

An insight into a start-up E-business

The case of Beibamboo

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<p>Abstract:</p> <p>The purpose of this thesis is to gain practical knowledge and an insight into the electronic business by looking into a case company in Finland – Beibamboo. This company sells organic cotton bamboo clothes for prematurely born babies and babies. Additionally, this thesis also gives the readers a general view into organic baby clothing industry. The theoretical assumptions are compared to the practice to achieve deeper knowledge and understanding. In order to reach the target objective, the definitions and theoretical framework of Porter’s five forces is examined. The case study of Beibamboo is then investigated based on the framework.</p> <p>The research approach employed in this thesis is mainly deductive, and the research method is qualitative interviewing. An interview with the owner of Beibamboo was conducted in order to get the insight of the researched company. After that, the comparison between collected data and theoretical framework was analyzed to learn about how an e-business company operates in Finland.</p> <p>The results show that there are many challenges to deal with for start-up businesses. For example, the case company is especially challenged by capital requirement and economies of scale as discussed in the threat of new entry (Porter’s five forces).</p>	
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1 INTRODUCTION

1.1 Background

This thesis aims to gain an insight into the e-business field by conducting a case study of a real company. Theoretical assumptions are compared to the practice to achieve deeper knowledge and understanding. The thesis also helps the readers to increase their understanding of how E-business start-ups operate in Finland and gives them general view into organic baby clothing industry. The company is studied in this thesis is Beibamboo - a start-up company based on electronic business (E-business) concept. The company supplies organic cotton and bamboo baby clothes.

According to the statistics of Statista Inc. (Figure 1), the percentage of the global population that was able to access the Internet in 2014 was 40,07%. According to this figure, in 2019, 51,5% of global population will be able to access the Internet (Statista Inc., 2015). Thanks to the development of inexpensive mobile phones and mobile broadband connections, accessing and usage of the Internet have been easier in countries that did not have easy access before (eMarketer, 2014). Along with the development of the Internet, electronic business (E-business), electronic commerce (E-commerce) and electronic marketing (E-marketing) are growing to become instruments of many companies to maximize their efficiency and revenue (Baršauskas, Šarapovas, Cvilikas, 2008).

