and frequent contact with customers, many known customers personally and socially.	Bernroider 2002; Greenbank 2000; Gherhes et al. 2016; Zach, et al. 2014; Wong and Aspinwall 2004; Ghobadian and Gallear 1997
Processes and procedures	Projects have a short time scope. "Laissez-faire" attitude to processes, not highly structured. People-focused processes. Less likely to use outside advisory services (consultancy). Less use of sophisticated financial management methods. Complex decision making procedures, influenced by individual, economic and social contexts of owner-manager. Business plans developed by individuals.	Turner et al. 2010;, Lussier and Sonfield 2015; Greenbank 2000; Friar and Meyer 2003
Structures	Flat hierarchy, flexible, often rapid response to environmental changes, low degree of specialization, multi-tasked owner-managers, limited and unclear division of activities, organic and fluid culture, low resistance to change, influenced by owner-manager. No separation between ownership and control.	Greenbank 2000; Zach et al. 2014; Wong and Aspinwall 2004; Ghobadian and Gallear 1997
Information systems (IS) and information technology (IT)	Focus on sustaining current levels of business; not growth. Pragmatic attitude, main focus on short-term benefits. Customer relationships drive IS/IT adoption. A need to receive short-term return on IS/IT investments to minimize risk. Plateau effect; IS/IT adoption a one-time occurrence (e.g. a website) after which development does not happen. No clear understanding of how IS/IT can be connected to business strategy. Fear of IS/IT and technology risk, wide variance in technology attitudes and skills. Inadequate access to hardware, software and IS/IT infrastructure.	Jones et al. 2014; Qureshi et al 2010; Wolcott et al. 2008
Resources	Resource poverty, constraints in time and expertise. Employees are generalists, rather than specialists. Time constraints leads to day-to-day focus rather than long-term focus. Larger investments restricted by lack of external funding. Low possibility to attract capital funding. Weak capabilities for marketing and distribution. Owner-managers have lower levels of education and experience.	Kelliher and Reinl 2009; Bernroider 2002; Friar and Meyer 2003

According to Vlachos [2011], microenterprises are laggards compared to larger enterprises in adopting e-business applications, making little use of e-business as well as having a low website presence. Mustaffa and Beaumont [2004] on the other hand found that microenterprises are especially keen to utilize digital channels in order to extend their geographical reach. Barnes et al. [2012] suggest that when investing in web 2.0 technologies microenterprises are driven by cost- reduction, growth possibilities and innovation in the form of new services and new ways of working, as well as work-life balance for the owner-manager. A study on micro-sized fashion enterprises showed an ad hoc approach to adopting social media tools. Efforts were not based on market research, but rather orchestrated through trial and error. A lack of strategic planning underlying digital channel efforts was frequently mentioned [e.g. Henninger et al. 2017; Bollweg et al. 2018].

3. Conceptual Framework

Deciding to conduct a channel expansion will affect the business strategy of a company and as such its value creating capability. In order to capture the complexity of such a transition we chose to look at channel expansion from a business model perspective. Such a perspective enables a rich discussion of both activities taken by micro-entrepreneurs as well as specific characteristics of the channel expansion endeavor. There are several definitions and frameworks available that describe the concept of business models [Zott, 2013, Osterwalder, 2005, Wirtz, 2016]. We understand a business model to describe the rationale of how an organization creates, delivers, and captures value, as well as a unit of analysis that enables a holistic understanding of the activities a focal organization, including their partners, conducts in order to do business [Osterwalder and Pigneur 2010; Weill and Vitale 2001; Zott and Amit 2013]. In this paper we draw from three existing frameworks; (1) the Business Model Canvas introduced by Osterwalder and Pigneur [2010], which provides a framework widely used by companies in search of developing their business models, (2) an e-business model framework provided by Weill and Vitale [2001], which provides a framework focusing on business model development within an online context as companies conduct e-business initiatives, and (3) the VISOR business model framework introduced by El Sawy and Pereira [2013], which provides a framework with a platform perspective and an ecosystem approach supporting companies in developing digital business models. For examples of how these different business model frameworks can be used, see Haaker et al. 2018. Each framework contains different business model components, some of which were adopted and adapted into our conceptual framework (table 2). Combining these three business model frameworks provides a rich picture of value creating activities taken by microenterprises during their online channel expansion [Jeansson et al. 2017].

Table 2: Components used in our framework with corresponding components from Osterwalder and Pigneur, 2010, Weill and Vitale, 2001 and El Sawy and Pereira, 2013.

Component	Description	Corresponding components
Knowing the customer	How microenterprises identify and describe their customers and customer relationships.	Osterwalder and Pigneur 2010; Customer segments, Customer relationships Weill and Vitale 2001; Customer segments, Customer relationships
Offering value	How the microenterprises' products and/or services fulfill customer needs; why the customer is willing to pay for them.	Osterwalder and Pigneur 2010; Value proposition Weill and Vitale 2001; Value proposition El Sawy and Pereira 2013; Value proposition
Creating points of interaction	How microenterprises design and facilitate places to interact with customers and where transactions of information, money, products and services can take place.	Osterwalder and Pigneur 2010; Channels Weill and Vitale 2001; Channels El Sawy and Pereira 2013; Interface
Finding new ways	How microenterprises find new ways of adding value to their product and/or service.	Osterwalder and Pigneur 2005; Key activities El Sawy and Pereira 2013; Organizing model
Making money	How microenterprises manage revenues and costs.	Osterwalder and Pigneur 2010; Revenue streams, cost structures Weill and Vitale 2001; Sources of revenue El Sawy and Pereira 2013; Revenue model
Building networks	How microenterprises work with partner relationships in order to deliver products and services in an effective and efficient way.	Osterwalder and Pigneur 2010; Key partnerships El Sawy and Pereira 2013; Organizing model
Informating	How microenterprises collect and utilize information.	Osterwalder and Pigneur 2010; Customer segments Weill and Vitale 2001; Customer segments
Optimizing resources	How microenterprises manage their resources: physical, financial, intellectual or human, including core competencies, IT infrastructure, and digital service platforms.	Osterwalder and Pigneur 2005; Key resources Weill and Vitale 2001; IT infrastructure, core competencies El Sawy and Pereira 2013; Service platforms

