UNIVERSITY OF LJUBLJANA

SCHOOL OF ECONOMICS AND BUSINESS

MASTER THESIS

AN ANALYSIS AND OPTIMIZATION OF A WEB SHOP ORDER-TO-CASH PROCESS IN A SMALL WHOLESALE COMPANY

Ljubljana, 2026 LARA TIĆ

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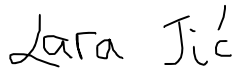
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ABSTRACT

The organization of work is fundamental for any enterprise that aims for efficiency and success. For this reason, business process optimization has developed as such an important discipline. An order-to-cash process (O2C) is where a company delivers output to their customers and it is, therefore, of great importance to optimize such a process. A1 All Natural is a micro enterprise based in Croatia that expressed a desire for O2C process optimization. The purpose of this master thesis is to help A1 All Natural improve their O2C process and to provide a practical example to smaller enterprises who wish to create more value in their business by optimizing their web shop process. The goals of the master thesis are to perform literature research on relevant topics and provide a theoretical background for optimization, map out and analyse the current O2C process, and suggest improvements for the said process. The main findings from the literature are: business process optimization is driven by digitalization, some of the major e-commerce success indicators are tied to the customers, and factors determining customer satisfaction in online shopping are the quality of customer service, perceived web usability, and delivery performance.

The value of this master thesis lies in the fact that a micro-enterprise is analysed, as part of the belief that every business bringing value to customers, no matter the size, is equally important in the economic circle and the overall flow of goods. Secondly, the analysed enterprise is based in Croatia, with a functioning branch in Slovenia. There are many enterprises in those two countries with a similar business model, yet the topic of business analysis of an online O2C process of such a company is still a slightly under researched area. The analysis is concluded by providing suggestions for improvements, main of which are: utilising the existing software structure to automate the process, implement SEO optimization, removing unnecessary steps in the process, and regularly updating the stock on the web shop. This master thesis can serve as a guide for the case enterprise, which can (based on the obtained information) then make an informed decision on whether business process optimization is something worth investing time and capital in.

Keywords: business process, business process optimization, organization of work

Sustainable development goals: 3: Good health and well-being, 5: Gender equality, 8: Decent work and economic growth, 12: Responsible consumption and production

POVZETEK

Organizacija dela je temeljnega pomena za vsako podjetje, ki si prizadeva za učinkovitost in uspešnost svojega poslovanja. Zaradi tega se je optimizacija poslovnih procesov razvila kot tako pomembna disciplina. Proces od naročila do plačila (O2C) je proces, pri katerem podjetje dostavi rezultate svojim strankam, zato je optimizacija takega procesa zelo pomembna. A1 All Natural je mikro podjetje s sedežem na Hrvaškem, ki je izrazilo željo po optimizaciji procesa O2C. Namen magistrskega dela je pomagati podjetju izboljšati njihov proces O2C in ponuditi praktičen primer manjšim podjetjem, ki želijo ustvariti večjo vrednost v svojem poslovanju z

optimizacijo procesa spletne trgovine. Cilji magistrske naloge so narediti pregled literature in zagotoviti teoretično ozadje za optimizacijo, začrtati in analizirati trenutni proces O2C ter predlagati njegove izboljšave. Glavne ugotovitve iz literature so: optimizacijo poslovnih procesov poganja digitalizacija, nekateri glavni kazalniki uspeha e-trgovine so povezani s strankami, dejavniki, ki določajo zadovoljstvo strank pri spletnem nakupovanju, pa so kakovost storitev za stranke, zaznana uporabnost spleta in učinkovitost dostave.

Vrednost magistrskega dela je v tem, da je analizirano mikro podjetje, kar je del prepričanja, da je vsako podjetje, ki prinaša vrednost strankam, ne glede na velikost, enako pomembno v gospodarskem krogu in celotnem pretoku blaga. Drugič, analizirano podjetje ima sedež na Hrvaškem, z delujočo podružnico v Sloveniji. V teh dveh državah je veliko podjetij s podobnim poslovnim modelom, vendar je tema poslovne analize spletnega procesa O2C takega podjetja še vedno nekoliko premalo raziskano področje. Analiza se zaključi s predlogi za izboljšave, med katerimi so glavni: uporaba obstoječe programske strukture za avtomatizacijo procesa, izvedba optimizacije SEO, odprava nepotrebnih korakov v procesu in redno posodabljanje zaloge v spletni trgovini. Ta magistrska naloga lahko služi kot vodilo za podjetje, ki se lahko (na podlagi pridobljenih informacij) nato informirano odloči, ali je optimizacija poslovnih procesov nekaj, v kar se splača vlagati čas in kapital.

Ključne besede: poslovni proces, optimizacija poslovnih procesov, organizacija dela, cilji trajnostnega razvoja

Cilji trajnostnega razvoja: 3: Zdravje in dobro počutje, 5: Enakost spolov, 8: Dostojno delo in gospodarska rast, 12: Odgovorna poraba in proizvodnja

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List of abbrevations:

B2B – business to business
B2C – business to consumer
BPM – business process management
BPO – business process optimization
CRM – customer relationship management
CSS – customer support system
eWOM – electronic word-of-mouth
FIFO – first in, first out
JIT – just in time
KPI – key performance indicators
ME – micro enterprise
MNE – multinational enterprise
O2C – order-to-cash
PWQ – perceived web quality
SDGs – sustainable development goals
SMEs – small and medium-sized enterprises
TQM – total quality management
WOM – word of mouth
WSQ – website service quality

1 INTRODUCTION

Digitalization has entered every aspect of life and business, optimizing countless business aspects, including business processes. As Shapiro and Varian (1999) said: „As the century closed, the world became smaller. “ We all have the whole world in the palms of our hands. This new, highly digitized world has given businesses a new challenge: to create value in both the physical and the digital world, where value creation is significantly different. Businesses should strive towards constant improvement and understanding of how to extract maximum value from both sources (Shapiro & Varian, 1999). The digital world has less limits than the physical, which then means that businesses have stronger competition and with numerous different challenges (Akroush & Al-Debei, 2015). People are accustomed to relying on their smartphones daily, creating a more abundant online space and resulting in internet sales, marketing, and digital products and services becoming more popular than physical alternatives. (Akroush & Al-Debei, 2015). For example, in 2024, 20% of total retail purchases worldwide were conducted online and by 2027 that number is expected to increase to 23%. (Snyder, 2024) According to an official Eurostat survey from 2023, 69% of individuals aged 17-72 used the internet to buy desired goods (E-commerce statistics for individuals, 2023).

Optimizing the O2C process is therefore needed to keep the customer satisfied, and to support efficient operating and profit making for the business (Eboigbodin, 2016). Consumers are the main drivers of the market (Sarkar & Das, 2017), so producing a product they will want to purchase, and re-purchase, is of vital importance.

The purpose of this master thesis is to help A1 All Natural improve their O2C process and to provide a practical example to small and medium enterprises (SMEs) who wish to create more value in their business by optimizing their web shop process. Moreover, examples of how a business process can be optimized, and predictions of what kind of changes can be expected from the optimization process, will be presented. The goals of the thesis are to detect unused potential in A1 All Natural’s AS-IS process, find errors in the process that hinder improvement, and suggest a plan that could result in an increase in web shop revenue, fewer errors, and an increased accuracy of the delivery. Sustainable development goals (SDGs) will also be discussed.

The methodology of this thesis is as follows: data needed to model and analyse the process was collected using a multi-method approach via observation, interviews and a survey. To gather insights on how to improve the process and build customer relationships, relevant literature was collected and analysed. In the case of GenAI, it was used mainly as a tool for gaining understanding and deeper knowledge on unknown industry topics. During the literature research, confusing industry language would appear, so I prompted them in ChatGPT to read and provide a simplified explanation. GenAI was also used for proofreading, checking the grammatical accuracy in sentences, as well as checking sentence sensibility and clarity. If there were any mistakes or if ChatGPT suggested any changes, I would re-write them myself, as well

as use my own reasoning to see if it was right in pointing out the mistakes. For this purpose, the AI was used both in the theoretical (all chapters) and methodological part (chapter 3 - case representation) of the thesis. Lastly, I used ChatGPT to help format some of the sources in the required style, to check if it was done right in the first place.

This thesis is structured as follows: after the introduction, where I explained the case details and relevance, theoretical background of business process optimization is researched and explained. Topics of the theoretical background include research on topic relevance, business process management and business process optimization theory, complete with successful business process optimization examples, and with the addition of customer satisfaction and its impact on an order-to-cash business process. The literature research is followed by case representation, after which comes my own process mapping and analysis, finalized with suggestions for improvements and further research.

The thesis includes a practical example of O2C process analysis in the case of a ME based in Croatia, with a web shop branch in Slovenia. The company generates most of its revenue from its wholesale function, but has a retail function in the form of a web shop which has unsatisfactory performance. In the research, the aim was to recognize and highlight the importance of business processes in creating value for businesses of all sizes, and contribute to the improvement of O2C processes of smaller companies. This thesis, hopefully, provides more information and motivation for small companies which already have or are planning to set up their own web shop, on how to create and optimize their O2C processes.

After discussing and researching the topic, the following research questions arose:

1.) What are the most common challenges of the online O2C process in A1 All Natural and how can they be resolved?

The answer to this research question was found by looking at subprocesses of the chosen business process and analysing the bottlenecks, as well as challenges that might have led to the bottlenecks. Those findings were compared from the literature findings, and suggestions for solutions presented.

2.) Which obstacles most often appear in online O2C processes and how can they be resolved?

Following the first question, I identified the obstacles impairing business results of companies of all sizes and aimed to find a solution for them. This question is intended to be applicable to other companies with an online O2C process, other than just the case company.

3.) How could improving A1 All Natural's business process affect the overall customer experience and their loyalty/willingness to buy?

In the thesis I also aimed to see how customer experience could be improved by optimizing the online O2C process. The answer to this research question was backed up by literature research

on the topic. With literature as a key source of information on this topic, A1 All Natural will know what kind of changes in customer behaviour and retention they can expect after implementation of the suggested solutions.

2 THEORETICAL BACKGROUND

Business process management (BPM) focuses on improving business processes for maximizing business efficiency. „BPM is not about improving the way individual activities are performed. Rather, it is about managing entire chains of events, activities and decisions that ultimately add value to the organization and its customers. These 'chains of events, activities and decisions' are called processes." (Dumas et al., 2018). Business processes are the central part of any well-structured, efficient company that strives for success, but also the key component of creating value. The increasing importance of online shopping highlights the need for continuous optimization of web shop O2C processes. Moreover, many of the most valuable retailers on the market have no physical stores. Understanding how these companies achieved and maintain competitiveness provides insight into the importance of efficient business processes.

2.1 Key concepts of the thesis

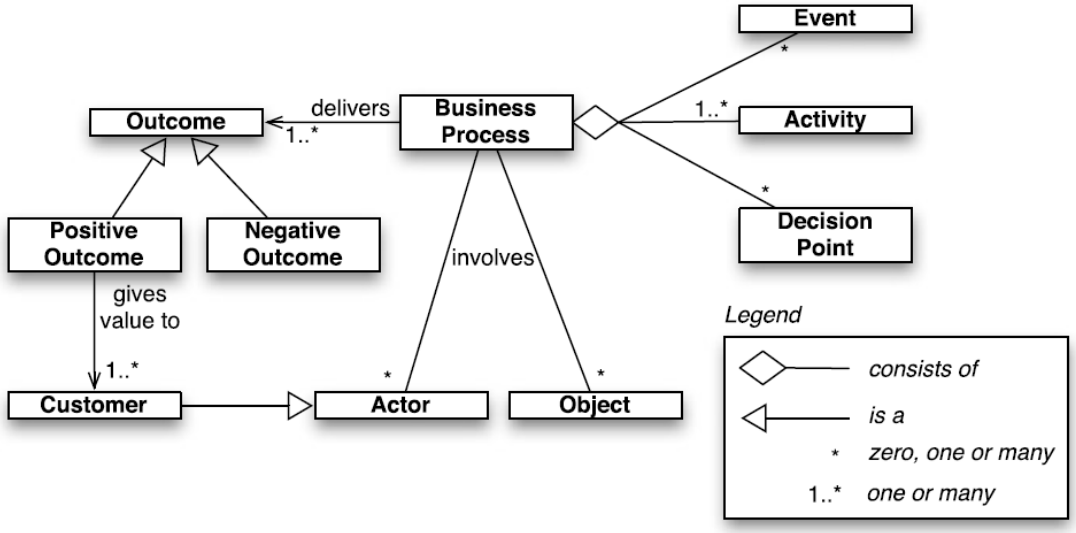
Business processes reflect the competitiveness of a company, as discussed by Arlbjørn and Haug (2010). Companies have started to recognize how significant is the influence of efficiency of a business process on the overall output and revenue generation. In the context of this thesis, a business process is a set of interconnected activities and events, or steps companies take to deliver a product or a service. Tasks of every employee in the company are determined by the business process (Dumas et al., 2018).

Business process optimization aims for cross-departmental and cross-functional optimization. It is a continuous evolutionary process redesign aiming to fulfil requirements and adapt to the volatile business environment (Niedermann, 2015). The need for optimization of a business process can lie in one or more different areas of the company (such as organization, management, and customers) and many causes (such as mergers, budget cuts, unsatisfied customers, goals not met, etc.) (Arlbjørn & Haug, 2010).

2.2 Business processes and their value

As Lindsay, Downs, and Lunn (2003) discuss, the lack of a relevant and precise definition of what a business process was partly the reason why standardization of business process models was halted at the time. Providing a correct definition is therefore of vital importance if we want to understand why business processes are relevant and how to properly model and optimize a process.

Figure 1: Ingredients of a Business process



Source: Dumas et al. (2018)

A business process is a connected set of activities, triggered and concluded by an action, which almost always crosses departmental and functional boundaries, is performed by individuals (actors) and aided by machines, and serves the purpose of creating an output that fulfils a customer's need (Lindsay et al., 2003). The output can be positive or negative; a positive output brings value to the customer, whereas a negative output doesn't (Dumas et al., 2018). The creation of business processes as we know them today started in the 1990s when researcher James Champy realized that improvements in company performance can no longer be achieved by simply optimizing single functional units, but by doing so for cross-departmental and cross-functional processes (Niedermann, 2015). Another researcher compared it to a machine, saying: „...machines are made up of interlocking parts that each play a clearly defined role in the functioning of the whole." (Lindsay et al., 2003). The 'ingredients' of a business process can be seen in Figure 1, as described by Dumas.

A business process provides a structure for creating an output out of a given input. The set of activities needed for output creation are listed in a specific order (workflow) and each one has a unique trigger for activation, as well as another activity that is triggered when the previous is completed. Having activities organized in such a way boosts performance, and helps achieve more consistent outcomes (Burlton, 2001). It makes it easier for companies to identify bottlenecks, develop business strategies, achieve or define business goals and reduce inefficiencies. Business processes determine a company's ability to adapt to the challenging business environment and determine revenue stream (Dumas et.al, 2018).

2.3 Definition of an order-to-cash process

According to Porter (1985, p.37), business processes can be categorized as: primary or core processes, and secondary or support processes. Core business processes consist of activities performed to bring value directly to the customer, such as operations, sales and distribution. Support processes exist to create an efficient working environment, ensuring the company can focus on creating value for the customer. Examples of support processes are human resources and accounting. Lastly, some authors recognize a third category - management processes. They are aimed at creating strategies and plans for the execution of core and support processes. Examples are strategic management and budgeting (Arlbjørn & Haug, 2010).

The O2C process is a core process, for which the trigger is a customer placing a purchase order. The process is deemed completed when the customer receives the product or service and has completed the payment. All the activities performed to process the order and deliver the product/service to the customer are a part of O2C, including the payment, shipment, and sending of the invoice (Dumas et al., 2018).

Moreover, as debated by Dumas et al. (2018), an O2C process can be broken down into smaller processes, called subprocesses, depending on the main process complexity. This is particularly important for bigger and international companies, whose business involves handling many orders per day and having them shipped outside of their country, as well as companies with outsourced warehouses or warehouses separated from the headquarters and other departments.

“Because O2C touches multiple functions (...), cross-functional alignment is critical to fully understand what is happening in the O2C process — yet difficult to achieve.“ (McKinsey&Company, 2022).

2.4 Business process management

Business process management (BPM) improves organizational performance by focusing on processes necessary to produce or provide the product or service, emphasizing continuous improvement. What differentiates BPM from other business process improvement-related disciplines is the fact that it takes an existing business process and changes it (either slightly or completely) to improve the performance. Some other related disciplines, such as total quality management (TQM) or operations management, are focus either on the quality and improvements of the products or services, or controlling the business process, but not changing it. Moreover, BPM relies on software to discover, map out, analyse, and optimize the process, which isn't necessarily present in other disciplines (Dumas et al., 2018).

