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ONLINE PROCUREMENT IN SME'S Case Study

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Abstract

E-Marketplaces are new business places for buying, selling products and services in many industries to support customers. The emergence of business-to-business (B2B) in the online environment has opened up opportunities for effective online transactions between businesses. Research in this area is not enough to offer only fragmented perspectives in this area. Therefore, the targeted research problem was designed to investigate how business performance of online B2B purchases can be analyzed. The proposed study focuses on the online procurement in . Specifically, they try to answer questions such as: Does site, product, and vendor characteristics affect the online procurement in ? Does online buying experience influence online procurement by ? Participants are that use the Internet to procure products or services. Study respondents were SME managers who believe that online procurement will save time, money and effort, reducing costs.

INTRODUCTION

The present study has focused on behaviour when it comes to procurements they make online. To be more specific, in this research we tracked the factors which affect behaviour when confronted with procuring their supplies and drawing agreements with online suppliers, such as site characteristics, criteria for choosing the suppliers, online procurement characteristics and their purchasing experience.

The participants were using internet for product or service procurement.

The respondents of the study were owners/managers in the trading business and services, who believed/believe that by using online procurement they are able to save time, money and effort, thus reducing the costs of purchasing.

They considered that the return policy, the product specifications, as well as the security of the transactions are important elements of online procurement, since these confer them a feeling of security. Nevertheless, there are some questions regarding the availability, quality and diversity of products available online.

The present report, apart from the study regarding, also enclose a theoretical part where we present a synthesis of the specialized studies carried out by researchers from all over the world. There are not many studies on and online procurement, so that an overview was a rather daring attempt.

Online procurement allows high volume procurement, a wider range of buyers and suppliers, lower costs, better quality, improved delivery process, as well as management and document cost reduction.

The benefits of online procurement as described by Kalakota and Robinson are divided in two major categories: efficacy and efficiency. As far as efficacy is concerned, benefits include increased control over the supplying chain, pro-active management of essential data regarding procurement, as well as higher quality of decision making within organisations (Kalakota and Robinson, 2001). The benefits resulting from efficiency include lower procurement costs, faster cycles, decrease of unauthorized procurement, as well as a better integration of the procurement function with the key back-office systems.

According to Albrecht, online platforms reduce distribution costs, including reduction of the expenditures related to individual shops, rent and spaces necessary for displaying the merchandise (Albrecht et al, 2005), and the number of items sold online may increase constantly. SME's with unique, niche products may reach the target customers in the online environment in a more efficient way. Benefiting from search resources and communication applications, such as blogs and

online recommendations for improved products, the costs for searching for consumers interested in certain products are reduced to a great extent. Online consumers may very easily select the most appropriate products, and customized requests are handled more efficiently. With online direct sales have more opportunities to compete with the big players by providing unique and customized offers.

LITERATURE REVIEW

The study of purchasing behaviour was one of the most important research subjects in marketing and information technology, with fast e-business growth.

Attitude and behaviour towards online purchasing are two main factors which affect the purchase potential. Based on several studies, the most important reasons for online purchasing seem to include: comfort, opening flexibility, time and money saving. Subsequently, companies procure online because they can get detailed information about the product, delivery, comfort, product quality and lower prices.

The astonishing progress of information technology changed the shape of business-to-business transactions. B2B purchasers procure all kinds of online products and services. Such online procurement permits SME access to new suppliers and reduces procurement costs and order processing and delivery time (Blundell, 1988).

Online procurement has become the third most popular activity on the internet as a result of using e-mail and web browsing. This may be looked at as an exchange of time, effort and money for products or services. This is the process underlying direct purchase of goods and services from a seller in real time, without an intermediary service (Suh and Han, 2003). Nevertheless, in order to benefit from all the advantages of online procurement, it requires careful management of legal, security and confidentiality related issues.

Online procurement may be an opportunity for to compare and assess the quality of products, as well as their cost before proceeding to any procurement. By means of the Internet, may constantly reassess and analyse market tendencies in order to be competitive. They have easy access to product specifications, may compare prices, have a wide range of products and services, and may procure around the clock (De Boeret al, 2002).

THE AIM AND OBJECTIVES OF THIS RESEARCH

The aim of this research is to identify the online behaviour of the SME's around Iasi municipality.