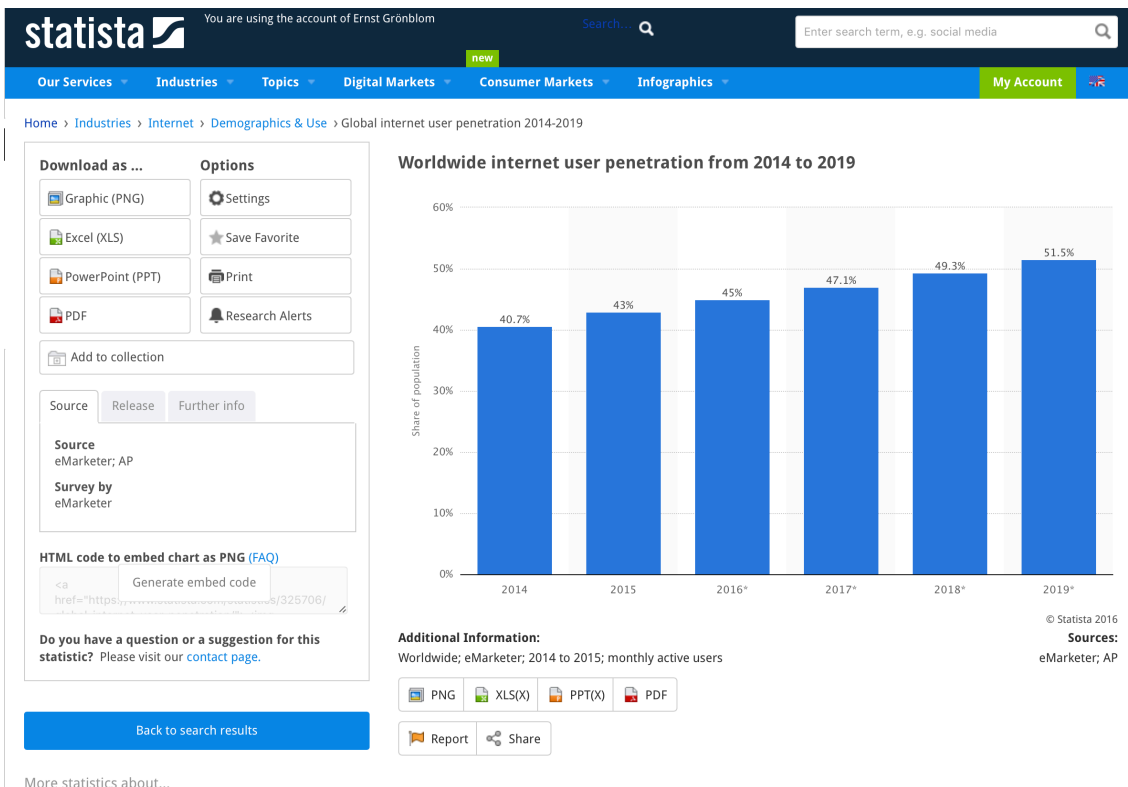


Figure 1: Worldwide Internet user penetration from 2014 to 2019

E-business is a business concept that is based on the Internet and digital technologies, which includes: trading products, communicating, coordinating between business partners and even managing internal organization (Anumba & Ruikar, January, 2009). In other words, as the first supplier who promoted E-business - IBM defines: *“E-business is the transformation of key business processes through the use of Internet technologies”* (IBM, 1997). From the customer perspective, E-business means shopping or purchasing products online. There are many benefits that online shopping gives to the customer: convenience, various options (prices, models, colors or sellers), as well as creating a demand for enjoyable and exciting experiences (Bhatnagar & Ghose, 2004; Childers, Carr, Peck & Carson, 2001; Menon & Kahn, 2002).

E-commerce plays a critical role in company performance in the market (Baršauskas, Šarapovas, Cvilikas, 2008) by adding more value for business and the value-chain. In the majority of situations, E-commerce is one of the technology solutions to reduce or avoid plenty of costs compared to traditional business concepts (Baršauskas, Šarapovas, Cvilikas, 2008). Some examples of

such includes gain more customers from various markets, overcome barriers of geography, time zones, etc. (Chaffey, 2009). Therefore, the author is convinced that E-commerce has the potential to be the best business concept in order to reach many different markets and customers at the smallest cost.

Along with the development of society, the awareness and demand for organic clothes has been growing in recent years. For example, according to a study of Statista Inc, in four years (2006 – 2010), the global revenues of the organic clothing industry have increased almost fivefold (see figure 2). This trend of organic textiles and clothing can be seen clearly through regular fashion fairs like London Fashion Week (UK), Premiere Vision (France), or Magic (USA) (ITC-International Trade Center UNCTAD/WTO, 2007). During the time the author has lived in Finland, she also recognizes that the supply of organic clothing is higher than previous years. There is more and more organic clothing in the supermarkets and shops, for example: organic cotton clothes for children, organic t-shirts and underwear for adults.



Figure 2: Global revenues generated with organic textiles from 2006 to 2010 (in billion US dollars) - Statista

The author herself was an E-commerce trainee at Beibamboo for six months of her practical training period. There, she observed the working process of the company and learnt a lot of useful knowledge. Furthermore, she was also an online fashion shop owner from 2009 to 2012 in Vietnam. Those experiences have inspired the author to write this thesis.

1.2 Thesis objectives

The primary objective of this thesis is to investigate a real e-business concept company. The major research objective is:

- To gain an insight into the field of an E-business that sells organic baby clothes work in Finland.

In addition, there are also two minor research questions:

- What are the advantages and challenges of the researched company - Beibamboo?
- What is the potential of organic baby clothing industry and market?

1.3 Limitations

This thesis focuses on analyzing one company – Beibamboo and results cannot be generalized. Only the target characteristics of company are included in order to find out company's position in its markets, as well as advantages and disadvantages of Beibamboo compared to competitors. The related definitions and theory about E-business and Porter's five forces are covered. They support to create a foundation for the later data to be built on. However, there are several small factors in the forces, which are not related to the case company, are not presented in this study.