BPM is often referred to as 'cross-departmental', as it is a combination of IT, management, and industrial engineering knowledge. This is thanks to the development of the process-oriented mindset through history, which is now present in most organizations, and the organization of

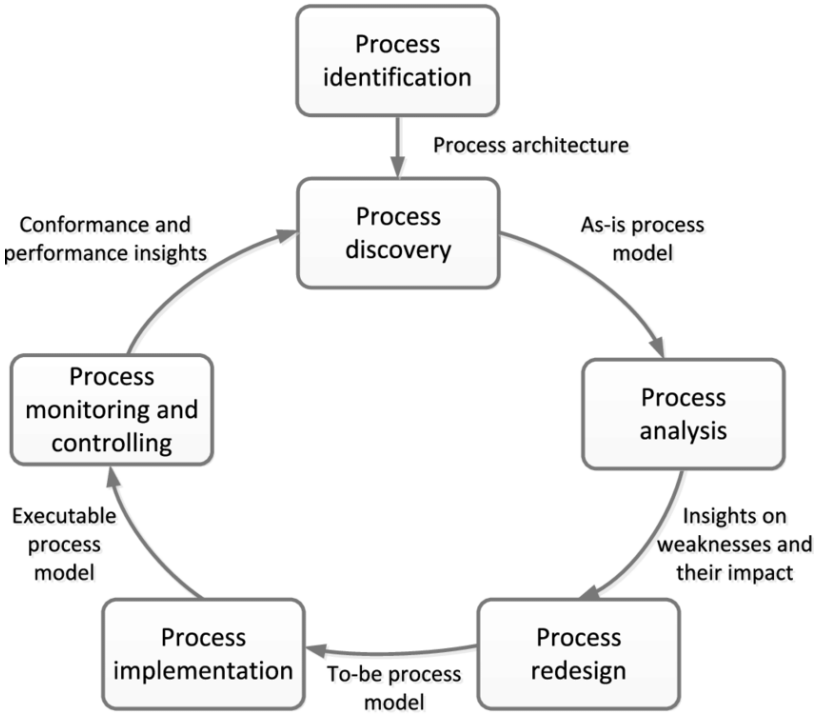
work, which has evolved from low specialization (person focused on the whole process) to highly specialized (person focused on only one step in the process) (Dumas et al., 2018).

Process optimization can be considered successful if the process now, after optimization, truly supports the overall performance of the company and its ability to meet strategic goals. Most often, the variables used to measure the efficiency of a business process are key performance indicators (KPIs), which are not the same for every company. KPIs are, in a way, indicators of company success, and measures that are defined over relevant dimensions: time, quality, productivity, employees etc. (van der Aalst, La Rosa, & Santoro, 2016).

According to vom Brocke et al (2014), efficient BPM follows 10 principles - practices for addressing current and future challenges affecting management and business processes. The ten principles describe BPM's complexity, inclusivity and context, as well as what should and should not be done in order to follow them properly. Some of them include continuity (BPM should be practiced continuously, not as a one-time thing), involvement (BPM should consider all stakeholders), purpose (BPM should contribute to company's strategic goals) and simplicity (BPM should be economical and not too complexly engineered).

According to Dumas et.al., business process management can be divided into 6 stages, as visible in Figure 2.

Figure 2: BPM lifecycle



Source: Dumas et al. (2018)

The business process management (BPM) lifecycle begins with process identification, which results with a process architecture – many processes and their connections. When there's a need

to identify only one process that needs to be analysed, process discovery is performed. This phase includes process mapping and, as a result, produces an AS-IS process model. This is the process model analysed to gain more insight and suggest improvements. In the process redesign phase, the necessary changes are implemented and a TO-BE process model is produced. The process is then executed, and monitored and controlled during the execution, to make sure that it will create the desired results (Dumas et.al., 2018). In this thesis, I will create an AS-IS process model, analyse it, and suggest improvements (the first 2 phases). The last 3 phases of the BPM lifecycle will be in the hands of the company, who will then decide whether it is beneficial for them, at this time, to go through process redesign and optimization.

2.4.1 Process modelling

Business process variability is a common obstacle businesses face, and one that process mapping is the best solution for. In this context, variability describes situations where a process with the same inputs generates different outputs, outputs of lower quality or the process itself is responsible for low customer satisfaction (Kalman, 2002). For newer or smaller companies (such as A1 All Natural), finding the problem can be confusing.

„Creating a model of a process leads to the valuable insight how that process works at all, and can provide a good basis for small improvements that can easily be implemented“ (Dumas et al., 2018).

Defining, understanding, and optimizing a business process can seem abstract and complicated, but all it takes is a good map. Process mapping can be considered both an analytical and business process intervention tool. It serves the purpose of better understanding a process, and ensures optimizing it to improve business performance. A process map can be used as an analytical tool, for it is a visual diagram of how activities are performed and shows the cross-functional characteristics of business processes. “The value of a graphical representation is its power to show an overall plan of how activities and tasks fit together.” (Kalman, 2002). It can also be considered as a workflow structure breakdown by which we can better determine the effectiveness of the process (Lorette, 2016).

A process map is a visual representation of the process and activities that make it. But to understand exactly what they are, we need to understand why they came into existence in the first place.

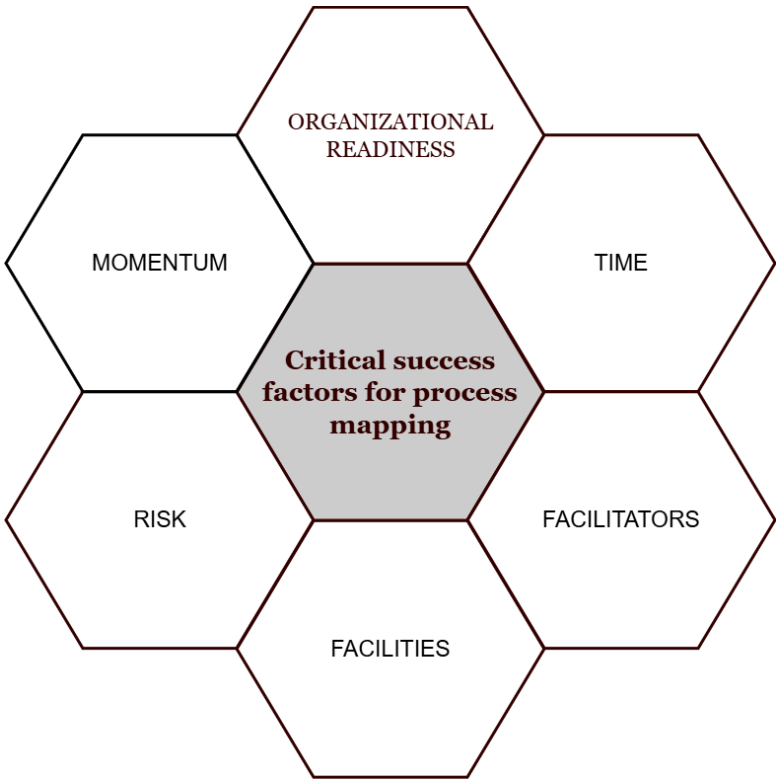
Process discovery is a method used to understand a business process in detail. The result of process discovery is one or more AS-IS model(s), which reflects the understanding people in the organization have about the process they are a part of. AS-IS process models aid communication between stakeholders involved, which is why those models need to be easy to understand (Dumas et al., 2018).

These processes could be described textually, but that leaves room for misinterpretation. That is why diagrams are commonly used to describe a business process, and flowcharts are one of the oldest languages used to create those diagrams. In their simplest form, flowcharts consisted of diamonds and squares, but today we can find more extensions to them, like swimlanes that represent interdepartmental processes (Dumas et al., 2018).

2.4.2 Critical success factors for process mapping

According to Kalman (2002), there are 6 process mapping success factors (Figure 3):

Figure 3: Critical success factors for process mapping



Source: Kalman (2002)

Organizational readiness – are the company stakeholders ready for everything this process might include? For example, the need for organizational redesign includes greater financial and time pressure on the company.
Time to commit – process mapping and redesign can take from a few months up to a year to conclude. Team members must be able to commit at least 75% of their time to this project. Is the senior management ready to release the teams from their usual obligations and let them commit to the project?
Qualified facilitator(s) – the company undergoing the optimization should rely on an objective and unbiased facilitator to avoid domination over the project, and maintain process consistency.

Physical facilities – Can the meeting room comfortably fit the whole team and the facilitator(s)? Is there enough room on the wall for a detailed process map, prone to adjustments and change? Willingness to take risks – change includes risks, predictable and less predictable. Are the senior management and the team members prepared for all the risks and willing to accept them? Momentum and team energy – must remain consistent during the whole process.

All these factors need to be considered and taken into account when planning process optimization. The truth is, process optimization may include many organizational changes, require a long time to implement and increase some risks while lowering the others. The probability of the magnitude of each of these factors can be predicted, but in the end, we will only know for sure when the optimization starts (Kalman, 2002).

2.5 Importance of business process management

As a discipline, BPM has developed to the point that it has become an almost crucial tool for any company that aspires to be successful. With BPM, companies can analyse business process structures before introducing the IT tools for implementation, and thus avoid errors and wasting resources. Moreover, with successful BPM, companies can detect patterns in the functioning of business processes that aid further analysis, standardization, automatization, and problem detection. BPM has also enabled the development of automatized systems which can then simply be configured to distinct needs of a company. Lastly, the development of BPM supports quick and efficient adaptation to the changes in the environment, and with that shortens the time needed for companies to react to unpredictable errors and situations (such as machines breaking etc.) (van der Aalst et al., 2016).

In shorter and more defined terms, it can be said that BPM (and business process optimization – BPO – as it is the result of BPM) aims to reduce costs and increase efficiency of business processes. Over the past few decades, many companies have realized just how beneficial BPM can be for creating greater competitiveness on the market and achieving better organizational performance (Soliman, 1998).

2.6 Effect of business process optimization – value creation

Value creation is defined as the process in organizations where inputs and resources are turned into products and services that generate additional value for customers, other than the anticipated, in financial or immaterial terms. This process is, essentially, what defines the success and purpose of a business (Dieffenbacher, 2024). Using process optimization, businesses can create value in material and immaterial ways. BPO can aid the creation of automated processes and the elimination of unnecessary steps, which usually results in better resource usage and planning. Moreover, increasing process efficiency, especially if a core process is concerned, can result in lowered financial burden. Lastly, BPO can improve customer

experience, create room for innovation, and enhance company's adaptability to market changes and challenges (Dumas et al., 2018).

2.7 E-business

The conventional way of sales and marketing underwent rapid modernization in the early 2000s, when e-business was introduced worldwide, and provided an easier and quicker way to connect. Back then, according to Casati & Shan (2000), web shops and other forms of company online platforms were focusing on user interface, making it appealing and simple to use. What was going on in the background, in terms of order processing and execution, was poor organization and manual work, with little to no automation. This is the period where automation of business processes started to develop, and in the coming years became the main reason for the e-commerce boom (Casati & Shan, 2000). In the summer of 1994, the first ever online transaction took place. What started telephone ordering has now evolved into a digital space full of various products and services. Amazon was, in fact, one of the first marketplaces available on the Internet; it started as an online bookstore, and quickly grew into the most popular online marketplace in the world. Amazon was also the one who recognized the importance of word-of-mouth and introduced customer reviews.

As Sharma and Aggarwal (2019) discussed, some of the major e-commerce success indicators are tied to the customers: customer satisfaction, customer repurchase intention and recommendations. Determinants of e-commerce success are website service quality (WSQ), electronic word-of-mouth (eWOM), customer support system (CSS) and personalization of user experience and recommendations. In 2023, global retail e-commerce sales reached 5,700 billion US dollars, out of which the Chinese giant Alibaba accounted for 23% of the market share. The runner up was Amazon (US) with 12% of the market share. Amazon is estimated to reach 1,2 trillion US dollars in sales in 2027 and surpass Alibaba (Statista, 2024).

Both Amazon and Alibaba obtain all three types of e-commerce: B2B, B2C and C2C, out of which B2C is most significant for their success. A Wide variety of product categories and customer reviews are key factors contributing to the superior growth of their online stores. Moreover, in the context of their O2C processes, both companies invested heavily in logistics and physical infrastructure, allowing them to ship products worldwide, and doing it quickly and efficiently. They invested in resources that promoted minimalization of delays and errors, and improvement of customer satisfaction. Moreover, both companies rely on their cloud computing services (AWS and Ali Web) for data storage and analysis that aids in optimizing inventory management, logistics and customer service, as well as forecasting demand. Lastly, both companies have embraced the omnichannel approach by creating both online and offline operations that complement each other (Wu & Gereffi, 2018).

In the case of MEs and SMEs, the most common e-business advantages are information availability, better information management, improved geographical coverage, decreased transaction costs, and prolonged possible trading time (0-24h, 7 days a week). However, most

SMEs only adopt e-business up to a certain level, as a certain level of resistance still exists. The most common obstacle is the lack of education and experience, as well as A lack of personal contact with the customer (Zabukovšek et al., 2015).

2.8 Differences between MEs, SMEs, and MNEs in e-business

Even though the adoption of e-business is growing, and customers in developed countries prefer it to physical shopping, the reality is that most web shops are owned by multinational enterprises (MNEs), while MEs remain a minority. MEs cannot risk big financial losses, and have less starting capital to invest in such big projects with a long return period. Moreover, high direct costs, such as equipment and internet access, as well as legal issues and obstacles, represent the biggest challenges for MEs and SMEs that prevent them from stepping into the e-business environment (Mkansi, 2021).

The level of digitalization MEs can adopt in their business depends on their capabilities and motivation. One of the greatest challenges is the risk (and fear) of bankruptcy, thanks to the rapidly changing, impulsive nature of online shopping (Forsström, 2017). Moreover, setting up an online presence, for MEs, usually means outsourcing an IT specialist. Many MEs can't handle the setup expenses, especially if they already own a physical shop and only want to set up a digital presence out of perceived external pressure. An additional challenge is the shipment and possible return of products, which can cause losses and delays for the business, and disturb business continuity. For MEs, slowing down of business continuity can have a much greater impact than it can in the case of bigger companies (Salih, 2025).

Utilizing the internet, for small-scale companies, is an efficient and cost-effective way of performing business activities, when compared to traditional marketing and customer service efforts. In the past MEs might have had a very low trust in the internet, but with the increase in internet security efforts (such as GDPR regulations), organizations have learned to trust the security of online transactions, as well as their cloud data security. On the other hand, there is still a certain level of mistrust between organizations and customers, even more so in the case of MEs that are still only known to a small number of online shoppers. This comes as no surprise, since there is no direct contact and the transactions are mostly done without any human interaction. In addition, the competition in the online market is growing fiercer every day. This can result in price wars, which are an obstacle MEs have a hard time surpassing (Wahyuni et.al, 2020).

2.9 E-shopping factors that affect customer satisfaction

People can rarely remain objective, especially when their expenses and wellbeing are at stake. Positive shopping experiences can lead to beneficial word-of-mouth (WOM) and growth of potential customers, whilst negative experiences can result in permanent loss of customers (Bucko et al., 2018). According to a study by Hassan and Aakil (2024), factors determining

customer satisfaction in online shopping are the quality of customer service, perceived web usability, product assortment and delivery performance. Moreover, they have proved that personal customer shopping experience determines whether they will buy from that online store again (Hassan & Aakil, 2024).

Furthermore, Bucko et al. (2018) concluded that online stores must be optimized if they wish to provide the experience visitors (and customers) expect. Following price, other important factors were product availability, social proof, sense of urgency (limited product quantity), and store's social media activity. It must be highlighted that this research was conducted amongst students, who chose price to be the most determining factor in their purchase decision. In addition, the research is limited to the market of Slovakia. A different research concluded that a customer makes a decision about purchasing from a web shop within the first 10 seconds of the visit. This could imply that the shop's UX design can determine whether they want to purchase from the web shop or not (Liu et al., 2010).

Additionally, it has been proven multiple times that higher quality of a retailer's web site results in more positive consumer attitude towards the retailer (Ethier et al., 2006), and a higher level of trust. „Perceived web quality refers to the quality and overall performance of an online shopping web site, and it is a measure of the extent to which the web site design and processes are simple, smooth, reliable, and effective. "(Akroush et al., 2015). In the same study, perceived web quality influenced consumers' trust and perceived benefits, but not their attitudes towards online shopping. Moreover, trust has shown to be a product of the perceived web quality and electronic word-of-mouth (eWOM). Perceived benefits are the factor most strongly influenced by web shop quality and functionality, and they participate in the creation of either a positive or negative attitude of the consumers towards online shopping. This conclusion covers online stores in general, but the findings are applicable to specific web shops. This makes perceived web quality a priority in strategy formation of online retailers (Akroush et al., 2015).

2.10 Perceived web quality and electronic word-of-mouth

Online shopping, from a consumer's point of view, is about trust; you need to have faith in the web site which you are confiding personal data to. In most cases of online shopping, what affects trust most are perceived web quality (PWQ) and electronic word-of-mouth (eWOM).

PWQ is a term used to describe how consumers see the web page and how well it delivers information. In other words, PWQ is determined by an overall performance of an online shopping web site, including simplicity, smoothness, reliability and effectiveness (Qalati et al., 2021). According to research by Akroush et al. (2015), it was concluded that PWQ had significant positive impact on perceived benefits and eWOM; if an online web store has a well-designed web page perceived positively by consumers, it can (and probably will) generate positive eWOM. In addition, PWQ had a significant positive impact on trust. On the other hand, eWOM can take a positive or negative direction. A negative direction will affect customer's

intention to buy significantly more than a positive one. Positive eWOM, however, can increase trust and lead to more purchases (Park & Lee, 2009).

The two main categories of goods by quality assessment are 'experience goods' and 'search goods'. 'Experience goods' are those whose quality assessment is subjective and result of trying out the good, and it's hard to assess before purchase. Customers rely on reviews and other customers' experience to evaluate the good. On the other hand, 'search goods' quality can be evaluated objectively by doing research. Their characteristics are plain and obvious, and the quality depends on the features a product has. Examples of experience goods would be food, restaurants and travel whilst examples of search goods would be books and electronics (Schmid & Axhausen, 2019). In the case of A1 All Natural, the goods sold are mostly food items, which puts them in the 'experience goods' category.

Lastly, it was concluded in the research by Park and Lee (2009) that PWQ and eWOM are significantly connected. Perceived web quality determines the effect eWOM has on a web store. For example, a web shop with a high PWQ will be influenced more by negative eWOM than positive. However, a web store of low PWQ will not be significantly influenced by negative eWOM, but will be more influenced by positive eWOM. Although, low PWQ is still dominant over eWOM.