4. Research Methodology

In order to study the phenomenon of channel expansion within a microenterprise context we chose a qualitative case study approach [Stake 1995]. The case study method can be seen as a specific form of field study, "an investigation of phenomenon as they occur without any significant interventions of the researcher" [Fidel 1984, p. 274]. According to Yin [2009, p.18], a case study is defined as "…an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." As pointed out by Yin [2009, p.4] the case study method gives a possibility "to retain the holistic and meaningful characteristics of real-life events" which in our project is of fundamental importance. Our case study approach can be labeled as instrumental as we seek to move beyond the case itself in order to study the phenomenon of channel expansion [Stake, 1995]. Our study also adopts a multiple case study approach as we pursue channel expansion of microenterprises both in Finland and Sweden. A multiple case study approach enables a deeper understanding of the phenomenon under study and provides a possibility to explore both in-case activities and cross-case similarities and differences [Stake 2006; Yin 2009]. For the purpose of the study, the European Union definition of a microenterprise was adopted. According to the European Union [2012], a microenterprise encompasses an entity with no more than 10 employees, the maximum net turnover of €700.000 and/or a maximum total balance sheet of €350.000. In order for a company to satisfy the definition of a microenterprise, two of the three criteria have to be met.

Case selection followed a nonprobabilistic, purposive sampling strategy. Following general guidelines, selected cases had to (i) be relevant to the phenomenon under study, (ii) provide some diversity within the microenterprise context and (iii) provide rich information of channel expansion [Stake 2006]. Further, selected companies had to be active in retail business, selling products and/or services online; they should have conducted their channel expansion within the last five years and have at least one person currently employed who was working within the company during the expansion and available for an interview. Given the requirements, we then worked out a list of possible microenterprises after which we contacted the companies in order to confirm that they satisfied the defined criteria and were willing to participate in the study. Altogether twenty-two microenterprises were selected to join the study; eleven Swedish and eleven Finnish companies. According to Eisenhardt [1989] the number of cases that work well in a study is between four and ten. There are however only a few studies that provide guidelines and even fewer that provide rationale for determine the sample size in qualitative research [Guest and Bunce 2006, Baker and Edwards 2012]. Romney et al. [1986] found that if the participants can be regarded as experts - in our study the managers - then a sample of four would already be sufficient. Guest and Bunce [2006] found by interviewing sixty women in two countries that after twelve interviews data saturation had for the most part occurred. Thus they make the recommendation that a sample of twelve will likely be sufficient given that the participants are to a certain degree homogeneous [Guest and Bunce 2006]. With a sample size of twenty-two microenterprises in two Nordic countries we are confident that it is high enough for our research purposes.

During the study a Swedish research team was responsible for the Swedish cases and a Finnish research team responsible for the Finnish cases. Appendix 1 provides an overview of the twenty-two microenterprises that participated in the study. Each company has a country code (F for Finland and S for Sweden) and is numbered. Together, the selected microenterprises represent a wide spectrum of products/services and markets. Most of the microenterprises have an owner-manager that also is the sole entrepreneur; some of the companies both in Finland and in Sweden are family owned. All but two of the microenterprises in Finland made their channel expansion from physical stores (P) to include e-commerce (E); the other two started with e-commerce and expanded with a physical store. Of the eleven microenterprises in Sweden, five made their channel expansion from physical stores to include e-commerce, four expanded their e-commerce to include m-commerce (M) and two expanded their e-commerce to include a physical store. Most of the microenterprises in Finland are only attracting Finnish customers whereas many of the microenterprises in Sweden are targeting customers abroad.

Interviews were conducted with the owner-manager of the company in an in-depth, semi-structured fashion using an interview guide. Most of the companies were one-person companies, and there were simply no other persons available to interview. Interviews lasted from one to three hours and were recorded and transcribed verbatim. In Sweden, interviews were conducted in Swedish and in Finland interviews were conducted in Finnish, Swedish or English depending on the interviewee. Transcribed interviews were read carefully by at least two researchers. Some transcripts were very long; in those cases, summaries were compiled in order to make the material more manageable. In addition to the interviews, websites and social media presence of involved organizations were examined.

Data were analyzed with the help of our conceptual framework. Interview transcripts were coded either manually or with the help of qualitative data analysis software in order to categorize the data. During coding, notes were made of emerging patterns and themes, both within as well as cross-cases [Yin 2009, Stake 2006, Miles and Huberman 1994].

5. Results – Microenterprises in Expansion

5.1. Customers – We know where they are, but not who they are (Knowing the customer)

Many of the companies have found that their customer base has changed to some extent after the expansion. The most typical change is that the customers' geographical range has extended beyond the shops' immediate vicinity. Interestingly, in Finland the geographical expansion stops at the country borders; most of the Finnish companies do not reach international customers, whereas almost half of the Swedish companies also sell abroad. The reach ranges from the neighboring Nordic countries - "*We have sent to most of the regions in Sweden and to some in Norway and Denmark*" (S18), to all continents -" *… we are on all continents …there is now the first box to South America…South*

Africa but not the rest of Africa…" (company S1). Companies S5 and S15 describe that the expansion has changed their customer structure geographically; previously they sold mainly locally in their city, now they reach many customers in the capital, even though they have many competitors among the physical stores there. The customers prefer to shop from home and to get the delivery to their home address. Further, they can avoid crowding in overfull physical stores in the city. Retailer F5 notes that her customers were previously from larger cities, and due to the expansion also customers from more rural areas found her.