The data from Beibamboo is gathered partly through an interview with the owner. Due to the scope of this study, the questions in the interview aim to figure out the potential of markets, benefits and barriers and related business activities of Beibamboo. Other information, which is related to detailed marketing plans, financing and accounting, is not included in this thesis.

1.4 Research methodology

Research approach

The research approach of this thesis is a purely deductive (see figure 3). According to Saunders, Lewis and Thornhill (2009), deductive approach simply means testing theory. Therefore having a strong base in the theory, the thesis can be said to be more deductive than inductive.

This research is built on the foundation of the definitions of E-business, E-commerce, E-marketing and the framework of Porter's five forces. After the theoretical part, the author investigates and compares the theory to the data collected from the company in the case study chapter 3.

Research method

Research methodologies are usually broadly classified as either "quantitative" or "qualitative" (Hakim, 2000; Bernard, 2011), and they can also be a combination of both (Saunders, Lewis & Thornhill, 2009). Quantitative research focuses on quantifications such as measurements, statistics, etc. (Bryman & Bell, 2011). The strategies of gathering data could be surveys, questionnaires, and employing existing data by computational techniques, etc. Qualitative research focuses on the qualities of entities, processes and words of the gathered data (Bryman & Bell, 2011). In qualitative research, the strategies of gathering data could be observations, interviews, conducted case studies and analysis of data.

The author chose to utilise qualitative methods to conduct this thesis (see figure 3). Along with making observations during her internship period, the author had an interview with the owner of Beibamboo.

Data collection

In the theoretical framework, the secondary research consists of published books, E-books scientific, articles, and reports. The empirical part consists of data gathered through an interview with the owner of Beibamboo and observations of the author during practical training time. The interview took place in Oc-

tober 2016, and lasted about two hours. After that, the author transcribed the interview and extracted relevant information in Excel (coding scheme). Based on this excel file, the author compared the collected data of Beibamboo to Porter's five forces.

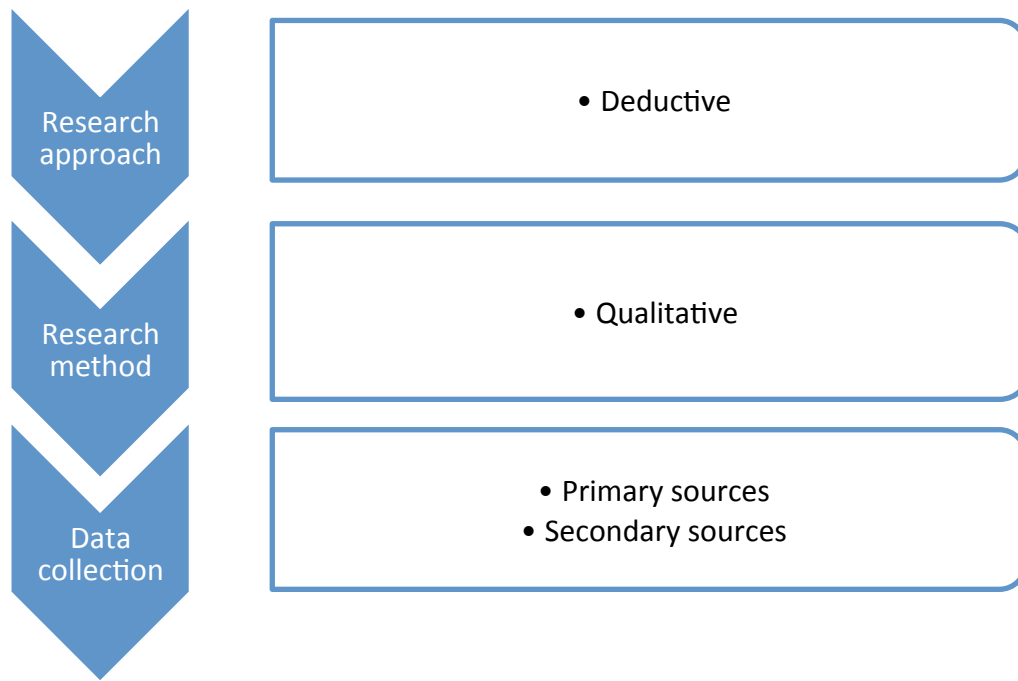


Figure 3: The research methodology for this document (Modified from Saunders, Lewis & Thornhill, 2009)