2.11 Digitalisation in O2C optimization

Before moving on, it needs to be understood how a wholesale company with an online shop can optimize their business processes, especially the O2C process, without hurting the business. This was explained through analysis of some of the bigger companies with this model, and trying to understand how they did it, with a focus on how digitalisation and the implementation of smart solutions supported the increase of efficiency. In the later analysis chapter of the thesis, this analysis is used as an example and inspiration to provide the case company with a solution.

The first example is Bidfood UK. The value of this example lies in the size and market presence of this company, which is considered to be one of the largest wholesale companies in the UK. Bidfood had a large warehouse, and their success was largely dependent on their warehouse management. Up until 2021, Bidfood was still using a paper-based system to perform all their warehouse operations (manually entering data updates in the ERP), which was not only prone to errors and slow, but highly unsustainable. They teamed up with Zebra, a company specialized in smart hardware solutions that provide real-time insight for better decision making and process optimization, to optimize their warehouse operations and implement a solution that will reduce errors. Zebra provided Bidfood with cutting-edge hardware, whilst Bidfood created three software solutions to combine with the hardware and replace the paper-based system. The results were: improved picking accuracy, reduced data processing time, real-time stock visibility, reduced need for manual input into the ERP system, automated inventory updates, reduced system overrides, increased efficiency in order processing, and reduced labour costs (Zebra Technologies, n.d.). As seen from the example, the company needed to implement

sophisticated digital solutions to be able to keep track of the number of orders, as well as to maintain the efficiency the customers were accustomed to.

Furthermore, another example worth analysing in this area is JJ Food Service limited, who increased their efficiency by creating their own application and combining it with SOTI's Mobile control. The application the company developed (JJM Delivery) was a connector between the company's ERP system and field delivery data, from drivers' mobile phones. The application managed the drivers' information, whilst enabling synchronization (between the phones and the central ERP) and real-time invoice creation, as well as inventory control and GPS tracking of their drivers. What was missing was an effective, real-time remote support system for the drivers in remote places. Delays in assisting the drivers would result in delivery delays, which was inefficient and created big losses for the company. SOTI MobiControl was a mobile device management solution that JJ needed. The results of connecting MobiControl with the company's existing ERP (Microsoft Dynamics AX) and mobile application (JJM Delivery) were: central mobile device management, improved accuracy and speed of support help, lower labour costs (less need for support personnel), real-time malfunctions detection and maintaining up-to-date software (SOTI, 2012). Digitalisation was, again, highly efficient at optimizing a business process.

In conclusion, it is visible from these examples that digitalization can help create a more efficient workspace and lower the percentage of errors and unhappy customers. But, is this always the case?

Digitalization can go both ways; it can help a company increase efficiency and revenues, but it can also create a great financial loss. In fact, around 70% of digital transformation projects end in failure (Rohn, 2022).

Most common reasons for digital transformation failure are: not precisely defined (or lack of) digitalisation goals, internal resistance, lack of agility, unrealistic expectations, poor technology management, and insufficient training and preparation time (Rohn, 2022).

2.12 Warehouse management

Even if it is not directly a part of the O2C process, warehouse management can influence it heavily; poor warehouse management can cause delays, customer dissatisfaction and mistakes in the packing and shipping parts of the process, often from a lack of transparency. These are even more likely in companies that haven't introduced digital solutions to better organize warehouse processes. This is because optimized warehouse management leads to shorter cycle time, greater efficiency, better process flexibility, and increased customer satisfaction (Nee, 2009). ERP systems were created for this exact purpose and are the best way a company can optimize its warehouse (and other) management. However, ERP systems are usually expensive and large-scale projects, somewhat unsuitable for smaller or micro companies. Those companies, for whom ERP systems are too complicated or expensive, can rely on other ways

of optimizing their inventory, such as web-based solutions or different positioning of the products. These possibilities will be discussed further in the analysis.

The case company A1 All Natural has a retail and a wholesale warehouse, each with their own purpose, but still connected. The retail warehouse holds all the products sold via the web shop, whilst the wholesale warehouse is much larger in size and holds products sold to retail partners, therefore the products are automatically sold in bigger batches than on the web shop. The retail warehouse is restocked from the wholesale warehouse and, therefore, the retail warehouse depends on the wholesale warehouse. The company has no inventory management systems implemented for the retail warehouse, but counts products occasionally when there is need for it. Moreover, there is no way of keeping track of expiration dates in the retail warehouse, which can, and sometimes does, lead to waste and errors in shipment.

2.13 Examples of optimized web shop order-to-cash processes

The first company many would think of when talking about e-commerce 'done right' would be a giant like Amazon, Temu or Aliexpress. However, we should also consider examples of companies with a similar business model like the case company, which would be: a (food) retailer company with a B2C online store as a secondary source of revenue, and ideally with a functioning branch in Europe. Some examples could be: Bidfood UK, JJ foodservice, EDEKA Rhein-Ruhr from Germany, and Metro Cash & Carry Netherlands (Gourmet Pro, 2024). All of these companies are wholesalers, representing various types of products and brands, but not producing them, and have an online store (be it a B2B or a B2C).

For example, Amazon is currently the world's leading online marketplace (Productsup, n.d.), that in 2024 hit 152.8 billion USD in net sales revenue worldwide (Statista, 2025). For comparison, their closest competitor jd.com (biggest Chinese e-commerce company, similar business model as Amazon) hit 117.8 billion USD in the same year. Amazon's biggest and most successful markets are The US market and Germany, whilst the Asian market is still mostly 'owned' by their own companies: Temu, Shein, jd.com and Alibaba. But Amazon isn't just a marketplace, as it is also the largest product search engine currently in existence. It is a globally known web shop, whose business operations include warehousing, delivery logistics, cloud computing services, and customer service. The company set high standards for the competition and created strong customer loyalty that is hard to beat. Their search engine functions similarly to Google: it stores large amounts of structured product data and uses them to optimize the customer search results (Productsup, n.d.). When customers search for a product, all the search results appear by relevance, adapted to the customer's preferences (which are customized the more a customer buys or searches for products).

To manage and optimize their operations, Amazon deployed Lean-Six Sigma principles; a combination of Lean that aims to increase efficiency and eliminate waste, and Six Sigma which aims to target and eliminate root causes to increase efficiency and customer satisfaction. Six Sigma was used in customer service to measure customer satisfaction and dissatisfaction,

analyse the root causes, and implement improvements. With this approach they reduced error rates and increased customer satisfaction. Moreover, in their logistics operations, they successfully implemented the Lean principles. Amazon optimized the layout of its warehouses and with that reduced packaging and delivery waiting times. Amazon also implemented various technological solutions to optimize delivery, and stays up-to-date with the newest and most efficient solutions. They use advanced data analytics tools to calculate the most efficient delivery route, which reduced delivery waiting time and increased customer satisfaction. The results of implementing Lean-Six Sigma for Amazon were: enhanced efficiency of company's operations, increased quality of their services, and creating a culture of constant improvement (Seiler, 2023). Amazon's example also shows how quickly a company can grow, and how well it can maintain its position on the market, with the right tools and the right way of implementing those tools to the already existing company structure.

Another example is a photography studio that redesigned its order-to-cash process and achieved better business results. 'Stuudio' is based in Estonia and was a part of a master thesis by Kriisa (2015). Stuudio owner noticed an opportunity for „optimising and automating the order fulfilment processes to maximise performance, reduce costs and cycle-times." The author started by defining a process architecture, followed by process discovery of the sales (O2C) process through interviews, followed by a process map created using a BPMN tool. The analyses consisted of waste identification, value-added classification, root-cause and quantitative analysis. In the redesign stage, the author proposed complete automation or removal of manual tasks in the O2C process. An example of an unnecessary task is customers being able to request custom editing without extra payment. Research showed that, if customers have an opportunity to request more from the studio without extra payment, they will take it, no matter if they truly need the extra or not. This leads to the business having to constantly do the 'extra work' without having a measurable business output. Moreover, the author detected some mistakes in the order of tasks and achieved better results by simply reorganizing the steps. For example, customer payment had to be confirmed before the studio started fulfilling the order. Another important decision was that all printing and shipping will be outsourced to the company that usually printed only bigger formats for the studio. This resulted in eliminating the need for a full-time assistant, but also transferring all quality and shipping responsibilities to the outsourced company (Kriisa, 2015). With these changes, the photography studio lowered their expenses and delegated some of the responsibility to an outsourced firm.

2.14 Small and medium enterprises in Europe

Small and medium enterprises (SMEs) are rarely subjects of research; however, they are still relevant to the GDP and value creation. According to the 2023 EU official statistics, SMEs accounted for 93,6% of all companies in the EU and employed almost 41 million persons, with the value added per person employed amounting to 1,8 billion EUR. As for retail SMEs (where A1 All Natural also belongs), they make up 23% of all EU SMEs. In the EU retail sector, 94% of all SMEs were micro enterprises (MEs) (European Commission, 2024).

In this section we observe the importance of SMEs in Croatia and Slovenia to show the relevance of continuous business process optimization in those companies. In both countries, the employment in SMEs increased by 2% in 2023 (European Commission, 2024).

In Croatia, more than 90% of all country companies in 2023 were SMEs (Figure 5), and 92,4% were MEs with less than 10 employees (MEs). Moreover, in terms of employment, over 30% of the total employees of the country were employed in an SME. Lastly, the yearly value added of Croatia's SME in 2023 was just over 19% of the total value added, whilst the value added of all SMEs was 58%. Considering Croatian SMEs in general, in 2023 they made up a total of 99,8% of all companies and employed 70% of the workforce. In comparison to 2021, the value added increased from 14,6 billion EUR to 21,6 billion EUR, which amounts to almost 48% growth in just 2 years (European Commission, 2024).

We have to keep in mind the COVID-19 crisis of 2020, whose impact could still be felt in 2021. The 2023 statistics show considerable growth and potential of Croatian SMEs. (Figure 4)

Figure 4: SMEs Croatia, 2021

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	153 477	99.7%	710 295	67.4%	14.6	63.7%
LARGE ENTERPRISES (250+ persons employed)	457	0.3%	343 551	32.6%	8.3	36.3%

The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from national and Eurostat databases.

Source: European Comission (2022)

Figure 5: SMEs Croatia, 2023

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
Micro (0-9 persons employed)	186 018	92.4%	371 855	32.0%	7.1	19.2%
Small (10-49 persons employed)	13 004	6.5%	246 012	21.2%	7.1	19.1%
Medium (50-249 persons employed)	1 986	1.0%	199 048	17.1%	7.4	20.0%
Total SMEs (0-249 persons employed)	201 008	99.8%	816 915	70.4%	21.6	58.2%
Large enterprises (250+ persons employed)	408	0.2%	344 054	29.6%	15.5	41.8%

The data for 2023 are estimates produced by JRC, based on 2008-2021 figures from national and Eurostat databases.

Source: European Comission (2024)

Furthermore, SMEs have a great importance in Slovenia, similarly to Croatia. In 2021, the share of SMEs was 99,8%, which employed over 70% of total employees and created a value added

of 15,8 billion EUR. That accounted for 65% of the total value added created by companies that year. (Figure 6)

In 2023, the total number of SMEs remained the same in share of companies (99,8%), from which 94,3% were MEs. Those MEs employed almost 34% of total company employees and created a value added of 9,2 billion EUR (almost 25% of total value added created that year). In total, SMEs in 2023 accounted for 66% of all companies and created 24,6 billion EUR in value added, which is a 55,7% growth from 2021. (Figure 7)

Figure 6: SMEs Slovenia, 2021

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	146 226	99.8%	486 458	73.2%	15.8	65.3%
LARGE ENTERPRISES (250+ persons employed)	233	0.2%	177 876	26.8%	8.4	34.7%

The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from national and Eurostat databases.

Source: European Comission (2022)

Figure 7: SMEs Slovenia, 2023

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
Micro (0-9 persons employed)	154 892	94.3%	240 933	33.8%	9.2	24.8%
Small (10-49 persons employed)	7 767	4.7%	145 896	20.4%	7.9	21.4%
Medium (50-249 persons employed)	1 411	0.9%	139 265	19.5%	7.5	20.3%
Total SMEs (0-249 persons employed)	164 070	99.8%	526 094	73.7%	24.6	66.4%
Large enterprises (250+ persons employed)	255	0.2%	187 456	26.3%	12.5	33.6%

The data for 2023 are estimates produced by JRC, based on 2008-2021 figures from national and Eurostat databases.

Source: European Comission (2024)

3 A1 ALL NATURAL CASE REPRESENTATION

3.1 Methodology

3.1.1 Data collection

The data collection began with creating the process map. The details of the process were obtained via observation (participation in the process) and a short telephone interview with the company's CEO. This was followed by an employee survey (see appendix), which consisted of 17 questions aimed to better understand each employee's role in the process, as well as their thoughts on possible problems or missed opportunities within the process. The participants of the survey were also given a process map that they could directly contribute to. It was created in Miro, a virtual whiteboard to which anyone with a link can contribute.

Finally, I conducted separate follow-up interviews with the participants (see appendix). The goal of the interviews was to give the employees a chance to explain some of their answers from the survey, which were purposely created in such a manner that only some of the possible answers would require further explanations. Moreover, the interview was semi-structured, with questions created in accordance with the answers the employees gave in the survey. This in-depth interview was possible due to the low number of survey participants (2), so I could spend extra time personalizing the questions and analysing the answers. The interviews were conducted remotely, via Zoom video calls. The interviewees had the opportunity to prepare for the interview, as they received the interview questions beforehand and had enough time to think about the answers and possible add-ons to the interview, they thought were important.

3.1.2 Business process tools and modelling

Business process improvement tools include all strategies and tools used to map out, analyse and optimize a business process (Dumas et.al., 2018). The O2C process in question is graphically represented using iGrafx and analysed using Dumas et al. (2018) as a guide. Moreover, the survey and interviews with the employees are used as a means of gathering insight into the process itself, composing possible solutions to the errors or inefficiencies encountered in the process and identifying unused potential for improvement.

The process modelling began by communication with the CEO, who provided the outline for the O2C model by listing all the main events and actions in the process. Afterwards, the modelling was done by combining the CEO's instructions and from memory: participating in parts of it and (in most cases) observing its flow through a period of 3 years of working in the company. Moreover, I had the opportunity to communicate with the customers and observe communication with the partners of the company, so insider information was the primary source for modelling. Lastly, the employees were asked to look at the process map and provide their

feedback if it needed any improvements. The process only needed one additional change afterwards.

iGrafx was chosen as a modelling tool because of its wide array of modelling options, as well as ease of use and its options to help create an accurate and detailed process model. The simulations iGrafx can provide are a good tool to quickly and efficiently detect inefficiencies or errors and find bottlenecks that sabotage company growth. In this thesis, iGrafx simulations are not used, as the process is rather simple and doesn't have as many steps or employees. Using simulations would require more time and input than only creating a model and analysing it, which in the end would (probably) result in the same conclusions. Therefore, iGrafx process map is the only tool needed for the analysis.

3.2 Case representation

A1 All Natural is a micro company, based in Rijeka, Croatia, with a branch in Slovenia. Its primary function is wholesale, and the secondary function is that of retail to end customers through a web shop – a non-store retail. The company's aim is to improve their retail function – sales through the web shop – so they are considering improving the O2C business process.

3.3 The business model and organization structure

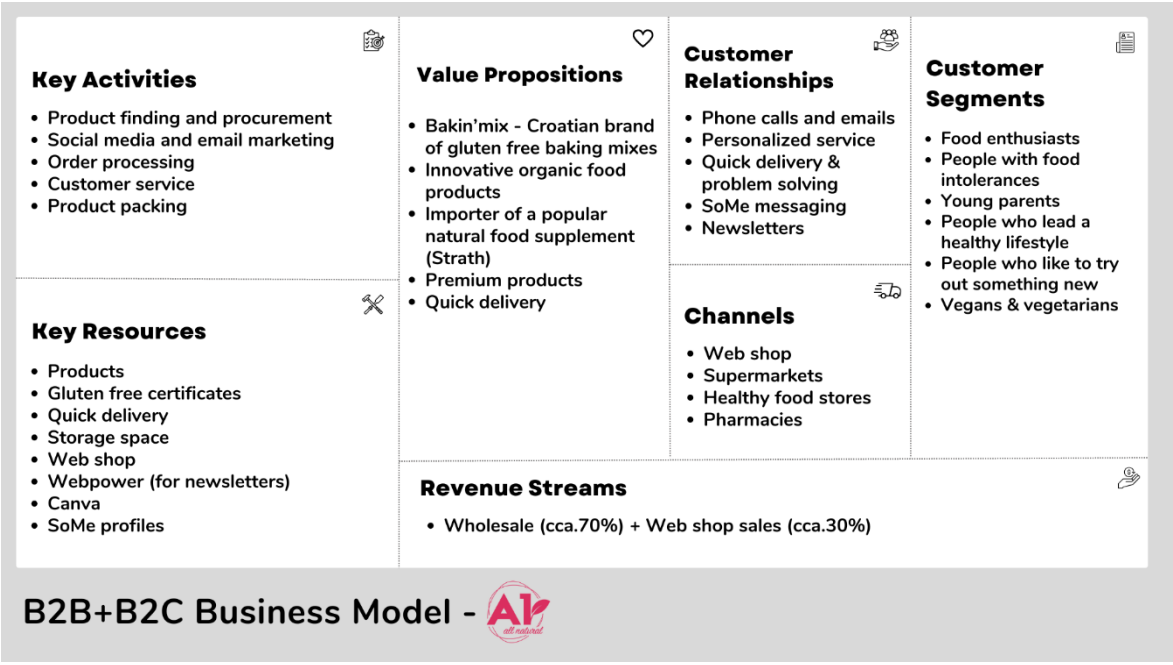
Business models are explanations of what a company does to create revenue, or in other words: „Stories, that explain how companies work." (Ovans, 2015). A business model can be created beforehand or spontaneously when a company begins its business; but it is in fact a description of everything involved in a company's business, from raw materials and procurement for creating a product, to marketing, customer service and shipment. A business model simply describes in detail what a company does, how it does that, and what kind of relationship they have with their customer (Ovans, 2015). Moreover, a business model can be described as an intermediary between a company's strategy and business process model. Business strategy depicts gaining competitive advantage over competition, whilst a business model explains how a business creates value. Modelling a business process will result in describing how a company produces a specific output. Business models and business processes directly influence each other, and a strategy creates a foundation for the formation of these models (Veit et al., 2014).