This research envisages a conceptual model in order to provide an overall understanding of the factors which affect the online purchasing behaviour.

The objectives of our research envisage:

- Identifying the general perception regarding online procurement;
- Identifying the extent to which SME's choose to become informed (their own or other companies' websites, search engines, web portals for companies etc.) about the products/services and in order to contact potential suppliers;
- Identifying the extent to which SME's use platforms dedicated to online procurement when placing their orders;
- Identifying the extent to which SME's appreciate the platforms dedicated to online procurement as an efficient way of contacting the suppliers for placing and making orders;
- Identifying the way SME's take security measures regarding payments and the risks that may appear when they draw an agreement with a supplier contacted online.

RESEARCH METHODOLOGY

Within this study, the researched problem and the subsequent questions point out that the aim is to get an overall image of the behaviour adopted by SME's regarding B2B procurement, focusing on the general nature of the issues and elements referring to it. Taking into consideration that the online procurement phenomenon concerning SME's is rather recent and that some companies are still reluctant when it comes to purchasing online, our goal is to understand the area, so that we may provide a complete description of the phenomenon. As a result, this research could be categorised as being mainly descriptive but also, to some extent, exploratory.

The scientists (De Boer et al, 2002) discuss two general research approaches regarding the research methodology: quantitative research and qualitative research. Quantitative research is mostly used when the aim is to test hypotheses and generalize results. In such cases where there is limited understanding of a phenomenon, a qualitative research approach is more commonly preferred, because it can be exploratory and thus allow the researcher to be very descriptive. Thus, when the focus is on providing a complete image of the situation, with the view of discovering and obtaining a more thorough understanding of social processes, qualitative research is more useful.

Unlike typical use of figures and statistics in quantitative studies, qualitative research involves mainly word or description shaped data (Sullivan, 2001). Qualitative research often involves small tests, too little preoccupation for representativeness

and unstructured methods for data collection. Qualitative methods are mainly used in the field of social sciences and they have become more important as a means of inquiry in this field of science.

In order to carry out this study, we chose the qualitative research as a research method, because it has the potential to offer a better understanding of the online procurement phenomenon within B2B environment, and the issue may be understood in its context, thus offering an overview.

The data elicited in a case study project may be collected using different methods. Yin presents six sources of data collection available for case studies: documents, archive records, interviews, direct observations, participative observations and physical artefacts (Yin and Robert, 2003).

Due to their incapacity of receiving agreements to participate and observe, participative observation and direct observation have not been considered as relevant sources of evidence for this study. Since the research problem and the question do not point to the necessity of obtaining evidence regarding cultural characteristics, data collection by means of physical artefacts has proved to be a less relevant method of data collection. On the contrary, the main collection method for the data selected for this study was that of individual interviewing, since this method is a profound one and makes possible the collection of a large amount of data.

Interview may be characterized in different ways. For example, interviews may be carried out via phone calls or face-to-face, formal or informal, occasionally or in depth, structuredly or unstructuredly. According to Marshall and Rossman (Marshall and Rossman, 1999), in-depth qualitative interviews are typically rather conversations than formal events with predefined response categories. The researcher explores some general topics, to help reveal the point of view of the participant.

In the context of research, Yin discusses three different forms of interview: open, concentrated and structured. The open interview is the most frequent and the less structured, allowing the respondents to express their views and perspectives more freely. The concentrated interview gives room for an informal conversation, although it is structured in parts, as a result of a certain set of questions derived from the case study protocol. Finally, the structured interview is guided by a set of in-depth predefined questions, thus resembling an official study (Yin and Robert, 2003).

In this research, the collection of data via interviews was essential for approaching the research problem and the subsequent research questions, due to the complexity of the studied phenomenon.

Accessing data from the individuals involved in decision making regarding online procurement was

vital for achieving this study. As a result, we interviewed either individuals involved in the management of the company or strongly involved in the process of procurement and development of the company. The permission for taking the interview was granted under the condition of anonymity, and we fully complied.

The interviews were taken based on a interview guideline developed for exploring and describing the general concepts within the reference framework. Using an interview guideline containing questions, we left open opportunities for any kind of answer.