1.5 Thesis structure

There are four main chapters in this thesis. The first chapter is a general introduction to the whole thesis. The second chapter establishes the theoretical framework, which includes: definitions and distinguishes between E-business, E-commerce and E-marketing, and Porter's five forces. Chapter 3 is the empirical part of this study, which presents the crucial findings and provides an insight into the company through an interview with Beibamboo's owner. The structure of this chapter is built on the theoretical framework of Porter. After that, chapter 4 contains the findings and discussion of Beibamboo in relation to Porter's five forces. Finally, chapter 5 is the summary of the thesis.

2 THEORETICAL FRAMEWORK

2.1 Conceptual discussion

2.1.1 Electronic commerce (E-commerce)

Electronic commerce (E-commerce) has various definitions. Usually, people think the term E-commerce simply describes the trading activities online. However, it is actually considered as a wide range of perspectives for different things depending on people (Xu & Quaddus, 2009). E-commerce could be clarified from any sort of business through the Internet (Carter, 2001), to a larger concept that includes all the electronic transactions between organizations with their partners or customers (Chaffey, 2009). In a report by the government of The United Kingdom (1999), E-commerce is defined as *“the exchange of information across electronic network, at any stage in the supply chain, whether within an organization, between businesses, between businesses and consumers, or between the public and private sectors, whether paid or unpaid”*. (Cabinet Office, 1999, p.10)

According to these definitions, all online business activities or transactions are also a part of E-commerce, even if they do not relate to financing. Examples of such can include: pre-sale and post-sale activities, E-supply chain (Chaffey, 2009), online catalogues, E-government, E-research, E-learning, etc. (Xu & Quaddus, 2009).

E-commerce is supported by digital technologies to create electronic communications between all the parties (Internet communication through websites, social media, email, mobile devices, etc.) (Chaffey, 2009).

2.1.2 Electronic business (E-business)

In 1997, the first supplier that promoted E-business - IBM, claimed that: *“E-business is the transformation of key business processes through the use of Internet technologies”* (Chaffey, 2009, p.13). Nowadays, there are at least two

ways to apply E-business in businesses. The first way is taking E-business as a method to combine with traditional business concept in strategy and operation in order to gain more revenue. For instance, companies like Zara, Mango, Sephora, and so on, are using this kind of business concept. Side by side with existing stores, they offer service for customers to shop online from home 24/7. The second way is taking E-business as the main business concept to use in operations. Usually, these companies operate their business almost 100% online like Amazon, Ebay, Alibaba, and so on. (Chaffey, 2009)

In the International Benchmarking Study (2000), the government of The United Kingdom defines that E-business company has all of their business activities (including internal and external processes) operated through information and communications technologies (ICTs). Therefore, to be defined as an E-business one of the following definitions needs to be fulfilled: 1) a company has their business operation operating completely through ICTs; or 2) if they are able to reorganize or fully renovate their business system with ICT (DTI, 2000).

Chaffey (2011) divides the business processes into two sides: the buying-side E-commerce and the selling-side E-commerce. The selling-side includes all the transactions with customer interaction (purchasing, outbound logistic, etc.). On the contrary, all the transactions that relate to organization's suppliers belong to buying-side E-commerce.

According to Chaffey (2009), there are several opinions about the connection between E-business and E-commerce. Arguably, the most realistic opinion is that E-commerce is a subset of E-business. Reasoning is that there are transactions inside companies that are not included in E-commerce. However, E-business and E-commerce still share the same scope of achievements.