The company A1 All Natural offers high-quality organic products to their customers, but within an approachable price range, meaning that the products are slightly more expensive than the common, non-organic products, but still affordable to the general public. Their main and most numerous product range is that of organic food and cosmetics products, and food products for dietary restrictions. Examples are organic and natural fruit spreads (with and without sugar), raw energy bars, freeze-dried fruit, gluten-free flour mixtures, gluten-free pasta, plastic-free chewing gums, sugar free mints, sugar free candy, and fruit and vegetable juices. The company also offers organic and natural cosmetics, such as natural facial creams (produced locally in

Croatia and in limited batches) and sun protection with mineral filters that doesn't harm the environment. Lastly, the company also offers a range of natural food supplements (Figure 8).

The company has 2 full-time employees, who both participate in multiple business activities: the CEO and the web shop responsible. The CEO runs the company and plans for the future, searches for and establishes contact with potential new partners, participates in accounting (supervision) and prepares and ships the packages when needed. The web shop responsible receives and processes the orders, creates the invoice and the shipping documents. The third employed person in the case company is a student part-time employee, and some responsibilities include (but aren't limited to) digital and social media marketing, customer service, market analysis and web page maintenance. The company also has two outsourced partners who have their own distribution channel, which includes A1 All Natural. The first one is Pretti d.o.o., which supplies the fruit and vegetable juices along with some other gluten free and organic products, and ships them to A1 All Natural's customers directly, meaning that the company makes less revenue out of these products. The second one is Vitaminoteka, which is responsible for the marketing and import of Strath natural food supplements.

Figure 8: A1 All Natural business model



Source: A1 All Natural

The business model was created in collaboration with the company CEO, who also gave permisssion for it to be shared. The model is a simplified one, as details of the company's business operations are confidential information.

3.4 Value proposition

A company’s value proposition defines what they can offer customers that sets them apart from the competition, the company’s 'distinguishing factor' in the market. It's the value they can create, present and deliver to their end customers, which attracts the customer and enables a feeling of trust and loyalty to the company. Examples are cost-effectiveness, innovation, exceptional quality and excellent meeting of customer needs (Brunner et al., 2024).

In terms of products they offer, A1 All Natural has a few strengths that separates them from competition: the Danish product Raw Bite (raw energy bars) was one of the first organic raw energy bars on the Croatian market, with ingredients whose quality exceeds the regular energy bar ingredients on the market (Brozina, 2015), whilst Strath (a natural food supplement) is a pioneer in natural food supplements and is sold all around the world. In the Croatian market, it has been present for more than 20 years, and it was firstly produced in Switzerland 50 years ago (Pretti good food, n.d.). Moreover, the company breaks the ice in Croatian and Slovenian market with innovative products, such as True Gum plastic and sugar free chewing gums. The Danish producers 'True' were given the 'B Corp' certificate for their ground-breaking sustainable products and production (B Lab, 2023). The company’s biggest advantage is finding innovative organic products and presenting them to the market and their customers. In the conducted interviews, they stated: „Premium products call for premium service. “

3.5 Target customers

Target customers are a part of a company’s target market, i.e. the people you want to sell your product(s) and/or service(s) to. Each company should identify its target market so they can utilize their marketing and selling purpose better, as it is more efficient to aim for a group of interested customers than to try to sell to everyone (Australian Government, 2024).

The target customers of A1 All Natural are individuals who appreciate organic food and lead a healthy lifestyle, but with the 'condition' that they are both able and willing to set aside a certain monthly amount for organic high-quality products. The target customer group is young parents (27-33) and parents with active children (of all ages), people who suffer, or have children that suffer, from food intolerances or dietary restrictions (such as celiac disease, diabetes, lactose intolerance), athletes, nature-enthusiasts, and people who focus on health and wellbeing (Figure 8). The delivery of orders from the web shop are limited to Croatia and Slovenia, which both have their own separate web shops and retail inventories. Moreover, aside from the web shop and the final customer, the company supplies bigger retail market chains, such as Konzum, Plodine and dm. The wholesale division is not limited to only Croatia and Slovenia, but spreads across some other countries of the region, such as Bosnia and Hercegovina and Serbia.

3.6 Sales and distribution channels

A distribution channel is the path a product or service takes on its way to the end customer, with the producer or service provider as the starting point. It consists of more intermediaries involved in procuring the product (or service) from the producer to the end customer, such as retailers and shipping companies. (Salesforce, n.d.) Following this definition, A1 All Natural is a retail company which, in reality, is a part of other companies' indirect distribution channels (direct distribution channels include companies selling their products on their own web sites or stores) but doesn't have its own distribution channel (since the company doesn't produce a product).

The web shop is the company's channel for getting the products to the end customer, but the customers can also find these products in some markets that have a healthy food section. Since we are only optimizing the web shop process, we will focus on the web shop as a distribution channel. The company has separate web shops, one for Croatia and one for Slovenia, that sell the same brands of products, with some exceptions (the Slovenia web shop has a smaller offer).

3.7 Customer relationships

The growth of the market and its spreading on the internet have given customers more options to choose from, which results in companies having to continuously analyse and improve their processes (Nilashi et al., 2023). Customer relationship management (CRM) aims to attract and retain target customers, and maintain their satisfaction. Moreover, CRM is used to analyse the customers' behaviours and create strategies for improvement. CRM is often connected to bigger companies and sophisticated software, since it is usually implemented as a separate department or discipline by the bigger companies. Nevertheless, even smaller companies (like A1 All Natural) should consider implementing some CRM strategies in order to strengthen their customer relationship and ensure customer retention (Kupla, 2022).

As for A1 All Natural, promotion of the web shop products and connecting with the end customer is done via social media in the largest part. The company posts on their profiles around 4 times a week, both on Facebook and Instagram, and encourages interaction with their followers. Once a month they hold giveaways which are meant to spread the follower base and spread awareness of their products and existence on social media. Furthermore, they regularly publish recipes and blog posts on their website which are meant to inspire the customers and provide useful lifestyle advice or information and context on their organic products. Finally, A1 All Natural sends out email newsletters to their subscribers to notify them on current discounts, inspire and 'remind' them of the products from the web shop. All these strategies are used to connect with the customers, capture their attention and, as a result, lead them to purchasing products from the web shop. The main goal of social media and newsletters is to turn followers and subscribers into customers.

The communication with the end customers is done by multiple channels, depending on the matter. Customers need to provide a phone number when purchasing from the web shop so the company can contact them quickly and efficiently if there is a problem with the shipment or products. Communication over social media is mostly connected to the giveaways or customers' inquiries considering the products. Lastly, email communication is reserved for offers and 'problems' which do not need to be solved immediately, as email is not considered to be the quickest, primary way of communication. The tone towards the end customer across all channels is always professional and friendly, with the effort to stay open-minded to customer inquiries.

So far, a customer relationship management system doesn't exist in this company. However, they did implement strategies to keep up with the customers, analyse their activity and communicate with them efficiently, so a basic level of customer relations does exist.

3.8 Revenue stream

Revenue generation is what keeps businesses afloat, and revenue streams of a company are all the ways in which a company secures income. In other words, it's the way a company earns its income. Revenues can be classified in 2 larger categories: operating and non-operating (CFI team, n.d.).

In the case of A1 All Natural, we are only familiar with the operational revenue, which is product sales. The wholesale channel of the company accounts for 70% of the total yearly revenue, which shows that the web shop channel might be somewhat underdeveloped. Raising the revenue stream from the web shop is one of the main motivators behind optimizing the O2C process.

3.9 Key activities and resources

The key activities of the company can be divided into B2B and B2C, with some of them being for both. B2B key activities include finding and procurement of premium products, supplier negotiation management, logistics, order management, market research, sales and customer relations. B2C activities include digital marketing (social media and email), order processing, customer relations, inventory management and packing and shipment of products. As for the key resources, they include tangible, human and intangible resources. Tangible resources are storage spaces (small for retail and large for wholesale), headquarters office, products inventory, 3 computers, 2 business phones and packing materials. Non-tangible key resources could include the innovative products they find and present to the market, as well as the specialties and talents of their employees. The oldest employee of the company has more than 40 years of experience in the industry, whilst the CEO has international education and experience, and a passion for finding innovative products worldwide. Lastly, a key resource

could be Pretti, the company responsible for providing some of the products (like the gluten-free pasta and vegetable juices).

3.10 Sustainable development goals

A1 All Natural specializes in finding organic food and cosmetics products that have benefits for the consumers, and aren't produced in a way that harms the environment. As their website says: "Driven by the love of active and healthy lifestyle, quality and delicious food and a love of nature, we seek and bring to the market the best natural and ecological products." (A1 All Natural, n.d.).

In the case of sustainable development goals (SDGs), there are 17 goals defined by the United Nations (UN), and A1 All Natural is in accordance with a few of them.

SDG 3 – Good health and well-being

The employees are themselves consumers of the products, and promoters of a healthy lifestyle. A1 All Natural's products are organic, healthy, and conscious of various food allergies or intolerances, making good quality food easily accessible. The cosmetics products 'uchka' are produced in accordance with nature and have no harmful effects on the body or the environment. Moreover, the company blog is based on physical and mental well-being, researching and providing suggestions on how to stay healthy and improve life quality. They also often make appearances at events such as city marathons, providing healthy snacks to runners.

SDG 8 – Decent work and economic growth

A1 All Natural supports good mental health, supporting time off when an employee needs it, for their own well-being or that of a loved one. Working in an office and working from home are flexible, interchangeable according to an employee's needs. Also, every employee gets paid a living wage, with fair and equal employment terms.

SDG 12 – Responsible consumption and production

A1 All Natural aims to reduce food waste, even avoiding throwing out expired food products that are still safe to use (labelled 'best before'), but can't be sold to customers on the web shop (such as honey, flour, unopened jams, raw energy bars etc.). Those products are offered to employees, friends and families. Furthermore, consumers are encouraged to use previously bought organic cosmetics products even past the expiry date, with clear guidelines on how to assess if the product is still safe to use (and most of them are). The company also avoids ordering in bulk for products with a shelf life, to avoid creating waste. Customers are actively informed on how to make sustainable consumption choices through the blog and social media.

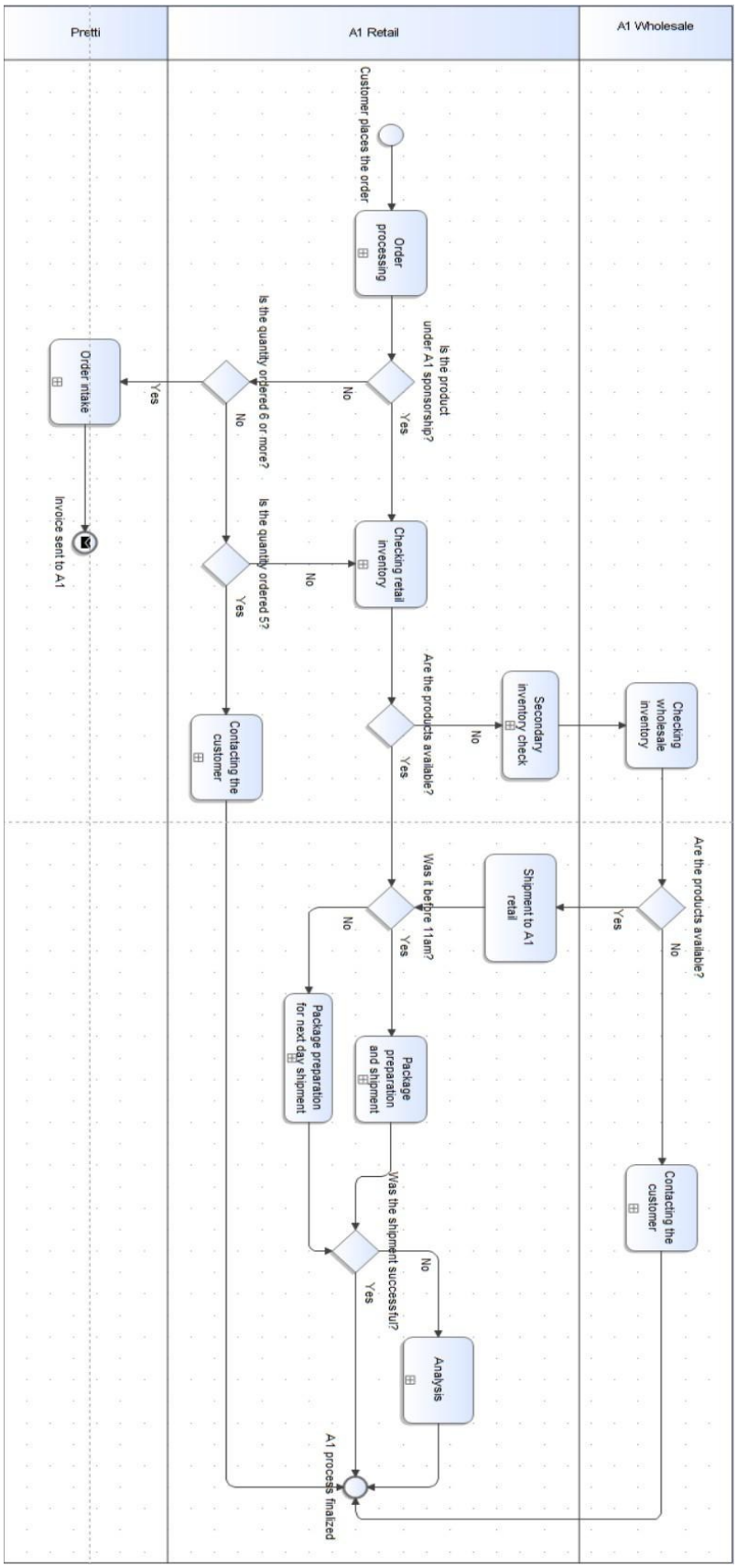
3.11 A1 All Natural O2C process

The company O2C has 3 departments (Pretti, A1 All Natural retail, A1 All Natural wholesale), out of which 2 are, by category in process mapping, outsourced warehouses (Pretti, A1 All Natural wholesale). These departments are represented with swimlanes in the process map, with the outsourced departments on the top and bottom of the map. The process itself isn't too complex and has minimal, necessary steps required for it to work, which may be influenced by the smaller number of employees. For the moment, only 2 full-time employees are involved in the O2C process, and one part-time employee occasionally helps (student worker). The stakeholders involved in this process are: the CEO, the employees, partners from whom A1 purchases the products, and the end customers.

As a part-time and mostly remote student employee at the company, I have had the opportunity to participate in the O2C process, which greatly aided me in process mapping, in the sense that the map almost didn't need any corrections. Moreover, I have gained internal knowledge of the process itself, glanced at its flaws and missed opportunities, as well as collected insights from customers (being the social media manager). The main process map of the company's order-to-cash process is visible on Figure 9.

The map of this process had to be simplified, specifically for the steps that included in ordering of Pretti products; the products quantity, and the steps that follow a specific order quantity. This had to be simplified because otherwise the process map would become too detailed and confusing. Moreover, showing all those steps and subprocesses in detail wouldn’t significantly contribute to the understanding of the main process map. Finally, these steps could be simplified, as it was clear during the process mapping stage that these steps should be removed (as is explained in the analysis), and it was immediately obvious how much complexity they add to the process.

Figure 9: A1 All Natural main O2C process map AS-IS

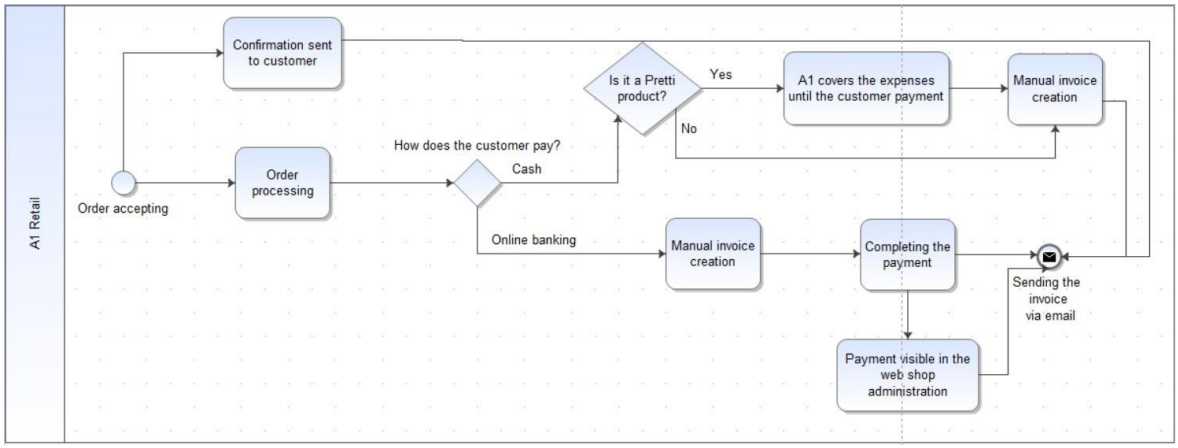


Source: Own work

The process map on Figure 9 is the main model and shows all the most important decision-making points of the process, as well as the departments and main activities that make it. As I continued my analysis, I created the main O2C process map. The subprocesses are a crucial part of the process, so they have been added to the process map, and are analysed in the following sections. Therefore, I performed the technique of process decomposition that is breaking down a complex process into subprocesses for better understanding and analysis (FasterCapital, 2025).