In order to process the answers of the participants in the interviews, we used the demo version of the ATLAS.ti software tool, available on <http://atlasti.com/>.

For the beginning, we transcribed all the answers of the participants in the interviews. Then we drafted an Excel file where we grouped the answers according to each question. This was imported to the ATLAS.ti programme, the option New and Import Survey Data.

The questions were turned into super codes, each of them containing other inner codes. We did not use a pre-defined set of codes, each code being assigned according to the answers given by the interviewed persons. The encoding was performed at sentence level, and the same sentence could contain one and/or several codes.

The encoding process was similar for all the answers of the interviewed persons provided for the questions 1-11.

The five large codes created for the questions 1-11 are the following:

- Online procurement, with 3 subcodes;
- Criteria for selecting the suppliers, with 4 subcodes;
- Suppliers from the country or from abroad, with 2 subcodes;
- Platforms used, with 2 subcodes;
- Online security, with 4 subcodes;
- Checking the suppliers, with 4 subcodes;
- Recommendations for small companies, with no subcode;
- Final decisions regarding procurement, with 3 subcodes;
- Influences on the company, with 2 subcodes;
- Barriers, with 5 subcodes.

We created a total of 38 codes, the free version of the ATLAS.ti software imposing a limitation of up to 50 codes.

The research was effectively completed in the period June – July 2017 and it was carried out at the registered offices of the companies which accepted to participate in this study. We initially contacted 60 companies, we talked to their managers explaining the aim of the study and, eventually, only 30 persons within the contacted companies accepted to participate. The interviewed

persons either hold a hierarchically superior position (general manager, marketing director), or are in charge with procurement (procurement officers).

On average, the duration of an interview was 45 minutes, the answers of the participants being audio recorded. Subsequently, these were transcribed in order to be processed using the ATLAS.ti programme.

RESULTS AND DISCUSSIONS

After transcribing and encoding the answers of all the participants in the study, we decided to present the results for each question. Thus:

Does your company use to procure online?

We created a main code from the answers we received for this question, called "online procurement" out of which we substracted only 3 subcodes: "yes we procure online" and this is where the period came out "since when?" the company procures online and not least, the subcode "we do not procure online" stating that there is no online procurement within the company where the interviewed person comes from.

Out of the 30 companies that responded to the interviews, 10 companies procure online for 4-6 years, and 5 companies consider procuring online in the future, but they are not currently procuring online. Other 5 companies do not procure online and they do not consider implementing this system within their companies.

Which are the landmarks you use when choosing online suppliers?

As far as supplier choosing criteria are concerned, we substracted 4 subcodes: recommendations from partners, social media, dedicated web-sites and search engines. mostly rely on recommendations from business partners. They consider it a very important aspect, because if a partner collaborated with a certain supplier and recommends it, than it means the merchandise is good quality and it is proof of seriousness. The fact that in Romania there still is a certain amount of reluctance when it comes to choosing online suppliers resulted from the answers and discussions we had with the representatives of these companies. The same aspect also emerged from those presented above: recommendations on social media web-sites (2 companies) and search engines looking for the name of the supplier (2 companies), while none of them chooses dedicated websites.

Do you usually choose suppliers from the country or from abroad as well?

Some of the interviewed persons hesitated to give a straight answer, as a result we only managed to get

answers from 6 companies, while 4 companies hesitated to answer. The remaining, up to the total of 15 companies do not procure online and only rely on direct contact with the supplier.

Which online platforms do you use for activities related to online procurement?

Regarding online platforms used for online procurement, opt for platforms dedicated for these operations. To be more specific, the main platforms used are sw Senior Software, CS-Cart and osCommerce; we did not obtain any factual data concerning the dedicated websites they accessed.

As far as respondents are concerned, only two representatives confirmed that they access dedicated websites when procuring online. The main reason invoked for choosing websites instead of platforms was that of a large amount of money that should be invested. Since online platforms are frequently used by companies, within the analyzed companies, 5 respondents confirmed the fact that they use dedicated platforms, the reasons for choosing this method being the possibility to bid on the value and quantity of the merchandise, access to the product catalogue and the possibility to share and ask for opinions regarding suppliers. These companies stated that the investing in such platforms is worthwhile.