2.1.3 Electronic marketing (E-marketing)

Starting from 1994, it took approximately 15 years before global businesses moved their marketing investments from traditional media to digital media (Charlesworth, 2014). According to Martin (2015), the author of the article "The stage of Digital marketing", there are many definitions for E-marketing, digital

marketing or Internet marketing. Among these, there is a term that describes E-marketing as a perspective on how to use the Internet and other digital media to promote and gain awareness for a product or a service of a company to customers (Chaffey, Ellis-Chadwick, Johnston & Mayer, 2006). In other words, Chaffey & Smith (2013) say that E-marketing or digital marketing is the process that relates to promotion plans for product or service online. Meanwhile, E-commerce consists of business activities online like buying and selling products or the ability to make transactions online (Strauss & Frost, 2016).

E-marketing or digital marketing has the scope of original marketing, combined with the support of new digital technologies. The scope of marketing is clarified as the process of capturing, forecasting and satisfying the requirements of customers (The Chartered Institute of Marketing of UK, 2015). E-marketing involves digital technologies, online channels and Internet media such as databases, websites, email, wireless or mobile devices, and cable or satellite media for transferring digital TV. It can be referenced to browser pop-ups, spam, YouTube tutorials or email newsletters. E-marketing or digital marketing has developed fast and become a *“full-blown marketing backbone”* (Martin, 2015, p.18), thanks to the technology.

2.1.4 Differences between E-business, E-commerce and E-marketing

Chaffey (2009) considers both E-commerce and E-marketing as subsets of E-business (see figure 4). E-marketing focuses on the selling-side transactions and communications, which means the promotion process to bring awareness of products to customers. E-marketing puts less emphasis on procurement or supply chain management activities. E-commerce is a larger concept compared to E-marketing because it includes both buying-side and selling-side transactions. Nonetheless, E-commerce does not involve intra organizational transactions, which makes it a smaller concept compared to E-business (Chaffey, 2009).



Figure 4: The relationship between E-business, E-commerce and E-marketing

2.2 Porter's five forces

The five forces of Porter is a simple but powerful tool to analyse where the power of a business is based on (Sutherland, 2014). This analysis tool was developed and published by Michael E. Porter in 1980 and the material was updated and republished in 1998 and 2008. By using Porter's five forces analysis, a company can gain these following benefits (Porter, 2008):

- Identifying company's position in an industry.
- Recognizing critical advantages and disadvantages of their business.
- Identifying strategies or tactics that maximizes revenue.
- Pointing out opportunities and threats.
- Estimating company's ability to fight against or be affected by these competitive forces.

The five forces are: threat of entry, pressure from substitute products, bargaining power of suppliers, bargaining power of buyers and Intensity of rivalry among existing competitors (Figure 5).