The process starts with the customer placing the order. The precondition is that the customer arrives on the web shop and finds a product they need or want enough to be willing to pay for it. Afterwards, the customer gets an automated response which confirms the order and can then decide on the payment method – cash upon delivery or to pay immediately, online with a card. At this point, the employees' part of the process begins (Figure 10).

Figure 10: Sub-process „Order processing" AS-IS



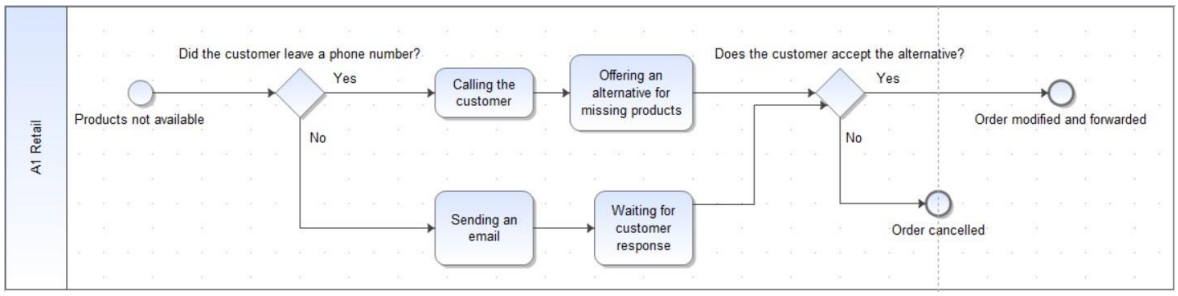
Source: Own work

Since they have been notified about the order, accounting department processes the order, analyses the invoice and stores it in the electronic accounting data storage. The same invoice later gets printed out and stored physically in ring binders in the headquarters. This is the part of the process where the manual work of the order processing begins. The employees don't wait for payment confirmation, but start the process as soon as they receive the order.

The first branching of the process, where it moves into another department, happens almost immediately; after receiving the order, the employee processing the order categorizes the product into whether it is or isn't under company's direct delivery responsibility. Pretti d.o.o. is a company based in Slovenia, and the primary exporter of some of the products A1 All Natural then forwards to their partners in Croatia, and sells through their web shop. In the case of the products being under Pretti swimlane, the order is forwarded to them. (Figure 10) From the interviews with the employees, it became obvious that the order forwarding isn't such a simple step as it may seem, but more about that will be covered in the analysis chapter.

Depending on the product(s) ordered, the availability needs to be confirmed. If the customer ordered a product that is usually available in stock of the retail, the responsible person in the headquarters now needs to (manually) check the storage and prepare the package. If the product(s) is/are not available in the retail storage, the administration employee is contacted. The company uses a powerful software, Pantheon, in which they create invoices and keep track of their storage. The employee can check the availability of the product in the wholesale storage and, if it is available, request immediate shipping to the retail storage. If it is not available, the employee needs to contact the customer and opt for a replacement product (Figure 11). The order is then modified or deleted according to the customer's wishes, and the package is prepared for shipment. It is worth noting that the headquarters responsible person is not in the office every day, which means that some orders might get shipped with a few days delay from the date ordered. The customer is not notified of this but is only told that the shipment will arrive in 2 to 5 working days.

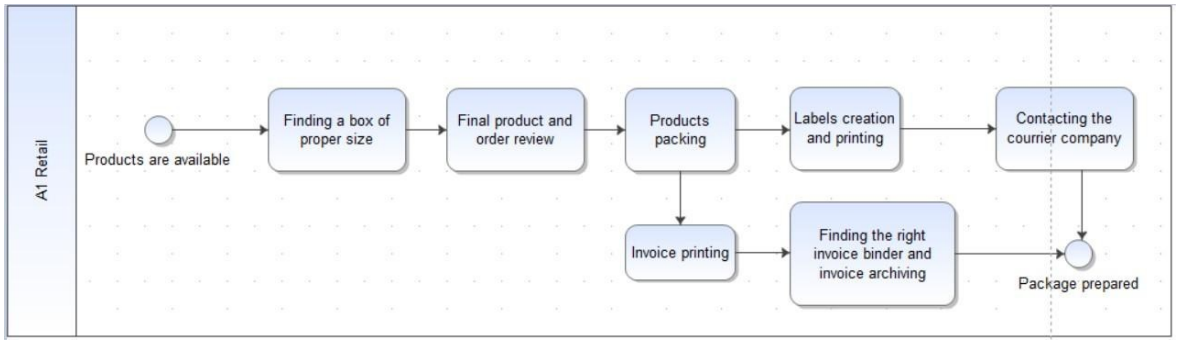
Figure 11: Sub-process "Contacting the customer" AS-IS



Source: Own work

In the case of all items being available (and the employee is in the office), the package can be shipped out in a matter of hours from placing the order. If the order was placed before 11 am, and contains products available in the inventory, the package will be shipped out the same day by 12 pm. The courier company (DPD) A1 All Natural partnered with picks up all packages every weekday at 12 pm. Next day delivery takes place if one of the previous conditions isn't fulfilled, but the process of packing and shipment stays the same for both scenarios (Figure 12).

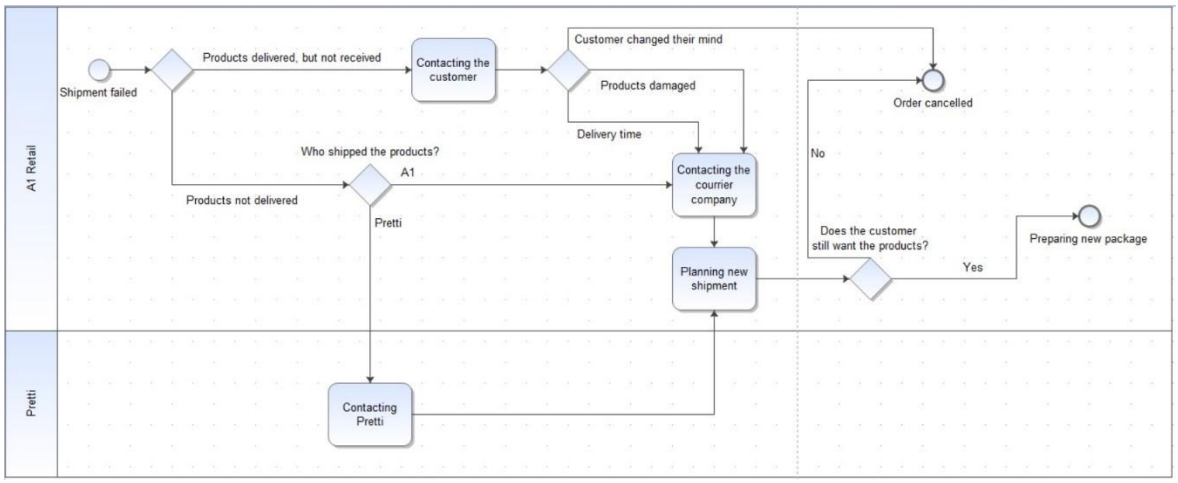
Figure 12: Sub-process "Package preparation and shipment" AS-IS



Source: Own work

Upon delivery, be it successful or failed, A1 All Natural does not receive an official automated confirmation from the courier company but needs to check the package status on their web site. In some cases, the customers also provide insight into the delivery process, whether it is notifying the company about a successful delivery, asking when the package will come or notifying that the package was never received, or that the products in the package were damaged. In case of failed shipment, the employees need to conduct an analysis (Figure 13).

Figure 13: Sub-process „Analysis“



Source: Own work

3.12 Employee survey and interviews

Through interviews with the employees, I gained a detailed insight into the employees' roles and thoughts on the process. The interview was designed as a follow-up to the survey. Participants had slightly different interview questions, as they were designed to provide more information to their answers from the survey. This is because some of the employees' answers required further explanations, primarily when the respondents' answers differed from one another in questions where they shouldn't have, or if the survey question was designed in such a way that some answers required further explanations.

Firstly, at question 11 from the survey, where the answers differed when they shouldn't have. Posing a question of this sort can help gain a better understanding of where the process is lacking. The question was "Can the customer from the web shop order again if he hasn't paid for the previous invoice? (Is there a protection mechanism to prevent new orders from customers who haven't paid for their last order?)". The employees answered differently, one saying that the customers can order and the other saying that they can't until their debt is settled. These two completely different answers reveal that the protection strategies are not defined and explained to all the employees. Later, it was revealed in the interviews that 'the mechanism' isn't a mechanism per se The mechanism in question was a combination of employee skill and knowledge, which will also be covered in the analysis part. Moreover, both employees were

familiar with it, but one considered it to be a proper mechanism, whilst the other respondent didn’t think of it that way.

In companies with optimized business processes and communication, this type of 'company protection mechanism' should be properly defined, executed and understood by all employees. From these answers, it would seem that this company still has some misunderstandings created by an unreliable or ill-defined process, which can result in financial losses for the company.

Secondly, question 16 from the survey needs to be explained: “Do you have customer feedback, regarding the ordering and payment process, that you consider important?”. From the answers respondents provided, the conclusion can be drawn that one of the employees receives customer feedback, whilst the other employee doesn't possess any. This question was formed so that, if a respondent answered positively, further explanation would be asked of them in the interview: by which means does the employee acquire the customer feedback (since the company doesn't have a customer service department or responsible person) and what is it that the customers think of the process?

Again, the respondents’ answers differed, meaning that not all employees have contact with customers, or that not all employees are aware of how customers feel about their products and/or processes. Customer feedback can define the success of a company, especially when it comes to word of mouth. Knowing what your customers might say about you, from the feedback you gain from them, can be used to improve on things they didn’t like, or even to enhance the things the customers like. For example, if a customer says the delivery was slow, the company can try to make it quicker or make it clear right after payment if there is a possibility of delays in delivery. On the other hand, if the customers say they really like the customer service, the employees could focus on providing each and every customer the same excellent customer service, in order to stay consistent and keep the customers content.

In the interviews, more explanation for this question was needed. The respondent that receives customer feedback does so by talking directly to the customers, most often in a scenario where there is a problem with the order that the customer needs to be notified of. In this case, not all customers can leave a review, especially if the order is fulfilled without any issues. Direct feedback to employees, about parts of the process with unsatisfactory performance, could help the company become aware of the problem and start resolving it. However, missing an adequate customer feedback solution results in missing opportunities for positive word of mouth, as well as for resolving issues customers might have with the process.

4 BUSINESS PROCESS ANALYSIS AND SUGGESTIONS

At first glance, the O2C process of A1 All Natural functions well enough and doesn't suffer from greater errors or problems that may result in great and rapid financial losses. However, there are some missed opportunities and smaller issues that could help the company create a competitive advantage, and a stronger, positive relationship with their customers, as well as increase the revenues. Moreover, applying some slight optimization changes would help reduce costs and process time, as well as possibly bring more customers to the web shop, which would be the one of the final goals of the optimization, according to the wishes of the CEO. In the following analysis, I have provided more details on some steps of the process as well as employee thoughts and opinions, which then serve as a foundation for the analysis and suggested solutions.

4.1 Before the start event – customer motivation for purchase

All O2C processes have one step in common: the start event (the customer places an order). The precondition is one of the following two: firstly, the customer arrived at the web shop because they were interested in the web shop itself and wanted to browse, with an intention to buy. Secondly, the customer arrived at the web shop simply to browse, but without the intention of buying anything, and only make a purchase if they find something they truly like or need. In this case, the attractiveness of the product (the picture, the description, the price etc.), as well as the user friendliness of the web shop, help create a desire to buy the product and place an order. Moreover, the customer may have expected to find a certain product in the web shop, which was the reason why they visited it in the first place, but failed to find it and therefore simply left without placing an order. They might place an order in the case of finding a suitable and satisfying substitute for the desired product, such as tamari sauce instead of soy sauce (the web shop provides the first product, but not the second one).

The latter case refers to customer expectations of the web shop, that is described as selling organic food and cosmetics products, and the customer expectations created by the usual offer they can find in similar stores (healthy food stores etc.). This can be prevented by doing detailed market and competition research to see which products the competition has that the web shop doesn't, and think about whether the goal is to attract similar customers and introduce products usually sold by competitors or stick with the current offer and define the target customers anew. This would require web shop analysis and information on how many customers visit the web shop without placing an order, which is something A1 All Natural could think about introducing, since they don't yet have a system or plan for this kind of analysis.

However, after the interviews with the employees, I came to the realisation that most web shop orders were from regular customers, or their family and friends. This indicates that the web shop needs greater and better marketing efforts to reach out to new customers, but it can also

be an indicator that current customers don't have any motivation to spread the word online about this web shop (leaving public reviews).

4.2 Main process map

In this section the main process map is analysed.

Firstly, analysis focuses on the customer placing an order and all the steps taken until the packaging part. This part of the process (Figure 10) only takes a few minutes, but that doesn't make it less important. Manual invoice creation in Pantheon can lead to mistakes, some of which are: wrong product information, wrong price (in case of different discounts being active at the same time), inaccurate product stock information, missing out on an order and never creating an invoice for it, and inaccurate delivery address. (Datalab BH, 2022) All of these mistakes have a negative impact on the process when they occur, from the time spent on correcting the mistake to lowered customer satisfaction.

Moreover, checking the retail storage is a manual task, which by itself doesn't take up too much time (only a few minutes), but it does cause a distraction. The employee needs to get up and check the storage for the product ordered, and also needs to keep in mind the expiration date. The main issue here is a lack of an information sheet or product list on the products in the retail storage. All information on batches of products is available in Pantheon (the software A1 Al Natural uses), but there is no information on the products in the retail storage. Even if this case doesn't happen often, optimization of this step would mean no more mistakes where a customer receives an expired product or orders something that isn’t available.

From the interviews, I was informed that this way works well enough and that these minor errors don't represent a great negative influence on the overall process. However, this manual labour depends on the employees knowing one another and being used to working with each other, and will likely become a greater burden when there is a change in personnel. Automatization could create a bridge that would help overcome that gap, and something as simple as an Excel table could result in less errors and greater efficiency and punctuality.

In addition, A1 All Natural doesn't wait for a payment confirmation (in the case of online payment) to start packing and shipping of the product, saying that they trust the customers and they believe the customers don't ‘aim to cheat’. This assumption is a result of many years of experience, and the fact that the web shop is still relatively small and unknown, so most of the customers are regular customers. There are benefits and drawbacks of this strategy.

The greatest benefit is the speed of delivery; preparing the package right away and shipping it means that the customer will get the desired products in a matter of hours or days, which will contribute to the positive customer experience.

However, what would happen if the web shop grows and reaches more new customers (which is the goal of this optimization) who would potentially forget to pay, if they are not required to in order to get the products? This would result in an employee having to contact the customer, most likely via a phone call, to remind them about the delayed payment. When this issue was mentioned in the interview, I was told that the way to combat delayed payment is by trust, premium customer treatment and quick delivery, but also with payment analysis which is done approximately 2 times per year. This could be avoided with a simple adjustment: waiting for the customer to pay before sending the products. Moreover, one more suggestion would be to do payment analyses more often, say on a quarterly basis. This could result in a slight delay in delivery, which could be prevented if the web shop had an automation that would send emails to the customers who haven't finalized the payment.

4.3 Pretti products delivery and cash on delivery

Since A1 All Natural sells Pretti's organic cold pressed juices, which are stored in glass bottles, shipping can be challenging. The courier company that A1 All Natural usually uses for their shipments, has a history of not handling fragile packages appropriately. It has happened before that the glass inside the package breaks, no matter how safely A1 All Natural packages them. For this reason, they prefer to use Pretti's shipping services, since Pretti sends the juices in their original packaging. But this part has 2 factors that can slow down A1's process: firstly, the juices need to be ordered in the quantity of 6 bottles (or 12, 18…) to be sent in their original packaging, and secondly, the courier company Pretti uses doesn't offer a 'cash on delivery' option.

A1's web shop allows customers to buy different amounts of the products, which is why shipping can take a longer time. Moreover, the web shop allows customers 'cash on delivery' option for all orders. This means that, in case the customer orders 5 Pretti juices of one kind, an employee from A1 has to call and persuade the customer to buy more or less of the same juice for the sake of quicker and safer transport, which will need manual creation and emailing of a new invoice. In addition, if the customer chooses the 'cash on delivery', A1 All Natural needs to cover the expenses of Pretti's delivery right away, which then results in a delayed revenue for the company. Even if this doesn't happen as frequently, there is a possibility that the customer either changes their mind or refuses to pay for the products, which then results in losses for A1 All Natural.

Another minor obstacle arises when a customer orders Pretti products and A1 All Natural products in the same order. A1 All Natural retail inventory contains some of the Pretti products, but in the rare case that the ordered products aren't there, A1 All Natural needs to either order a whole box or drive to Pretti's warehouse in Slovenia to physically pick up the products needed. This process needs many adjustments, as it leads to delays in payment and delivery, and can take longer than necessary.

4.4 Products delivery – the end of the process

The delivery itself depends on more factors and some of them aren't in the employees' control, but it's commonly one of the quicker parts of the process. It is also the final step of the process that can determine customers' overall satisfaction and desire to buy again. There are a few exceptions to the usually well-working process of delivery, in the case of A1 All Natural, which will be discussed separately.