In some cases, the demographic profile of the customers expanded as well. Company F10 found two new customer groups online. The first group was the customers of the existing customers, which she expected. The other group was a surprise: companies in the same business as company F10 started buying their equipment from her. Company F10 sells mainly products online whereas their main business is first-aid training.

It is widely acknowledged by the interviewees that they do not actively work with customer data or take full advantage of the available IS / IT capabilities. Through the web shop they gain knowledge of the name, gender and address of the customer, but anything else is unknown for most entrepreneurs. Most are aware of or use Google Analytics, but make only superficial or no use of information gained through the tool. The entrepreneurs typically have a much clearer picture of the demographics and preferences of customers who visit the physical store, but there is usually no written record. S6 mentions that usually you do not know how many people are surfing your online store; it is easier to form an opinion of how many people are checking out the selection of goods in a physical store. Most micro-entrepreneurs in our study do not keep a customer database or record apart from simple mailing lists, most customer knowledge is stored only as tacit knowledge. Company F8 is the exception to this rule; they actively follow demographics and browsing patterns on visitors to their web shop and social media channels, making use of the information to target marketing and guide purchasing. Most entrepreneurs observe a base of loyal, returning customers in the physical store, but not in the online store.

5.2. Value – What is it really? (Offering value)

Stating the value proposition was not an easy task for most interviewees. The added value of channel expansion was described generically; around-the-clock availability, the possibility to browse products online – a virtual shop window – and better possibilities to disseminate information online. One Swedish interviewee (S1) mentioned the opportunity for the physical store to utilize mobile technology to send messages about special offers to passers-by.

Companies tended to offer the same products and/or services after the expansion as before, however, not all products/services were offered in all channels. For example, retailers F1, F3 and F8 did not have all products available to purchase through their e-commerce channel. Adding a product to the e-commerce channel entailed a fair amount of work photographing and describing the product, whereby they only chose to sell more popular items online. In one case a company (S15) experienced limitations by one of its suppliers who did not allow the company to offer their products online, only in the physical shop.

Pricing was generally the same across channels, with some exceptions. Company F6 chose to offer products for a lower price in the online shop. The interviewee stated "*My prices are a few euro more expensive in the [physical] store… in the store they receive service, and I pay my staff 10 % provision for the products they sell [in the store]*". As a result, the respondent was unwilling to invite regular customers in the physical store to the online store, and vice versa.

Respondents mentioned delivery time (time from order to delivery) as critical when offering value in an e-commerce channel, and stated that keeping the promised delivery time was more important than speed of delivery.

5.3. "I am fed up with Facebook but it is impossible to quit using it." (F1) (Creating points of interaction)

All of the Finnish micro-entrepreneurs make use of social media channels, in addition to their physical and web shops. Some have tried out several platforms (e.g. Twitter, Foursquare, Google+, industry-specific platforms such as Ravelry), but Facebook is the one platform used by all Finnish entrepreneurs. Several Swedish companies mention social media channels such as Facebook and Twitter, but not all. Not all of the Swedish entrepreneurs are accustomed to using social media in their private lives and therefore think it feels strange to use it for company purposes. Companies that do use social media do it consistently, and e.g. S18 used it before the channel expansion. In general, it is considered that applying social media requires time and a lot of attention to keep it running.

Overall there is a sense of confusion surrounding the use of social media and uncertainty about how to reach results through them. Entrepreneur F1 explains: "*You can spend any amount of time on Facebook, but what you get is very little in comparison [to the time spent on it]*". Some have made use of the possibilities to pay for targeted advertising in Facebook, and results were mixed. It was found to be an easy and affordable way to reach new consumers, but not completely without difficulties. One of the companies had been subjected to a scam by another company selling Facebook advertising services; they paid for one thousand new followers to their Facebook-page and were disappointed to find that none of them were of the desired demographic – Finnish women. The company does not sell abroad but received a thousand new followers from India and Russia.

Some of the entrepreneurs had created new physical points of interaction; traditional brick and mortar stores. Company F11 explains that his customers had voiced a wish to shop for his products also in a physical shop. Once established, he found that the added revenue from the physical location is significant and he would no longer consider having only a web shop. Opening a physical storefront is not always strictly a voluntary decision. One of the Swedish companies found themselves in the situation, that the producer would not allow them to sell their products only online, as they felt that it would be cannibalizing their other retailers with physical outlets. Another motivation to maintain a physical storefront is that the competition is bigger when it comes to online stores because the competitors could be anywhere in the world. Hence, you do not have to promote a physical store the same way. "*On the internet it is like if you are located somewhere in the woods*" (S6). Not everyone embraces the option of expanding towards the physical, for different reasons. One interviewee simply explained: "*I and the other founder are computer geeks*" (S3), meaning they would not be using their strengths if they would expand to a physical shop.

Many of the Swedish companies speak about customers wanting to be in contact via phone or Skype. In contrast, S15 mentions that the customers rarely call them anymore. Interestingly, none of the Finnish entrepreneurs mentions customer contacts via phone or Skype.