In your opinion, how safe is online procurement?

As for the safety of online procurement, we can say that this really is a matter of concern among . To be more specific, they do not consider this kind of transactions safe at all and regardless if they use to procure online or not, they all prefer to pay a small deposit via payment order when placing the order. Considering the answers we have received, we have not found any company which performs the transaction directly. Regarding the products, the companies prefer to take precautions, first ordering sample sets and then applying for larger, stock-size orders. Usually they prefer to take their own safety precautions, proving that they still do not trust drawing such contracts.

How do you check a supplier before a procurement?

Checking of the suppliers is carried out by means of consulting dedicated websites (2), search engines (3), and as far as social media is concerned, they do not use to check social media. Considering the result obtained we can say that in this case, the answers are very much consistent with those provided for the question referring to the supplier search criteria when we talk about online procurement. Therefore, SME's rely extensively on consulting their business partners when it comes to choosing and checking the suppliers, either from our country or from abroad.

So far, was there any high risk procurement for your company?

The interviewed persons did not provide an answer to this question, pointing to the fact that they have not experienced any problems related to online procurement.

If you were to make any recommendations to start-up SME's, what would they be?

The SME representatives who chose to answer to this question wanted to mention that they recommend online procurement to small companies because it really helps develop the company, especially that at the beginning, the expenses are high and the profit is low. Online procurement reduces procurement and transport costs to a great extent, since the price of the merchandise includes the transport charge.

At the organisation level, how are future online procurement related decisions taken?

As for decision-making power at an organisation level, most of the respondents pointed out that they directly have the last word when talking about online suppliers, price and quantity of the merchandise.

How do you think online procurement influenced the development of the company?

From the interviewed persons, the majority agreed that applying the online procurement method helps increase the performance of the company to a great extent, but only two persons directly mentioned this aspect.

In your opinion, which are the barriers against extending the use of internet to all companies?

Regarding internet expansion, most of the companies encounter many shortcomings when it comes to online procurement. The main obstacles pointed out were related to: lack of protection against online fraud against companies (1 company), lack of interest from the management when acquiring a platform for online procurement is discussed (2 companies), are not open to new things (2 companies); lack of legislation to protect the companies interested in online procurement (they are not encouraged to this end), advanced technologies (these were brought to discussion, but there was not a clear mention of an obstacle).

CONCLUSIONS

After analyzing the answers from the interviews with the 15 participants in this study, we reached the following conclusions:

- Companies use to procure online for 4 to 6 years;

- There is some reluctance when it comes to choosing online suppliers, this being achieved by means of recommendations from the business partners, social media, search engines and platforms dedicated to online procurement;
- Production companies prefer collaborating with suppliers in the country as well as foreign suppliers, motivated by the quality of the merchandise;
- Online platforms used for online procurement, SME's prefer dedicated platforms for these operations: sw Senior Software, CS-Cart și osCommerce, the reasons why they choose this method being the possibility to bid on the value and quantity of the merchandise, access to the product catalogue and the possibility to share and ask for opinions regarding suppliers;
- Companies do not consider online transactions safe at all and regardless if they use to procure online or not, they all prefer to pay a small deposit via payment order when placing the order, and prefer to take precautions, by ordering sample sets first;
- SME's rely extensively on consulting their business partners when it comes to choosing and checking the suppliers, either from our country or from abroad;
- Online procurement reduces procurement and transport costs to a great extent, since the price of the merchandise includes the transport charge;
- applying the online procurement method helps increase the performance of the company to a great extent;
- The main obstacles related to adopting the online procurement method include: lack of protection against online fraud against companies, lack of interest from the management when acquiring a platform for online procurement is discussed, failure to open to new things; lack of legislation to protect the companies interested in online procurement (they are not encouraged to this end), advanced technologies;
- Based on the analysis we carried out, we consider that further investigation is required in order to clarify the reasons why SME's still do not use to make online payments, do not trust achieving and maintaining contact with suppliers via e-mail,

respectively placing orders to a company without making previous phonecalls.

- Another direction of research that could be explored in the future may take into consideration ways for the SME's to implement platforms dedicated to online procurement to their own information system more easily, thus gaining trust and security in carrying out this kind of transactions.

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