4.4.1 Products out of stock

Sometimes delays in the process can happen when A1 All Natural doesn't have enough products in stock in the retail inventory. This happens mostly due to the fact that the web shop itself isn't regularly updated with the exact amounts, because the employees feel like there is no need for it (question 7 from the survey, see appendix). As a result, the customers can sometimes order a product from the web shop that is in stock in the web shop, but is out of stock in reality (in the retail inventory). In this case, especially if the customer ordered one of the less frequently ordered products, it is known whether or not the item is in stock only when the employee begins to prepare the package for delivery. However, the retail inventory is re-stocked regularly and the items most frequently ordered are usually in stock, and consistently recounted. With the regularly ordered products, a product can run out of stock only if an unusually large amount is ordered, if the expiration date passed, or if the producer announced a lack of stock.

Another important aspect to consider, that can cause disruptions in delivery as well, are expired products. This can be because the company doesn't check all the expiration dates regularly, but they do keep track of them in Pantheon. However, there isn't a separate system or an Excel table where all the product expiration dates are kept, nor do the employees get a 'warning' about 'soon-to-expire' products, nor do they have a habit of checking regularly. This may sometimes lead to overlooking the expired product and sending it in the package, which later results in customer dissatisfaction. It is worth noting, however, that this case is very rare and doesn't happen as often. Nevertheless, having expiration dates in mind is important, as food products can be harmful to human health if consumed after the expiration date, and not to mention how dissatisfied a customer would be if they got an expired product in the delivery.

4.4.2 Warehouse management

In smaller companies, warehouse management isn't necessarily a separate process, but can happen simultaneously with other processes and intuitively. In the case of A1 All Natural's retail inventory, that is exactly the case; more like so, since the retail inventory includes but a few shelves in the headquarters office, so there isn't really a need for it to be a separate process or department. However, the wholesale warehouse is larger and includes bigger packages of the products, which are then shipped by the package, not by unit.

A1 All Natural uses a mixed warehouse management practice, with a basis in JIT – just in time inventory management. This means that the inventory is strategically synchronized with real-time demand, re-stocking only when the product is ordered or out of stock. JIT is an approach developed mainly as a lean production method to avoid waste, but also to increase productivity and optimize workspace and production (Bon & Garai, 2011). In the case of A1 All Natural, what this results in is less waste (in the form of less outdated products going to waste) and optimized inventory space usage. However, the company only uses this approach for the high-demand products, or those that they know can get delivered to them quickly. In the case of products that do not fall in any of these two categories, A1 All Natural either keeps a continuous quantity of those in stock, or orders when they are ordered by a customer, which can cause a delay or need to negotiate with the customer to exchange the out-of-stock ordered product with an alternative one. On the other hand, keeping low-demand products in stock can be expensive and result in waste, so deciding on their in-stock quantity should be based on simple mathematics: is it more expensive to have them in stock (and risk them going to waste) or to order them only when they are ordered by the customers?

Moreover, A1 All Natural delivers products only once a day (at 12 pm), if there are any orders to be shipped that day. This helps to minimize shipping costs for the company, as well as provides structure for packing and inventory organization and planning.

4.5 The customer feedback

As concluded from the survey questions, not all employees receive the same customer feedback, and some employees possess none whatsoever. This creates an issue, as customer feedback is a very valuable resource, especially for companies that only sell their products online. Introducing some way to gain customer feedback would help them fulfil their customers' needs more efficiently, and help establish trust with new customers. Attaining reviews from real customers helps companies build a good reputation, as well as show new customers that they can trust them. Moreover, this system shows the customers that their opinion and experience are valuable to the company. The more appreciated a customer feels, the more likely he is to return to the web shop (SmartBug Media, 2018).

4.6 Process automation

The most important missed opportunity for the process is automation, which is barely present. Automation of business processes helps companies stay competitive on the market, especially since, in the present, all of the biggest and most successful companies can partially thank automation for the longevity of their success. Automation would give more opportunity for employees to use their time on fixing other minor errors, communicate with customers and focus their efforts on branding, marketing and web shop optimization, or even education that could, in the long run, bring even more value to the process and company in general. That said, we must keep in mind that complete automatization is mostly profitable only to big companies

with more capital, since ERP systems are expensive and time-consuming to implement. Nevertheless, the low rate of automation the company currently has leaves a lot of room for improvement. In this case, even smaller changes would mean a great difference in productivity, a positive one if implemented correctly and used regularly.

One additional weak spot could be the organizational structure itself. The employee team included in this process consists of only 2 full-time employees and occasional student part-timers. The full-time employees have both been in the company long enough to know every aspect of the process to the tiniest detail, as well as the regular customers and their preferences. However, even though the process is now functional as it is, when the time comes to make some changes to the organizational structure, not having a defined process could create an issue. Going back to question 11 from the interview, it became clear that there is no defined mechanism that stops customers from making a new purchase before settling the payment for the previous one. An experienced employee, familiar with the customers and invoices, will detect this and notify the customer. But if there is a new employee, still unfamiliar with the customers, they are more prone to making the mistake of sending a new package to the customer who still needs to pay for the previous one.

In any case, the organizational structure is well-defined, according to the employees (question 17 from the survey). Each employee knows, fulfils, and has become specialized in their duties. But should there be a new employee, the responsibilities will have to be divided, and the employee will need constant supervision and help in the beginning. Automation and optimization of the processes would shorten the onboarding time and provide the new employee with a logic to how everything works. Leaving some smaller tasks to be done by the employees may lead to more frequent mistakes, which can cause financial losses and customer dissatisfaction.

4.7 A1 All Natural – suggestions for improvement

A1 All natural focuses on premium customer service that suits the premium products, and wish for their customers to feel like they are being taken care of. While this is a very important factor in the whole O2C process, and in the overall business, focus on the growth of the web shop is missing.

4.7.1 General automation of the O2C process

A1 All Natural could consider automation of the smaller everyday tasks, like sending follow-up emails or answering most common customer questions. For example, A1 All Natural uses a newsletter software, Webpower, to send weekly newsletters, as well as Pantheon for invoice creation and inventory management. Webpower is already connected to the web shop and could therefore be used for more than just weekly newsletters, whilst Pantheon could be connected to the web shop. The two software could automate some parts of the process, for example, they

could be used to send follow-up emails after a successful delivery, customer satisfaction emails, reminder emails for customers whose payment hasn't been received yet, or reminders for customers who leave the web shop after putting products in their cart ('Your cart is waiting for you'). Moreover, they could be used for special offers or discounts for regular customers (a loyalty programme), or even mobile marketing (SMS and Viber). Since most of the customers are regulars, they would surely appreciate this gesture, especially considering the offers. Moreover, it would encourage them to share their opinion and would feel truly as valued customers. Webpower and Pantheon have many possibilities that the company hasn't utilized yet. For example, Pantheon is a general-purpose software, which can be used for many functions of companies, like warehouse management, stock keeping, accounting, order management and invoicing, business intelligence and reporting functions, and many more. A1 All Natural uses the software for manual invoice creation (not directly connected to the web shop), stock management and emailing the customers, but also for manual task completion. It seems as if the potential of the software isn't being utilized enough. Since Pantheon is already integrated in the company, it seems inefficient to leave some tasks (like invoicing and emailing) to be handled manually.

Furthermore, since A1 All Natural already uses Pantheon for all invoice creation and management, they could implement all the functionalities Pantheon has to offer in the category "e-business", including invoice control (Datalab, 2018).

4.7.2 Customer motivation for purchase

As previously mentioned, most customers who visit (and purchase from) the web shop are regulars. This means that, even though they themselves like the products, the customers don't feel motivated to spread the word. Moreover, the web shop isn't making enough of an appearance on the search engine, meaning that their digital marketing efforts need to be optimized as well.

Keeping in mind company goals from the optimization, and possibilities (financial and staff), SEO optimization is my first suggestion. Positioning the web shop higher in the search engine could bring in significantly bigger numbers of new customers. Moreover, the company could do more follow up emails (for example 'your cart is waiting for you' or 'you had your eye on it, now it's on sale) to motivate people to visit the web shop more often. Having an active campaign of bringing customers in will show the web shop is active and serious about their products.

4.7.3 Customer placing an order

Processing an order is manual work, and by itself isn't such a time-consuming task (according to the employee answers from the survey). However, processing a few orders a day and creating the invoice manually can add up to even a few hours a day, especially if a mistake happens (or

has happened one of the previous days) and needs to be corrected. The company already uses Pantheon for invoice creation, and otvorena.cms as their web shop. The simplest, most cost-efficient solution for this problem would be integrating Pantheon with the web shop. This way, each new order in the web shop would be transferred to Pantheon, and the invoice would be created automatically. Pantheon is an efficient order management tool and ERP system that could allow the company to automate many steps of the process. Moreover, the company should explore integrating Pantheon and the web shop in a way that would help identify unsettled invoices, with Pantheon sending out a 'warning' that a customer, that hasn't yet paid for the old order, has placed a new order. Furthermore, it should be necessary for customers to provide contact information, i.e., customers shouldn't have the option to place the order without submitting basic contact information. Implementation of this change would significantly shorten the process.

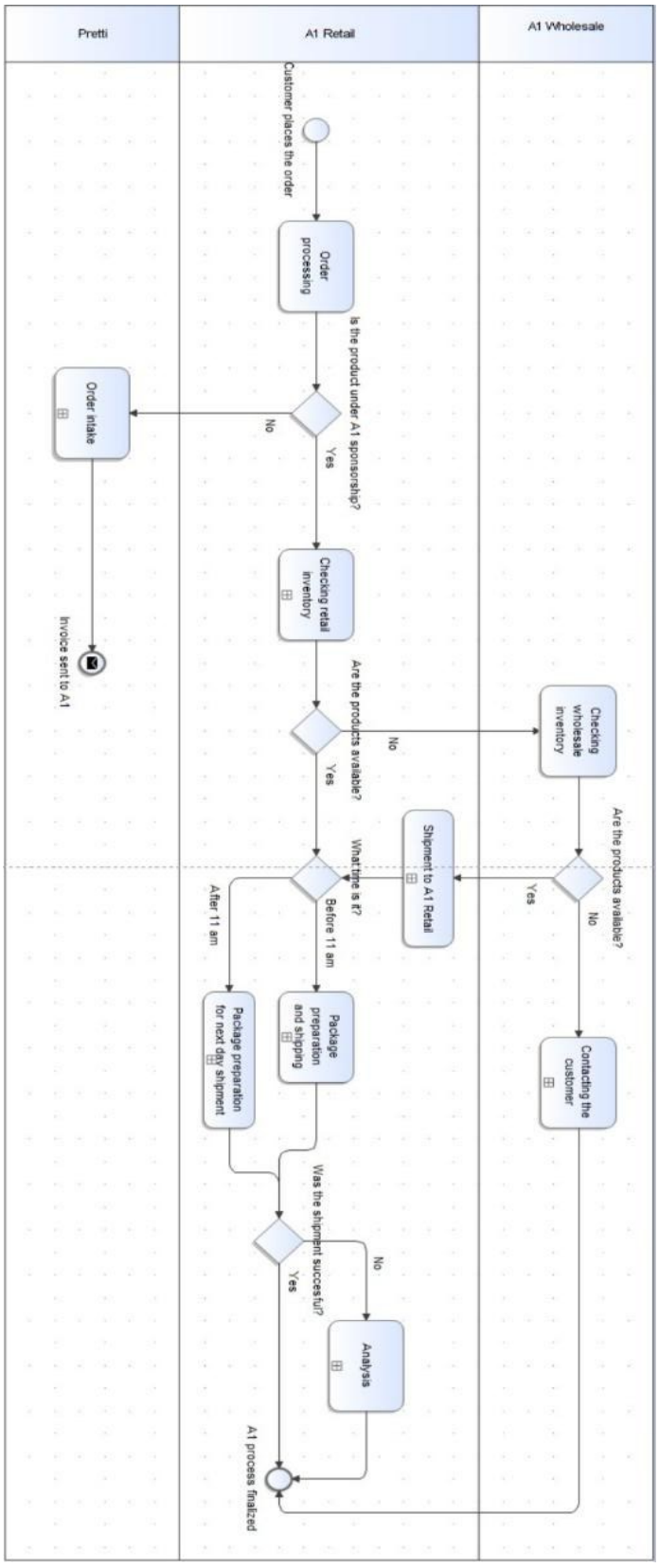
4.7.4 Pretti order placement and payment

After an order has been placed, the employee needs to determine whether it is a A1 All Natural or Pretti product. There is a possibility that with integration of Pantheon and otvorena.cms this sorting (that employees do manually) could be finalized faster, so that if a customer orders a Pretti product, the order is automatically forwarded. This improvement would result in less time spent categorizing and forwarding the order, and would reduce errors. With this integration in place, the decision point in the process "Is the product under A1 sponsorship?" would be automated. However, training Pantheon would be time consuming, and the integration costs would increase.

Back to the problem of ordering less than 6 Pretti juices (less than the quantity found in the original box), or the customer choosing to pay with cash on delivery. Firstly, the payment option needs to be adjusted. If the option of shipping the products with A1 All Natural's courier is not possible, the option for 'cash on delivery' needs to be removed for Pretti products (Figure 14). For example, if a customer wants to order 3 juices, they can be sent with the rest of the products, but the customer can only pay by card. If they want to purchase 4 or more, they need to be sent separately, and the customer can only pay by card as well. Customers should be notified about this change and why it is being introduced. Secondly, customers should be allowed to choose only the amount of Pretti products that suits the delivery conditions – for example, they can only choose 3 or 6 of the Biotta natural juices. This change would eliminate a few steps from the process, optimize the delivery time, and the employee's order processing time because there would be no need to contact customers personally to persuade them to buy a different quantity of the products. The need to create new invoices by hand would also be eliminated, making this subprocess more automatized and efficient. This should be optimized in the web shop itself, 'restricting' orders of Biotta juices for any quantity between 3 and 6. This way, the company could avoid having to go to Slovenia to pick up extra products, or calling every customer that orders 4 or 5 Biotta juices. In the case of this solution being implemented, the decision points

in the main process, namely “Is the quantity ordered 6 or more?” and “Is the quantity ordered 5?”, would become obsolete, and the process would have 2 less bottlenecks (Figure 14).

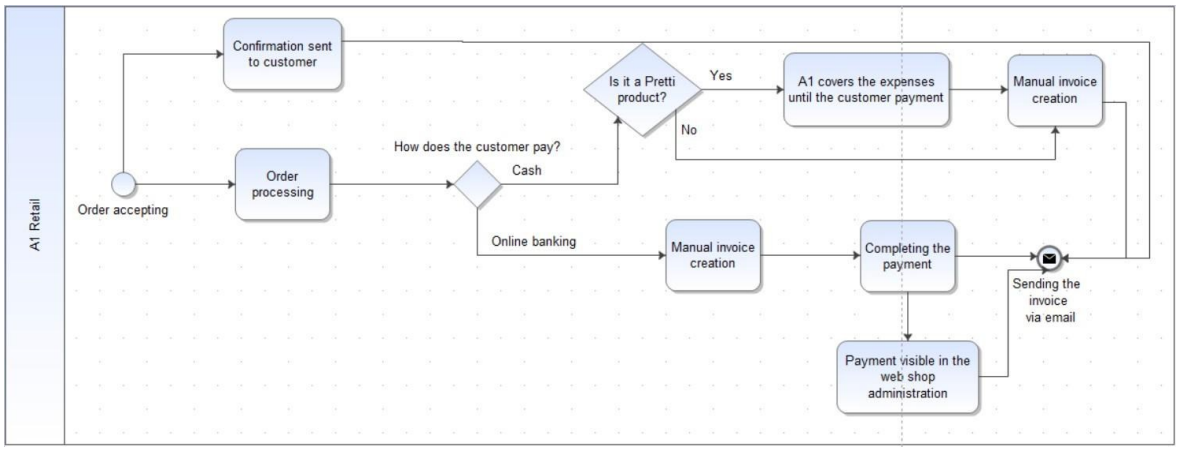
Figure 14: A1 main process TO-BE



Source: Own work

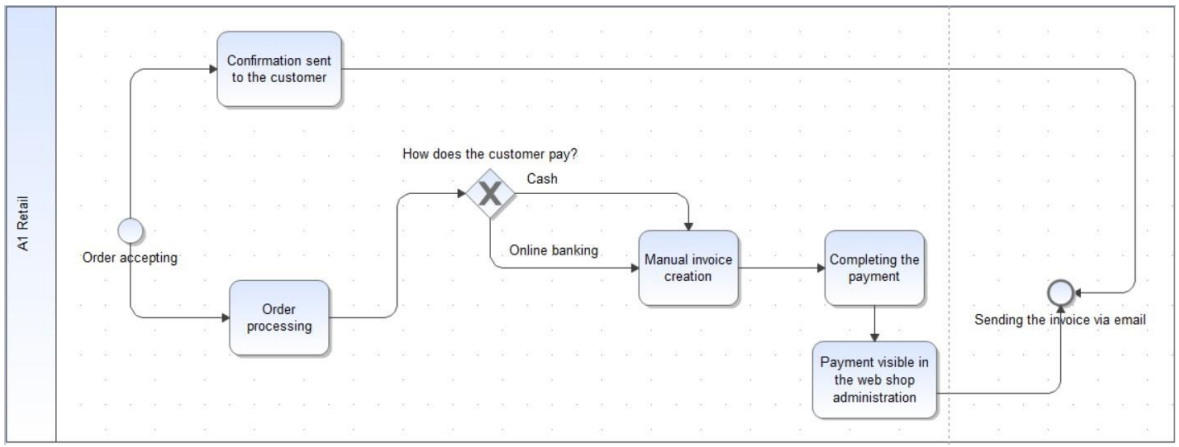
Moreover, in the case of optimizing the web shop for Pretti products, the "Process ordering" subprocess will also lose some unnecessary steps, making it quicker and lessening the possibility of a delay (Figure 15, Figure 16).