5.4. New channels, same old ways – Expansion does not equal innovation (Finding new ways)

This was a difficult topic for the interviewees, similarly to the topic 'offering value'. The micro-entrepreneurs had not found innovative ways to utilize the channel expansion to improve the value of their products or services to the customer. There was an overall agreement that they can better serve their customers in the *physical* store than in the online store. The main benefit to the customer from the online alternative was the new geographical reach; ability to serve a wider clientele. Generally, those who carried out the channel expansion by adding a digital channel emphasized that the most important change is that the customers have the possibilities to be more independent when it comes to when (at what time) and where (geographically) they can shop. Due to the products and spare parts company F7 is selling, the manager thought that there is an advantage for the customer as she/he can easily find all the needed information online and does not need to stand in line to make the purchase. "*In the shop the customer might hesitate to ask for additional information as there are typically many queuing customers*".

One respondent (S15) connected finding new ways to resources - scarce resources make it difficult for micro-entrepreneurs to find new and innovative ways.

5.5. Making – and losing money (Making money*)*

The majority of the companies had not done changes to their moneymaking logic with the expansion. They sold the same products and/or services, with the same pricing. Costs had increased for most, due to costs from establishing and maintaining the online shop. F6 had very low costs from the expansion, having done everything herself, whereas some others had paid steep learning costs in the process, having made use of unnecessarily expensive service providers. Most companies fell between these two extremes, many of the entrepreneurs having learned skills they needed in order run the web shop, e.g. photography and web design. Company F7 observed that their online customers are in general more profitable as they do not ask for a discount for the products they are buying. On the other hand, company F11 who opened the physical shop some four months ago could already establish the fact that he is making more profit from the physical shop than from his online shop, which he has been running for two years. However, he charges a higher price in the physical shop than online, though he offers his customers the possibility to pick up the products in the shop when buying online.

For many entrepreneurs, revenues did not increase nearly as much as they expected. Before the expansion they did not have good ways of realistically forecasting the online demand, which also made it impossible to correctly estimate the online revenue and how much costs they could cover. Several Swedish companies talk about the need for cost awareness.

Shipping and costs related to it were a central topic of discussion for entrepreneurs in both countries. Many of the Finnish companies talked about the surprisingly high costs of shipping their goods. Typically, they had not been able to correctly estimate these costs prior to the expansion. They also raised discussions about the difficulty of micro-entrepreneurs to get good deals on logistics.

5.6. A network dance (Building networks)

The companies' resources are scarce, particularly as concerns money and staff. Some of the Swedish companies have found ways to use their networks, or build new ones, in order to work around scarce resources, e.g. for taking pictures to the digital channel and doing web design. This phenomenon was not visible in Finland. Very few of the Finnish companies had experienced any changes in their networks due to the expansion, apart from adding service providers for the web shop and payment options.

The relationship between service providers and micro-entrepreneurs was a dance of finding a good match; some companies had stumbled when co-operating with large service providers with high fees and not enough personalized service. A better match found by many companies seemed to be a smaller service provider with possibilities to offer customized service and a lower price in line with the micro-entrepreneurs' typically modest sales volumes.

None of the Finnish companies had encountered any challenges when negotiating for sales of products through a new channel; suppliers were throughout supportive of sales in new channels. In Sweden the situation was somewhat different. Four of the Swedish companies were themselves in the situation of being both suppliers and retailers; they were forced to take responsibility not only for themselves, but also for their retailers. They could not cannibalize sales in their own networks through competing with pricing. Two of the Swedish companies had demands placed on them by some of their suppliers. They were not allowed to sell or market their products in other geographic locations than where their physical shop was located. Online sales were thus effectively obstructed or completely prevented.

Entrepreneur F2 had discovered the opportunity to create new business by offering other entrepreneurs without their own web shops the possibility to sell their products in his web shop. His strategy was to find products not competing with his portfolio of products: "*I would not take on a product that competes with my products; rather I want to expand the selection of goods in my web shop*". This was, at the time of the interview, still work in progress as the discussions had not yet resulted in actual co-operation. Company F1 is participating in a portal but the manager does not know if it is of any value for her or her customers.

5.7. I know I have it, but I do not use it (Informating)

As mentioned above (5.1), most of the micro-entrepreneurs do not make extensive use of data gained through the digital channels. All of the entrepreneurs do follow how many views certain products receive, whether those views are translated to purchases, and which products sell the most; typical Business Intelligence functions. This information is used to guide purchasing and to direct marketing. There is, however, a general sense of not knowing what to do with any additional information among most of the entrepreneurs. S5 explains: "*It takes time before you get going and start to use all the functionalities [of the new platform]. Our ambition is definitely to do that [work with customer data]".*

About half of the entrepreneurs have enabled their customers to write ratings and reviews on their products. None of the entrepreneurs make use of services to monitor discussions regarding their company or products in different social media services. Several, such as F2, F6 and F8 make use of search engine optimization techniques. Entrepreneur F6 describes: *"… it is a really good tool. And for free. Many companies pay for others to do it. I decided to do it myself. I don't know how well I am succeeding… I don't know if a professional would have done my web shop, supported and helped me with all of this, how many visitors would I have then. That I would really like to know*."

Most entrepreneurs saw the easier availability of information to their customers as a good thing. Entrepreneur F2 was the exception to this rule. He had made the choice to remove price information from his web site. He had difficulty keeping the price list up to date, which meant that he had at times had to sell products to outdated prices. He also did not approve of price comparison websites where those who pay more get more visibility. His solution to these problems was to remove pricing information completely.

5.8. Never enough resources (Optimizing resources)

Resource scarcity is clearly visible in many of the companies and in many aspects of their operations. One of the clearest manifestations of this is the scarcity of time experienced by most. When starting sales online, many had realized that with the possibility of more sales comes also an unexpected amount of work. As entrepreneur F4 describes: "*At first I did not realize that I am running two shops [instead of one]*". Time scarcity goes hand in hand with financial scarcity; hiring more hands is not possible even though the online channel might have increased sales. Several of the entrepreneurs have learned to do their own photography and have invested in equipment. They do their own search engine optimization, update product information, do social media marketing and manage their inventories. It is typical that development of the web shop is done during the evening and night, adding a night shift to the entrepreneurs' schedules. All managers carry out all type of work in the microenterprises, and the same goes for the staff. According to S15: "*We had a network technician and he was also a designer (furniture) and also worked with pictures (for the web)*". Some of the companies have competence that is especially helpful in the expansion. S3 and S10 have competence in IS/IT, commenting "*I have been programming since 1999*" (S3) and "*Everything is altogether self-developed*" (S10). Competence scarcity is however also typical.

The resource scarcity can be further deepened as a consequence of the channel expansion. This was a surprise to the entrepreneurs, who had not expected developing their business would lead to a more difficult situation resource-wise. All the Finnish companies started with an online storefront solution, which was not integrated with the checkout system of the physical shop. This led most of the entrepreneurs to a difficult solution regarding inventory management. Maintaining correct inventory status was a central concern for the entrepreneurs, as the same products were on sale in both the physical and web shop. Selling an item in the physical shop meant that the sales person had to quickly remove the item from the online shop, to avoid selling an already sold item. Company F8 had recently invested in new software for both the physical checkout and the web shop to leave this problem behind. Doing this investment was possible due to the software being developed by one of the owners of the company, whereby they could purchase the system with a fraction of its real price. Company F7 is selling around 60% of their products online. A year ago the company updated their web shop and very many of the functions run automatically today. The manager added "*when a customer is buying online we see the order in the queue, the payment and that the product is available in stock and by pressing two buttons we get all the needed documents for processing the order*". The investment was worth its price especially as the company wants to give a picture of being a much bigger company than it is and because there are no financial resources to employ someone to take care of the web shop.

The resource scarcity can sometimes be alleviated through public sector assistance. Company S1 describes: "*Money is always an issue. However, I must say, we have had good support and help from the regional office and their financial support in order to get external consultants to develop our webpage. We could never have made the site that advanced without their support*."

In Finland, most companies report that starting the web shop required small or none investments into IT infrastructure and equipment. The picture is different in Sweden. Most companies had to rely on bank loans or other financiers. Respondent S14 summarizes the microenterprises' dilemma "*Yes, that is the Achilles' heel for a small business; to carry out good management in such a way that you always succeed in providing brand-new solutions online, that is costly for small businesses*".

6. Discussion and Conclusions

In this section, we return to our research questions. In 6.1 we discuss the first research question: How do microenterprises carry out channel expansions? In 6.2 the second research question is in focus: What characteristics of channel expansions emerge from the two national samples? Section 6.3 concludes and finally section 6.4 describes limitations and proposes future research.

6.1. Dynamics and Challenges

The way the studied microenterprises conducted their channel expansion resembled a learning process where managers were reflecting and learning in practice [e.g. Henninger et al. 2017]. The microenterprises' dynamic and iterative learning process consists of five phases: identify, decide, design, act and evaluate [see figure 1]. Each phase can be defined, explained and placed in a certain order; however, in practice they were highly integrated. The ability to manage and perform these five phases in the midst of daily activities emerged as a critical capability in order to succeed with online channel expansion as a microenterprise.

Most challenges and constraints of microenterprise channel expansion could be traced to what we label as the poverty triad – encircling the five learning phases in Figure 1. The poverty triad refers to a combination of financial, time and competence poverty [Blili and Raymond 1993; Cragg and King 1993; Karjaluoto and Huhtamäki 2010; Vlachos 2011; Barnes et al 2012; Stankovska et al. 2016; Henninger et al. 2017; Nikunen et al. 2017], which manifested itself in a multitude of ways during the expansion. Perceived pressure from the poverty triad was often the fuel that kept the learning process going, forcing microenterprises to find responses in each phase of the process.

Financial poverty refers to a modest cash flow and capital. According to Karjaluoto and Huhtamäki [2010] scarce resources is a reason for less use of digital channels. On the other hand, Barnes et al. [2012] put forward that using digital channels entails cost efficiency, which is suitable for microenterprises. The situation was often aggravated by difficulties to forecast realistic financial outcomes of the channel expansion initiative; several of the microenterprises entered the expansion with too high expectations of increased sales. *Time poverty* refers to a lack of time to make decisions and take action in a satisfactory manner. Limited human and financial resources make it suitable to form partnerships and to cooperate with other firms [Karjaluoto and Huhtamäki 2010; Bollweg et al. 2018]. Managers of microenterprises did not always enter the expansion with a clear view of the significantly added workload from the new channel. Financial poverty further enhanced time poverty; for example, investments in integrated inventory management systems were out-of-reach for most of the microenterprises, as well as possibilities to hire extra hands. *Competence poverty* refers to a lack of knowledge and/or skills within the company related to matters of the channel expansion. The micro-entrepreneurs often have low own competence but still need to take care of everything [Blili and Raymond 1993; Cragg and King 1993]. While micro-entrepreneurs showed an impressive depth of knowledge within their field, they were faced with almost impossible demands to know, manage and do everything in regard to the channel expansion.