Figure 15: Sub-process „Order processing" AS-IS



Source: Own work

Figure 16: Sub-process "Order processing" TO-BE



Source: Own work

4.7.5 Products out of stock

The stock amounts on the web shop aren't updated regularly, which can sometimes lead to a customer placing an order for a product that is out of stock, even if it was available on the web shop. For now, the employees feel like there is no need to change this strategy, as web shop orders aren't numerous enough yet to create a problem. However, let's say that the web shop grows and starts attracting more customers and orders (which is the goal of the CEO and this optimization plan), the inconsistent product amounts on the web shop will lead to frequent and more numerous mistakes and delays. The errors will grow proportionally as the number of

orders grows. For this reason, the suggestion here is to start planning of introducing stock update as a day-to-day activity, and introducing it soon. Less errors result in positive word of mouth, and, maybe even more importantly, prevents negative word of mouth.

In the case of products expiring, the suggestion would be to reorganize the stock so that the expiration dates are visible at once, push to the front the products that are the first ones to expire and, most importantly, create a reminder for the employees that the expiration date should always be double checked. One other option is keeping track in digital form, which would make it easier and quicker. This, and having a list of products amounts in retail stock, would result in removing the "Secondary inventory check" step, and with that, speed up the process.

Moreover, A1 All Natural has an on-premise version of Pantheon, which has a high cost of implementation, more complicated maintenance (because an IT expert is needed), and it is limited to the location of the company. The company could explore the possibility of moving Pantheon to the Cloud version, which could result in consistent monthly expenses, automatic maintenance, and availability from any location. Pantheon Cloud could also possibly allow for more automation in invoice creating and follow-up emails with customers, that the employees otherwise must do by themselves (Datalab BH, 2023). This could result in less errors and mistakes, and in the ability to import or access customer information from any location and at any time, without the waiting in between.

4.7.6 Warehouse management

In order to optimize warehouse management and minimize errors, the company could consider more options. For example, they could apply the ABC analysis for the products in the retail warehouse, to aid warehouse management in a way that most often ordered products are positioned closest to the packaging position (Del Franco, 2001). In the case of both A1 All Natural warehouses, some benefits that could result from this type of warehouse organization are increased accuracy in packaging, more efficient usage of the warehouse space, easier planning and ordering of new products and better inventory overview.

In addition, A1 All Natural should utilize the FEFO method (first expired, first out) of product stacking and shipment to avoid waste (Pandey & Raut, 2016). To implement this, the company should first create a record of incoming products which is updated every time a new product comes. Details of every batch of products ordered should be recorded and kept so that it can be re-visited every time it is necessary. The company is missing a record of incoming products containing all important product details, which could be created in Google Sheets or Excel to avoid increase in costs. Record-keeping applications and software aren't necessary in this case because they would represent a high-cost investment, both in costs of implementation and time invested to educate the employees in the field of application usage.

By optimizing their warehouse management operations, the company could respond better to fluctuations in customer demand (especially if they were caused by an increase in placed orders), reduce costs and waste, and increase customer satisfaction.

4.7.7 Customer feedback

As mentioned before, A1 All Natural doesn't possess any means of collecting customer feedback, other than receiving opinions when they are in direct communication with the customer. There are many ways in which A1 All Natural could gather customer feedback. Firstly, it could be a follow-up email after placing or receiving an order (for which they could use Pantheon for), motivating the customer to leave a review and rating of how satisfied they were with the overall process, the quality of the products, the speed of delivery etc. For this, the web shop should introduce a rating system in their own web site (ex. A 5-star rating system), or even invite customers to leave a review on Google reviews, Trustpilot etc. Moreover, they could introduce a reward system, offering a small discount or an extra surprise product on the next order for customers that left a review on their web site, while keeping in mind that the prize isn't so great as to seem like they are 'purchasing' reviews. Lastly, as the company uses social media to promote their products, they should introduce a category "Your opinion matters!", where they would invite customers to leave a review.

4.8 Action plan of optimization

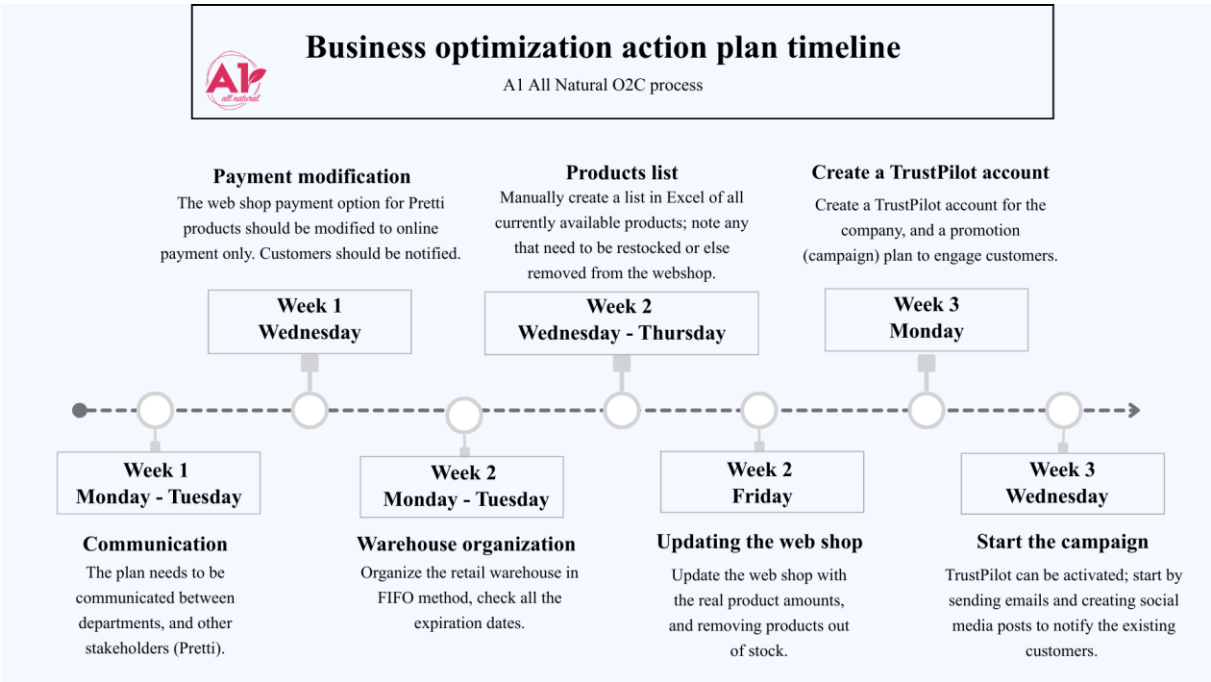
Concluding from the interview with the CEO, A1 All Natural ('the company') is not yet ready to invest capital or time into business process optimization and re-engineering. Many of the suggested solutions require the company integrating the existing ERP system with the web shop, which would require an experienced developer and time invested to learn how to use them. Nevertheless, some simpler solutions or variations of the suggested solutions could be implemented, to begin the optimization process. Timeline is shown in Figure 17.

Step 1: Restricting customers to only being able to pay for Pretti products via online banking implemented immediately on the web shop itself. The restriction via the web shop is a very minimal-effort process, so it would take up to 30 minutes to create this restriction. It's worth noting that it takes some (although minimal) knowledge of the web shop administrator page, so it might be necessary to assign this task to the web site management company. In that case, the process could take up to 3 working days, depending on how busy the web shop responsible person is.
Step 2: The warehouse could be optimized, physically and digitally. Creating a digital list of products currently available, and re-organizing the storage physically, should be done at the same time. The reorganization could take up to 2 working days (approx. 16 hours). They could optimize their warehouse following the examples explained earlier in the thesis.
Step 3: Updating the product amounts (stock) on the web shop, to reflect the real product amounts from the retail warehouse. This step follows the product list creation (step 2), or can

be done simultaneously. Taking into account the size and capability of the retail stock, it would take up to 2 working days (approx. 16 hours) to complete these two optimizations. On its own, updating the stock on the web shop is a manual job, so it would probably take less than 1 working day to finalize (up to 6 hours). Updating the stock on the web shop requires minimal web shop knowledge, so an employee from the company, that usually handles orders, could be assigned this task.

Step 4: Create a Trustpilot account and start encouraging customers to leave reviews on Trustpilot, Google reviews and Facebook. Creating a TrustPilot account is quick and simple, so the process could be finalized in up to 20 minutes. The company should start by informing their subscribers and regular customers to leave a review, via an email newsletter. Secondly, after finalizing payment, a small message window should show up on the customer's screen, encouraging them to leave a review, and should contain the link to the TrustPilot reviews. Thirdly, the company could advertise leaving a review through their social media channels, as a part of a giveaway, to encourage people to participate. The reward should be something valuable enough to make them want to leave a review, but small enough not to be considered bribery. The giveaway should have clear rules, for example that each customer may only leave one review. The company should encourage honesty and trustworthiness through their messaging, and be vary not to damage their own reputation. The messaging should make it clear that the goal of reviews is to provide new or uncertain customers an insight into how the company does business, what is the quality of the products, and how satisfied or dissatisfied the current customers are with the products, delivery process and customer service. Moreover, the company could consider including a section "What are customers saying about A1 All Natural?" or "How was your experience with A1 All Natural?" regularly, or monthly, in their email newsletters. Lastly, the company could consider giving a small discount to customers who have received their order (after the O2C process has been successfully completed). For example, they could offer 10% discount to customers who have received their order, by sending them a personalized email on the day of, or the day after, the successful delivery.

Figure 17: Optimization action plan timeline for A1 All Natural



Source: Own work

5 DISCUSSION

5.1 Research questions and main findings

To conclude this thesis, the main research questions are answered and elaborated.

1.) What are the most common challenges of the online O2C process in A1 All Natural and how can they be resolved?

The biggest challenge for a micro company's O2C process to grow is the fear of bankruptcy (Forsström, 2017) or low starting capital that makes it difficult to keep up with digitalization. In the case of A1 All Natural, a common challenge among micro enterprises is visible, where limited financial resources often force MEs to prioritize immediate operational needs over long-term digitalization initiatives. In comparison to bigger companies, the financial constraint might be the biggest disadvantage MEs have.

Obtaining support funds from the EU is a good way to aid the digitalization of your business, as those funds are flexible and do not need to be returned immediately, or at all (Interreg Europe Policy Learning Platform, 2022). Second option would be utilizing open-source software: "The promise of open source is better quality, higher reliability, more flexibility, lower cost, and an

end to predatory vendor lock-in." (Butler, Adebanjo, & Ismail, 2011). Open-source software is a cost-effective way for MEs and SMEs to have an online presence, with low (or no) beginning costs, and a web code that can be modified to the needs of the organization.

Secondly, A1 All Natural's O2C process suffers due to lack of staff. This doesn't only create errors and delays, but also projects to other parts of the process; there is no established customer service strategy, no IT specialist in the company to continuously maintain the web shop, and no time to analyse the web shop performance.

One more issue that results from a lack of staff is no process ownership: everybody participates in parts of the process, but roles aren't clearly defined. Although experienced employees may compensate for undefined responsibilities in micro enterprises, the absence of formal process ownership can become problematic as the company grows or new employees join.

The lack of staff is a complex issue that ties back to the aforementioned financial constraints, which are its root cause. This could be improved by prioritizing differently, starting with cutting and reviewing costs regularly, and prioritizing finding an employee that can be in the office every day. As for IT specialization, outsourcing is the best option for MEs (as A1 All Natural did), although it can sometimes result in slower problem-solving.

Lastly, even though A1 All Natural's employees are skilled and experienced, their digital skills are somewhat limited. In MEs, work specialization is not a priority, as all employees need to cover a broader spectrum of business activities. As such, stronger-than-basic IT knowledge is one of the aspects that could suffer. In general. the employees know how to use their own software and the programs they need (for accounting etc.), but they lack the skills needed to understand new digital tools. To practice digital skills the employees would need to have more time, which is not possible due to the lack of staff. All of the challenges A1 All Natural faces are interconnected, and should be solved together, not as separate units. This could also be said for MEs in general.

2.) Which obstacles most often appear in online O2C processes and how can they be resolved?

As Sharma and Aggarwal (2019) discussed, some of the major e-commerce success indicators are tied to the customers. One frequent obstacle is the lack of trust from new customers, resulting from a lack of (positive) reviews, or because of no human interaction. Each web shop needs to prove to new customers that they can be trusted. This can be done by having a continuous online presence, transparency with customer reviews, and staying in contact with customers, providing satisfying answers to their inquiries or complaints, and by staying true to your promises (in terms of delivery time, order processing time, etc.) (Bucko et al., 2018).

MEs might be a bit more exposed to this problem, since they are still relatively unknown to the consumers (Wahyuni et al., 2020). In the case of A1 All Natural, this obstacle seems to be true, but no solid proof was found (since the only way to find out is to do question the current and potential customers). Nevertheless, the case company does visibly encounter trouble in gaining

new customers, even though customer retention is not an issue. This could be an indicator that the potential new customers need recommendations and positive reviews from the existing customers to feel at ease and order from the web shop. One other factor could be that people in Croatia and Slovenia are still accustomed to buying food products in physical stores. Moreover, another factor that can influence customer trust is the web shop user experience. Customers will usually not trust web shops that are hard to navigate, messy, have bugs, or don't provide all the necessary information (Akroush et al., 2015).

Third obstacle is the online market competition. The market is becoming more saturated by online sellers every day, which means that standing out in the crowd is a challenge in itself, let alone if price wars emerge from the competition. These days, customers can find almost anything they could want or need online, which means that more specified web shops need to be imaginative with making their key differentiators obvious, and need to invest significantly either in paid marketing, or user experience transparency. In the case of MEs, the best strategy would be to focus on the quality of the products and service, and make it obvious to customers that those are the values the business cares about most. The price wars should not affect the company product price too heavily, as customers will appreciate more if there was a continuous price, than constant change in accordance with the bigger companies. Continuity and confidence are what will make customers feel safe in this online transaction (Cheng, 2024).

3.) How does improving the A1 All Natural's business process affect overall customer experience and their loyalty/willingness to buy?

The improvements in customer satisfaction will depend on the parts of the business process that were optimized. The main goal stays the same: the optimization of the business process is intended to improve online shopping customer experience with A1 All Natural. This statement can be supported with the conclusion Bucko et.al. provided in their research in 2018, stating that online stores must be optimized to provide their customers the experience they expect. One of the most important factors that needs to be optimized to meet customer expectations is product availability, together with delivery time and payment method (Bucko et. al., 2018). From the interviews with the employees, I learned that customers have already expressed their dissatisfaction with the delivery process multiple times. Moreover, product unavailability after placing an order was an occasional issue, which resulted in customer frustration. This shows that impeccable (or as close to it as possible) delivery and product availability could influence new customers' satisfaction.

Moreover, some customers also expressed their dissatisfaction with the customer service in A1 All Natural. The reason is that the company doesn't have it as a separate process, so there is no process owner or even a process leader – which is the case in many MEs and SMEs. Customers may value a more structured approach to handling complaints or even answering inquiries on social media and email. Optimizing the customer service process (or even simply defining it) is recommended, because it becomes necessary once the web shop grows and attracts more customers.

5.2 Scope of the study

The research shows the segmentation of an online order-to-cash process in a micro company, with a special focus on bottlenecks and obstacles, and is fulfilled by exploring by how much an 'inefficient' business process can impact the overall performance of the company. By the end of the research, propositions will be made on how to improve the process, and all that will be done with the help of a software application. The theoretical framework discussed in the paper completes the research and provides a deeper perspective on why these processes are important, how they affect the efficiency of the company and what defines a well-structured business process. The demonstrated results and proposed solutions are aimed to be applicable on more than just (this) one micro company, as well as in more than just one country, since the subject of the research is a small wholesale company conducting business both in Croatia and Slovenia.

5.3 Contributions

SMEs consist of a few people working in multiple departments and participating in multiple business processes at once. No specialization of work results in employees more focusing on doing more things well than perfecting only one. This thesis investigated a core business process, and as such has provided a formatted literature review on the topic as well as insight into possible problems many small and medium companies face in this process.

Since 90% of all country companies in Croatia are MEs, and in Slovenia the share is 99,8% (European Commission, 2024), this thesis has many potential readers who could benefit. The literature used for the theoretical part is extensive and relevant, and having only one place where all the important literature is gathered and reviewed could be useful for those interested in the topic.

Furthermore, research done on customer experience and word of mouth can provide valuable insight and guidance for small online retail companies that are interested in improving their customer relationship, as well as learning their opinions on online retail without having to research and analyse by themselves. Valuable resources, like the study conducted by Hassan & Aakil in 2024, can motivate companies to start optimizing their business in the right direction, that is proven to get positive results. This way, they can shorten the experimentation time needed to get an understanding of customer preferences and online behaviour.

Lastly, the crucial part of this thesis is the business process model. Small business owners might know by heart how a process works, but most of them probably never thought of drawing a map of the process and trying to find bottlenecks that way. The process model presented and analysed in this thesis can serve as a practical example to small retail owners who wish to improve their processes. The most important aspect of the business process optimization are the suggestions for improvements, as they are applicable to many MEs' web shops facing similar operational challenges. The action plan presented in the thesis can be an example of how to start with business process optimization slowly, and in accordance with the company's

wishes and current possibilities. It also showcases suggestions for practical steps with which the optimisation can begin.