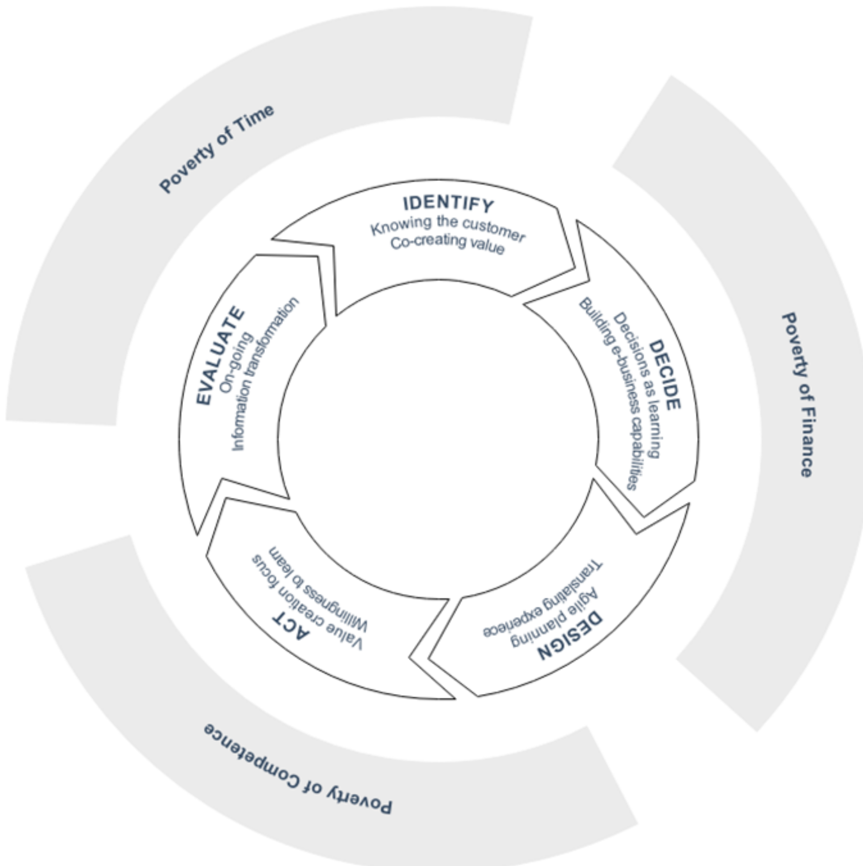

Figure 1: An illustration of the different phases of the microenterprise channel expansion learning process together with manager's response to challenges and constraints of identified poverty triad.

The first phase of channel expansion is the *identify* phase, which is when managers perceive the channel expansion as something to pursue. Channel expansion was mainly driven, or initiated, by customer and/or supplier demands, which changed the balance of surrounding competitive forces. There were times when microenterprises more or less were driven by a threat of losing suppliers or opportunities. However, there were also times when the drive to initiate a channel expansion came as an opportunity after listening to, and speaking with, customers. Microenterprises often experience a high degree of closeness to customers and suppliers, which in some of the studied firms posed challenges in terms of being dependent on external stakeholders and feeling forced to act in response to shifting demands. However, closeness also came in the shape of opportunities as microenterprises perceived changes in customer and supplier needs early on, as well as took advantage of available and free knowledge and learned how to tap into the knowledge pool of external stakeholders in order to co-create value.

The second phase of channel expansion is the *decision* phase, which is when managers formulate and make decisions concerning the channel expansion. Managers of microenterprises had to make many decisions, not only whether to go through with suggested channel expansion or not, but also decisions regarding the many new situations that emerged as a result of conducting channel expansion. Traditionally, managers of microenterprises are known to make their decisions close to point of delivery, very much acting on intuition and often having limited knowledge when it comes to matters of IS/IT. Adding constraints of time poverty, decisions often run the risk of being sub-optimized, uninformed and short-termed, posing great challenges to successful channel expansion. However, managers in the studied microenterprises actually made decisions and took action to conduct a channel expansion. This, to some degree, labeled them as early adopters of channel expansion compared to other microenterprises. As they were faced with different issues to deal with related to their channel expansion each decision mattered and had a strong connection to their core processes, customers and value creation. They did not have the luxury to be dazzled by technology as financial poverty made it clear that investments in IS/IT had to be well aligned with business needs. When knowledge poverty caused investments to fail managers made tough decisions to either cut their costs and re-invest or find solutions to overcome and cope. Each decision provided crucial learning outcomes resulting in increased knowledge and e-business capabilities. The characteristics of decisions tended to be agile and focused on moving the business forward.

The third phase of channel expansion is the *design* phase, which is when managers design actions to implement the channel expansion. As managers spoke of their initial plans of how they were to conduct their expansion initiative many of them expressed a lack of knowledge and experience regarding activities needed to be done, how much effort it would take in order to complete them and what outcome to expect from them. Previous research shows that planning in microenterprises often is unstructured, lacking in balance between short-term and long-term focus and limited in use of sophisticated management methods. As managers were caught up in the daily operations of their businesses they did not always have the time to retreat to planning. However, in order to overcome challenges like these most managers in the studied microenterprises seemed to move between decision and action swiftly as plans were being made and re-made in an agile fashion. They also seemed to rely heavily on their intuition, as well as trying to translate their earlier experience from dealing with other issues on existing channels into how to deal with the new channel. Two areas that several companies tended to reflect on and device thorough plans for were (1) which products to offer in what channel, and (2) how to price their different products in each channel.