Implementation of the suggested solutions could help A1 All Natural increase web shop's revenue, as well as increase their customers' satisfaction by minimizing the errors and delays. With the reduction of manual work (as a result of the implementation), the employees could also focus more on developing additional value-adding skills. On the other hand, implementing the suggested solutions could represent, most significantly, a time constraint on the employees, as their current workload leaves little to no time for implementing the proposed changes. The implementation could also be met with some initial resistance to change, as employees may experience difficulties in adopting new habits.

These contributions are relevant for all MEs that conduct business online, either in Croatia or Slovenia, or in both countries simultaneously, as does A1 All Natural.

5.4 Limitations of the study

The research is limited by a few factors. There isn't enough research in this field, in the case of micro wholesale companies with a retail function. Therefore, the theoretical framework provided is mostly individual papers on large companies, international and companies from other countries, or just providing theoretical information.

Secondly, the business process model for the subject company has been following the examples from literature, mainly on the examples of bigger companies, since smaller companies aren't usually concerned with mapping out their processes. Nevertheless, the process mapping doesn't change, as BPM has clearly defined criteria of creating process maps that are applicable to all processes, no matter the company size. Having a mapped-out process of a micro company can be motivational for other smaller companies to try and optimize their business in the same, or in a very similar, way.

Thirdly, the generalizability of this research is limited, mainly because the research was done on a single case study of only one company. The O2C process mapping may look similar for other micro or small enterprises that have a similar business model and product portfolio to A1 All Natural, as they may encounter the same or similar issues. Moreover, the research done on process mapping, as well as providing a practical example on the case of a micro company, can provide useful insights to other companies that might want to improve their web shop performance.

However, in case of a small or micro enterprise using their web shop to provide services, and companies in a different industry, the process would look somewhat different. Therefore, the findings of this thesis should be interpreted as context-specific, and not universally applicable. Further research should validate the suggested solutions and process mapping results in micro enterprises across different industries and countries.

Finally, the business process management of this research is limited to mapping out the process and will not continue past the suggestions for improvements stage, due to budgetary limits of the case company. Therefore, this thesis can serve as a theoretical research paper and an example of how to successfully map out a process in a ME (with explanations on methods, software choice etc.).

6 CONCLUSION

Micro companies have not been as academically researched in this field as much as the big corporations, which made research for this thesis more challenging than expected. Firstly, I would suggest more relevant and up-to-date research to be conducted, on the challenges SMEs are facing in our currently highly digitalized world, as well as possible solutions for those challenges. Moreover, conducting thorough research of this kind could offer real-life examples of how some SMEs overcame the most common obstacles, and look into how their example could be implemented into other SMEs facing the same challenges. As already presented in the theoretical part, SMEs exist in greater numbers than MNEs, and as such should be considered as equally important for GDP creation. Lastly, with so many SMEs already existing in Croatia and Slovenia, researching ways by which small companies could better utilize the digital market would help numerous people employed by those companies, and with that indirectly promote the rise of the life standard.

Secondly, the regions doing most research on this topic (according to my own research conducted for this thesis) are the USA and Asia (notably Thailand, Indonesia and Malaysia). Europe needs to acknowledge that this issue is real, and prioritize more the need for making it easier for small businesses to sell online. It could help create a more welcoming space for them in the online market, and enrich online shopping with regional and organic products, customized to the needs of EU citizens. The USA and Asia are currently leaders in online selling, and maybe their extensive research is partly the reason why. However, Asian and American biggest online sellers are web shops like Amazon or Temu, which are both big web shops. Europe could lead the way to make the online world more approachable to smaller sellers, and with that inspire more sellers to join the growing online market and help create value for the regular citizen.

Thirdly, more research needs to be done about the most common obstacles of ERP implementation in SMEs. As this research showed, SMEs are sceptical about adopting ERP and other optimization tools and strategies mostly because they don’t know what to expect, alongside the implementation expenses. Research on how to make those tools more widely available to smaller companies, with a lower investing capital than the big and successful ones, would enrich the tools themselves and prove that they really are useful in more areas. Also, the online market would consequently become more available to smaller organizations, giving them a (more or less) fair chance to position themselves on the market.

LIST OF KEY LITERATURE

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APPENDICES

Appendix 1: Employee survey results

Question 1: Briefly describe your tasks within the order and payment process via the web shop.
Participant A: If necessary and there are no colleagues in the office, I prepare packages, in agreement with accounting, we check unpaid invoices monthly and forward them to a colleague to check with the customers if there is an issue, and request either confirmation of payment or a new payment.
Participant B: Receiving orders, creating invoices and address labels for the courier service.

Question 2: What programs and/or documents do you need to process the order? Which documents are the product of that process? (example: one of the programs you use may be Pantheon, and one of the documents resulting from the process is a fiscalized invoice).
Participant A: To process the order, we use the Pantheon program, which creates a fiscal invoice document.
Participant B: Pantheon Biz, Pantheon.

Question 3: Are there any steps in the process that you consider unnecessary or overly complicated?
Yes
No (Participant A, Participant B)

Question 4: How long does it usually take you to complete all your tasks in the process of processing one web shop order?
Up to 15 minutes (Participant B)
15 to 30 minutes (Participant A)
30 minutes to 1h
1h to 1:30h
More than 1:30h

Question 5: What part of the process do you consider the most important in your work?
Participant A: All parts are equally important.
Participant B: Invoice creation.

Question 6: What other departments or colleagues do you communicate with during this process?
CEO (Participant B)
Accounting (Participant A)
Student helper (Participant B)
Pretti (Participant A, Participant B)
Vitaminoteka (Participant A, Participant B)

Question 7: How often is the stock status updated, so that the product quantities on the web shop are the same as the stock in the warehouse?
Every month
Every 2 months
Every 3 months
Twice a year
Once a year
Every time the storage is restocked
When necessary (Participant A, Participant B)

Question 8: Is interdepartmental communication necessary to complete your role in the process or does it just simplify/speed it up?
It is necessary (Participant A, Participant B)
It only speeds up the process, but isn't necessary

Question 9: How often are there delays in processing orders?
1 – Never
2 – Not too often (Participant A, Participant B)
3 – Every once in a while
4 – Often
5 – Always

Question 10: What are the most common obstacles or difficulties you encounter in the process?
Bad interdepartmental communication
Slow interdepartmental communication
Stock status not updated
Difficulty creating an invoice due to own ignorance
Difficulties in creating an invoice due to errors in the program being used
Invoice cancellation for various reasons
The customer entered incorrect information (Participant A)
The customer did not enter all the required information (Participant A)
The customer is late with payment when paying online
Buyer refuses payment by cash
The customer is not at home during delivery (Participant A)
Poor communication with the customer
Other (please specify) (Participant B; suggestions for alternative items with the end customer)

Question 11: Can a customer order again from the web shop if they have not yet paid for a previous order? (is there a 'defense mechanism' that prevents a new order from being placed by a customer who has not yet paid for or picked up a previous order)
Yes, the customer can order again (Participant B)

No, the customer cannot order again (Participant A)

Question 12: Let's go back to the software you use when processing your order. Are they effective?
Yes (Participant A, Participant B)
No

Question 13: How do you assess your workload within this process?
1 to 5; 'I have too much to do' to 'I'm not expected to do more than I physically can'
Participant A: 1
Participant B: 1

Question 14: Do you think the process could be more efficient?
Yes (Participant A)
No (Participant B)

Question 15: Do you have any suggestions for introducing new tools or technologies?
Yes (Participant A)
No (Participant B)

Question 16: Do you have any customer feedback about the ordering and billing process that you consider important?
Yes (Participant B)
No (Participant A)

Question 17: Do you feel that your responsibilities are clearly defined?
Yes (Participant A, Participant B)
No

Appendix 2: Interview transcript

Date of interview: 27th March, 2025

Location of interview: Online via Google Meets

Participants: wished to stay anonymous

Interview type: Semi-structured

Consent: Interviewees consent to the transcript

Goal of the interview: to better understand employee roles and their tasks in the process, as well as to identify opportunities for improving the process map and gain a deeper insight into the process itself. This will help clarify survey responses and provide deeper insights into the process.

1.) Let's reflect question number 7 from the survey, regarding the frequency of inventory updates. You and (participant A/B) both answered the inventory is updated when it is needed. Can you give us more information how exactly that works?

Participant A: Upon every receivement of products to the warehouse (wholesale), the quantities are recorded in Pantheon. If we need to transfer products from the wholesale to the retail storage, we do it through Pantheon so the quantities are automatically updated for both warehouses.

2.) And how does it work for the quantities of the products at the web shop?

Participant A: You've worked with us for a while, so you know that we always let you know when you need to remove a product fro the web shop if we don't have any more of it. When it happens, by mistake, that a customer orders a product that is out of stock, I'm usually the one who contacts the customer and tries to agree on a replacement product. Depending on their decision, I can either modify the order and send them a new invoice or completely disregard the order. There is no real need to update the web shop quantities frequently because the storage for those products is quite small, and we usually have all products on stock in the wholesale warehouse. One improvement I do think the retail needs is more frequent inventory count, because we have many giveaways and gifts that we send out and those can mess up the inventory count we do at the end of each year. It would be easier to count them monthly or quarterly instead of every half year or once a year.

Participant B: The quantities in the web shop don't need to be frequently updated because we have the wholesale warehouse which usually has all our products on stock. Also, we represent Pretti products, which we don't know the exact number of, since the products are stored in the Pretti warehouse - an outsourced warehouse.

3.) Do you think the warehouse management could be improved?

Participant A: The wholesale warehouse is rented from a bigger company(Alca), which practically has robots working there. They implement the FIFO method, whereas the retail warehouse doesn't have a pre-defined strategy. FIFO would make the most sense because of expiry dates, but I'm not in the headquarters or packing the products so I can't tell exactly how it is done.

Participant B: The retail storage in the headquarters is relatively small and only serves to store most frequently ordered products, or products received only to be shipped out soon. Since I'm usually alone in the headquarters, I know where everything is. One strategy I do use is putting up front the products with a shorter expiration date. I also divide them by category; cosmetics, fruit spreads, juices...

4.) Is there a way of keeping track of the expiration dates?

Participant A: We have all that data in Pantheon. When we receive products to the big warehouse (wholesale), the warehouse management sends us a document where all the details of the products are stored: batch number, expiration date, quantity etc. When we transfer products to the retail warehouse, I chose a specific batch of products and therefore we know the expiration date of those products in retail too.

Participant B: We keep track in Pantheon, but we don't have a specific document just for expiration dates. For the web shop orders, we usually rely on checking the expiration date before shipping the products. Of course, this can lead to mistakes, for example packing products in a hurry can lead to forgetting to check the expiration date and possibly sending an expired product to the customers.

5.) What if an expired product is sent to a customer? How often does that happen?

Participant A: If it does happen that, for a web shop order, an expired product is sent to the customer, they will let us know. We have mostly regular customers who know us already and know they can count on the quality of our products, even past the expiration date. Nevertheless, I am always the one contacting the customers, for anything, and I always try to talk to them nicely and apologise in our name. We are all humans and I know our customers appreciate this side of the customer service, because they know they can trust the person on the phone. Since I am responsible of *manually* entering the order into Pantheon, it makes most sense that it is me communicating with the customers.

Participant B: In this case, the customers will let us know and *participant A* is usually the one contacting them and apologising in the name of the company. We always try to explain to our customers that all our products can be used even after the expiration dates, because they are long lasting products and too good to be thrown away. We, of course, always also offer a compensation, if they don't want to consume expired products.

6.) Let's now go further to question number 10 from the survey, considering most common obstacles you encounter in the process.

Participant A: For me it is having to contact the customers to agree on a substitute product, because the one they ordered isn't available. This is also necessary if, for example, we are shipping a product in glass packaging (such as honey, jams or juices) and it gets broken during delivery. Our courier company can be irresponsible considering handling of packages and they somehow manage to occasionally break the products inside the package, no matter how well they are packaged. What can also cause problems for me is when customers order a product under Pretti sponsorship and chose the „pay upon pickup“ option. Pretti uses a courier company that doesn't have this option, so we send the package to the customer by a leap of trust, since they then still have to pay by card to our account. But we don't wait for them to pay to ship the products, because we trust them. I don't think people want to cheat us. These are very high quality products, and that is why we send them to the customers immediately. As *participant B* always says „Premium products, premium service.“.

Participant B: What happens very often is that the customers enter their information wrong, which makes handling the order very difficult. When this happens, *participant A* needs to contact the customer and manually enter their information. The order can't be completed without an email, so we always have at least that information. If even that is wrong, and there is no phone number, there is nothing we can do. They can either contact us, place a new order or completely forget about it. As for Pretti products, as *participant A* already said: we trust the customers. I think they mostly chose „pay upon pickup“ option because the aren't sure they will get the products. So, if we send the products to them immediately, we can gain their trust. One more problem that occasionally occurs is our mistake in packaging. It can happen that we send the wrong product or an expired one, which is when communication with the customer is the only solution to this problem. They will usually contact us and point out the mistake.

7.) What about failed deliveries? How often do they happen and what are the most common reasons for them?

Participant A: If we are shipping a product in glass packaging (such as honey, jams or juices), it sometimes gets broken during delivery. Our courier company can be irresponsible considering handling of packages and they somehow manage to occasionally break the products inside the package, no matter how well they are packaged. It can also happen that customers aren't at home during delivery time. In all cases of failed delivery, we have to contact the customer to see what was the reason for it and if they want us to ship the products again.

Participant B: We always strive for fast delivery, to gain customers' trust and try to avoid failed deliveries. As for reasons for failed deliveries, the most often reason is that customers aren't at home in the arranged delivery time. The courier always contacts the customer before they attempt a delivery and arrange a suitable time. But customers can forget. It can also occasionally happen, maybe once in every 100 deliveries, that a customer returns a package because they bought the product in a store in the meantime. This is most often the case with

Strath (the food supplement). In this case, they had just forgotten about the order or to cancel it, so we usually contact them to find out what happened. They are always nice and apologetic about it, which is when we make sure they know that it is okay.

8.) Is there a way of following package status? Does the courier company send a notification when the product is delivered?

Participant B: We can track the shipment on the courier company's web page and see details. But there is no specific notification on deliveries, be it successful or failed.

9.) And what if a customer chooses the option of „pay upon pickup“, but changes their mind and doesn't want the products anymore? Is the package returned in that case, and is there a notification from the courier company?

Participant A: This is a very rare case, maybe 1 in every 100 deliveries. In that case, we can only see the status of the package on the courier web site, and the package comes back to the headquarters. If that happens, we call the customers and see what happened. We don't really keep track of these cases, I keep them in my head and can give an approximate number accordingly.

10.) Let's move on to the next question in the survey, where You answered with a „No“ and *participant A* answered with a „Yes“. What exactly is the defense mechanism and how do you stop people from placing a new orders if they haven't paid yet for the one from before?

Participant B: Pantheon has a list of customers in which we can see if the order has been paid for or not. We try to make a monthly list of customer debts (accounts receivable), but unfortunately it is not possible to do it every month. If I am being completely honest, I would like us to be more up-to-date in this sense, because it's easy to get lost in all the data. We have a minor issue with Pantheon, which is that the software doesn't allow us to create a new customer tab for each customer, because it would get too complicated. So, instead, we record every order in a tab named „Customer 1“ and put the order and customer details in the 'note' section of the tab. This is why we mostly rely on our own remembering and familiarity with the customers. But I would like us to find a more suitable solution that would make it easier for us to follow customer debts.

11.) As for my final question (for this participant), I would like to refer to question 14 from the survey „Do you think the process could be more efficient?“, where you answered „Yes“. Did you have any particular improvements in mind?

Participant B: I'm not really familiar or up-to-date with the newest technologies, but I think we should improve a few aspects. The first one, as already mentioned, would be tracking of customer payments and orders, since Pantheon is limiting us in this sense. Also, I'm not sure if we should start implementing a new strategy for delivery, which is waiting for the customers to pay before we send the shipment (if it is not a „pay upon receivement" order). Here I would like to know more about what others are doing and if it is efficient. This is mostly a problem with Pretti products, since Pretti doesn't have the „pay upon receivement“

option, so we cover the expenses ourselves until the customer pays to our courier. If we had products from Pretti returned or the customer changed their mind, this creates complications for us. I think customers most likely chose this payment option because they aren't sure if they can trust the web shop, so they want to get the package before they pay for it.

12.) So, do you think this problem could be solved by encouraging current customers to leave more customer reviews, and making them more visible to possible new customers?

Participant B: Well, yes that could be a good solution. We could offer encouragements for those who leave a review, such as discounts or even free products. This could be a strategy we could work on more in the future. This could definitely make the process flow faster.

13.) My final question is connected to the customer feedback, which in the survey you said you had. *Participant B* also agreed that you are more in contact with the customers. I would like to ask, where do you get the feedback from? And does the company do anything to encourage customers to leave a review?

Participant A: I'm the one contacting customers, regarding any problem or offer we might encounter. Since I'm already comfortable in this position, I tend to talk to people and make them feel safe while talking to me, so that they know they are talking to a real person that cares for what they have to say. I think this creates a strong connection and long-lasting loyal customers. I think the fact that mostly loyal customers pay for their orders by online payment proves my theory. Well, when we talk on the phone, they share their thoughts and opinions, and I even ask them sometimes. So, this is my only source, but it comes directly from the customer. As for customer reviews, I'm not sure how much we encourage that, since I'm not in charge for the social media marketing. I know that Strath (who have a separate social media account than our company) encourage people to send their testimonials and in return offer one of their products for free.

14.) Thank you for your time and cooperation. Is there anything you would like to add?

Participant A: Not really. And no problem, it was my pleasure.

Participant B: Thank you for doing the research. I have nothing more to add, but if I think of something, I will surely let you know!