The fourth phase of channel expansion is the *action* phase, which is when managers perform planned or unplanned actions related to their channel expansion. As known from previous research, managers in microenterprises often have to carry out all types of work within their companies and juggle many different roles [e.g. Blili and Raymond 1993; Cragg and King 1993]. As resources often were scarce, especially concerning finances and time, implementation and problem solving related to channel expansion tended to be a matter for the owner-manager. The owner-manager had to attend to core business processes as well as learn new skills in order to succeed with their channel expansion initiative e.g., how to code web applications, create compelling online content, operate and optimize e-commerce platforms and devise social media marketing campaigns. A common implication of this was that some managers felt like they always were trying to catch up, having a long list of pressing issues to attend to. As they in all things had to prioritize time and money in a strict manner they sometimes ended up with not being able to implement what they knew was needed e.g., applications and strategies for working with customer data. However, the other side of the story was that managers of microenterprises were to a large extent in control of their implementation process. As the gap between decision and action was short it enabled managers to act and re-act along the way placing focus on activities that they perceived created the greatest value for their customers. And even though they needed to spend time learning new things, which could be frustrating, they gained a broadened skillset providing possible long-term value to the future management of their company. Some managed to employ experts for certain parts of the expansion process, but this was not always financially possible. Employing outside expertise or consultants also requires competence from the buyer's side. Some microenterprises demonstrated financial and time poverty, but not competence poverty – when individuals within the microenterprises had valuable competence that enabled them to ameliorate some of the difficulties associated with resource poverty. This is exemplified by a microenterprise where one of the partners had competence within software engineering and could help the company build a normally expensive inventory management system for a fraction of the price.

The fifth and last phase of channel expansion is the *evaluation* phase, which is when managers evaluate actions taken and decisions made related to the channel expansion. The evaluation phase shares similarities with the design phase. Evaluation in microenterprises is seldom done in a structured and planned fashion; however, one should not make the mistake to assume that it is less in regard or not conducted at all. Instead, in the studied enterprises evaluation was an ongoing, never ending activity heavily motivated by the pursuit to deliver customer value and to respond to challenges of the poverty triad i.e. financial, time and competence poverty. Evaluation activities came in different shapes. There were evaluations that were supported by external services, more or less automated and presented in a detailed manner e.g., gathering information about website visitors' behaviors, bounce rates, page views and conversion rates. Other evaluations were of a more unstructured sort, conducted using internal systems or through interactions with customers and suppliers e.g., sales volumes, cost levels, pricing issues, support issues and shipment issues. There were some areas that seemed to be difficult to evaluate, one being how to capture return on invested time and money from social media initiatives and also from the channel expansion on a whole.

6.2. Channel Expansion Characteristics in a Microenterprise Context

When bringing findings from Swedish and Finnish companies together a rich picture of channel expansion characteristics emerges (table 3). The identified characteristics illustrate what channel expansion could enable and in what way it might provide challenges. As an example, results suggest that channel expansion is an enabler of increased customer value in the shape of greater availability and accessibility; at the same time, it provides challenges when to offer value as adding more channels tends to call for thinking strategically about which products to offer and if channels should/could be used in order facilitate differential pricing.

Table 3: Central observations

Business model perspective	Emerging characteristics of channel expansion
Knowing the Customer	Extended geographical reach (cross-country). Challenge to work with customer data analytics (cross-country). No cross-border expansion (Finnish companies). Cross-border expansion (Swedish companies).
Offering Value	Perceived added value: increased availability and accessibility for customers (cross-country). Same pricing in all channels (Finnish companies). Specific products for specific channels (Finnish companies). Technical issues influence product range within online/mobile channels (Swedish companies). Employ strategic thinking when to use different pricing for different channels (Swedish companies).
Creating Points of Interaction	Social media enhances interactions with customers (cross-country). Customer driven channel expansion enables increased revenues (Finnish companies). Supplier pressured channel expansion enables increased relationships with supplier and increased cost of customer interactions (Swedish companies).
Finding New Ways	Difficult identifying completely new ways to create value through and with new channel (cross-country).
Making money	Increased costs due to necessary channel investments and steep learning curve (cross-country). Limited changes in revenue models (cross-country). Difficult to proper estimate impact of channel expansion on costs and revenues (cross-country).
Building Networks	Utilize portals when applicable (cross-country). Challenge to manage relationship with large service providers (Finnish companies). Tendency to do everything in-house (Finnish companies). Build and be part of business networks in order to learn from others (Swedish companies). Develop procurement skills (Swedish companies).
Informating	Difficult to manage available data from digital channels (cross-country). Use search engine optimizing tools (cross-country). Enable customers to write ratings and reviews (Finnish companies).
Optimizing Resources	Scarce resources (cross-country). Multi-task capacity needed by managers (cross-country). Difficult to balance technology, business, and customer demands (cross-country).

The microenterprises report a high level of social media use. Henninger et al. [2017] as well as Bollweg et al. [2018] propose that ad hoc is the ordinary approach for applying social media. For many, social media was the first digital channel adopted, before the channel expansion to actually sell online. However, this study shows that adopting social media seems to be a relatively uncomplicated decision to make for the studied microenterprises, since the same social media (usually Facebook) is frequently used also in private life. Further, the low cost of usage and the ease of adoption makes social media a natural gateway to more sophisticated channel expansion. Social media might also enable microenterprises to cater to customers' needs in a flexible way. Fang et al [2016] bring forth that e-service quality is an important predictor of repurchase behavior; social media is an important, low-threshold tool in the micro-entrepreneur's service tool box.

Some of the Swedish companies reported having done an expansion from electronic to mobile (e-to-m), i.e. expansion to have a mobile responsive storefront. In the discussions with the micro-entrepreneurs it became clear, however, that the e-to-m expansion brought about few changes. The micro-entrepreneurs did not talk about the e-to-m expansion as an expansion, but rather as a minor addition. The few reported changes were negative in nature: knowing even less about their customers than before, and for some conversion through the mobile channel was lower than in the other online channels.

Much of the micro-entrepreneurs' business seems to be transferable to new channels and markets. Most micro-entrepreneurs report that they sell the same products with the same prices in different channels. Interestingly, some micro-entrepreneurs expressed that if they were to start over, they would clearly separate the online channel from their physical channel. This would enable them to do different decisions e.g. regarding pricing in the different channels.

According to Mustaffa and Beaumont (2004) microenterprises tend to use digital channels to extend their geographical reach. This also means that they have to face global competition. Entering foreign markets heightens the demands on the competence of the microenterprise with regard to language skills, payment systems, logistics and legislation. A difference emerged between the two countries in our study; the Swedish microenterprises seemed better equipped to handle expansion abroad. The Finnish microenterprises frequently mentioned a lack of especially language skills when discussing the possibility to sell abroad.

Microenterprises use data and customer knowledge in a very modest way. There is a level of awareness of available tools (e.g. Google Analytics) and data, but usage remains mostly at a very superficial level. This is likely yet another manifestation of the resource poverty so typical of microenterprises.

There are individual differences in the way the micro-entrepreneurs view their different channels. For example, one micro-entrepreneur felt that he should offer discounts in her physical shop, as the customers frequently have to stand in line. Whereas another one had a diametrically opposite view; in his opinion the customer in the physical shop should pay a higher price for the product, because they get their hands on the product immediately, whereas the web shop customer has to wait for delivery. Each of the micro-entrepreneurs had their own way of making sense and aligning their different channels.

Some companies frequently mentioned concerns or difficulties with regard to suppliers and their strong-hold on how, when and where sales of the suppliers' products should happen, and other companies mentioned strikingly uncomplicated relation with their suppliers, with no complaints of excessive interference in their operations.

Differences in physical versus digital customer relationships are often mentioned in the interviews. Loyal customers were found in both categories, but a common concern regarding the online customers is a heightened distance, and a sense of "not knowing the customer". For instance, one of the interviewees F7 put forward that: *"In the shop you have a feel [for the customer], which you cannot get online unless you analyze the numbers [analytics data]"*. For some companies this remoteness came across in the form of increased negative feedback, both justified and un-justified. Other companies report getting little or no feedback at all from their online customers, which we interpret as a different manifestation of the same phenomena. Feedback is always a possible way to learn and increase the intellectual capital.

6.3. Conclusions

The answer to the first research question is that the rich material gathered through a case study method enabled us to illustrate microenterprise channel expansion as a dynamic, five-phased learning process (identify, decide, design, act and evaluate), encircled by a poverty triad (time, finances, competence). This process reveals how micro-entrepreneurs cope with hectic daily operations characterized by multi-tasking, while carrying out strategic development efforts in the form of channel expansions.

The answer to the second research question is that the characteristics of microenterprises clearly mark their channel expansions. Characteristics such as resource poverty (financial, time and competence) and agility give rise to both challenges and opportunities unique to microenterprises. As managers of microenterprises were flooded by information, decisions to make and actions to take, their wide insight into all operations of the company, short distance between decision and action and low resistance to change played to their advantage.

Studying microenterprise channel expansions with a cross-national sample enabled us to go beyond the obvious. A lower number of case companies, or only including companies from one country, might have misdirected us to draw one-sided conclusions. The sizeable material gave us the possibility to see the phenomena of interest (channel expansion) from a birds-eye view as illustrated and experienced by several companies, rather than looking at isolated observations or details.

With the resources that are available to micro-entrepreneurs, one would think that channel expansion is impossible. However, our study shows possibility for a unique learning process, where limitations become strengths and the impossible becomes possible.

6.4. Limitations and future research

Even though our study was conducted with a cross-national sample, we recognize that this does not imply that our results are generalizable to other countries. Differences in business culture, level of economic development as well as political system and situation might lead to different findings.

Whereas our current focus has been on over-arching phenomena, in future research we want to closer understand and explain the differences between the microenterprises in the two countries in our study (see e.g. Peña-García, et al 2019 for a discussion on the effect of nationality on online consumers' loyalty formation).

We also aim to return to our case companies in both countries and find out if and how the companies have developed and changed in the time after our study.

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Appendix 1: Participating Companies

Country and company	Industry	Products/Services	Ownership	Expansion channel	Transcr.	Cross-border
F1	Retail and manufacturing	Handicraft and clothes	Owner-manager	E	9126	No
F2	Retail/Service	Sports equipment	Owner-manager	E	11938	No
F3	Retail/Service	Vintage clothing and dressmaker	Owner-manager	E	10832	No
F4	Retail/Service	Hobby supplies and crafting courses	Owner-manager	E	6022	No
F5	Retail/Service	Clothes, accessories and dressmaker	Owner-manager	E	4484	Yes
F6	Retail/Service	Cosmetics	Owner-manager	E	8190	Yes
F7	Retail	Hobby supplies	Owner-managers (two partners)	E	7053	Yes
F8	Retail	Hobby supplies	Owner-managers (three partners)	E	12845	Yes
F9	Retail	Home furnishings and clothing	Family owned	P	11563	No
F10	Retail/Service	First aid equipment and training	Owner-manager	E	8625	No
F11	Retail	Groceries	Owner-manager	P	9540	No
S1	Manufacturing/ Retail	Wooden toys	Sole proprietor	M	9242	Yes
S3	Retail	iPhone equipment	Sole proprietor (two partners)	M	6295	No
S5	Retail	Fabric	Family owned	E	8620	Yes
S6	Retail	Toys and furniture	Family owned	P	4749	No
S7	Retail	Toner/ink	Sole proprietor	P	6763	No
S8	Service	Hairdressing	Sole proprietor	E	5005	No
S10	Service	Tickets to events	Sole proprietor (two partners)	M	4779	No
S11	Service	Hotel	Sole proprietor	E	12191	Yes
S14	Manufacturing/ Retail	Furniture	Sole proprietor	E	7379	No
S15	Retail	Bathroom fixtures and accessories	Family owned	M	11078	No
S18	Manufacturing/ Retail	Chocolate	Family owned (two partners)	E	8573	Yes