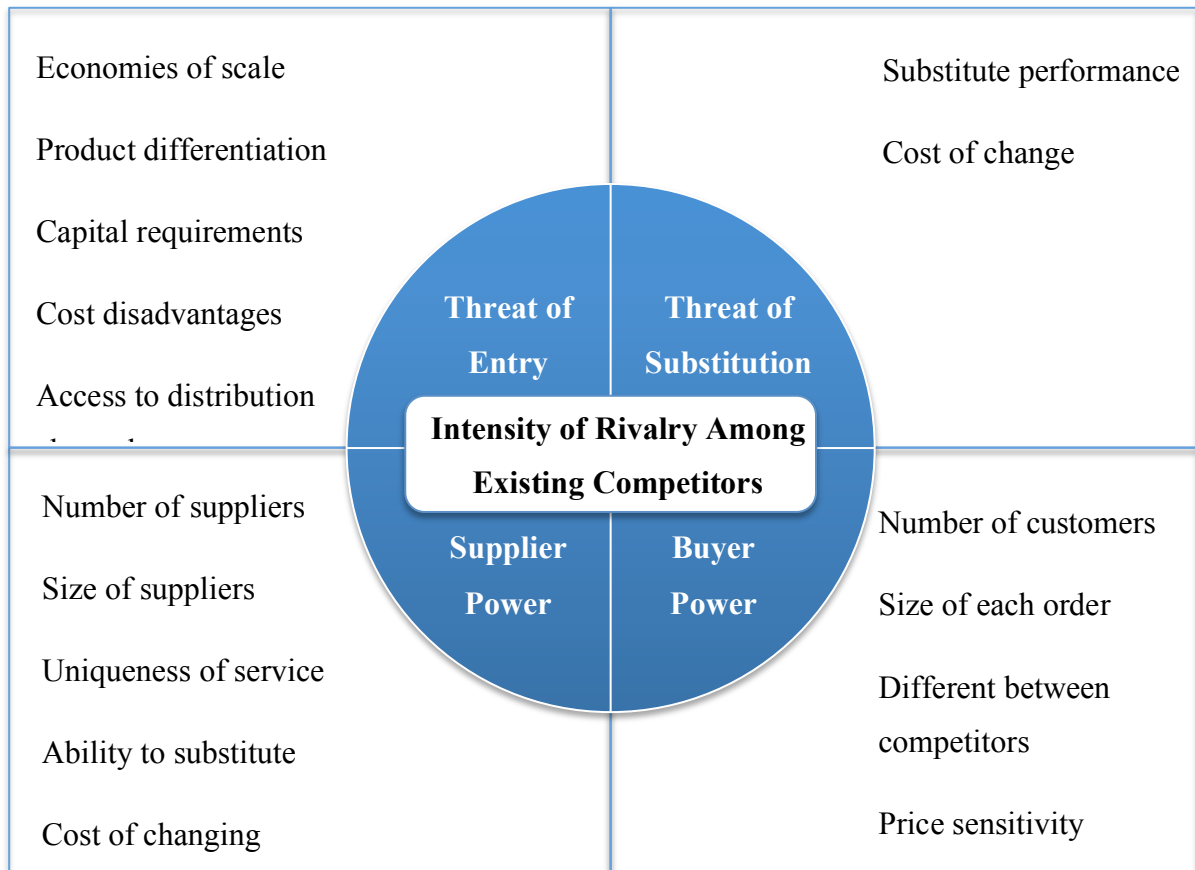


Figure 5: Reconstructed from Porter's five forces (2008)

2.2.1 Threat of entry

When a new company enters an industry, it might bring new potential of production and expectations to gain a share in the market (Porter, 2008). Threat of new entry creates the barriers for new businesses in industries. Those barriers are affected by different factors and reactions of existing competitors. According to Porter (1998), *"If barriers are high and/or the newcomer can expect sharp retaliation from entrenched competitors, the threat of entry is low"* (p.7). The six significant sources of barriers are:

- **Economies of scale:** In order to cut down the cost per unit and gain price advantage on economies of scale, the company has to invest into large volume of the product (Porter, 2008).

- **Product differentiation:** The different attributes of products, customer services and advertising are the critical factors to distinguish from existing brands and “*create a barrier by forcing entrants to spend heavily to overcome customer loyalty*” (Porter, 1998).
- **Capital requirements:** It is important to have large capital to create the barrier of entry and gain economies of scale. Significant investments might be a useful method to absorb start-up losses. Besides, customers and investors tend to put their credit into the company that already has solid funding (Porter, 2008).
- **Cost advantages:** The ability to access the best raw materials with a competitive price, good suppliers, unique technology, government support, popular location, as well as learning or experience curve can affect dramatically to the production cost per unit of a product (Porter, 2008).
- **Access to distribution channels:** The fewer suppliers for a raw material there are, the higher the barrier of entry is (Porter, 2008).
- **Government policy:** Government policies can limit the entry to an industry (Porter, 2008). For example, the limitations of importing or exporting materials, products or license requirements can restrict the ability to approach the raw materials sources. Besides, strict restriction policies to protect the environment from pollution as well as safety regulations in some industries could create a tough entry barrier for many new companies.

2.2.2 Pressure from substitute products

Substitutes create a ceiling on the price that a company is able to put on their products, which leads to the fact that the return on investment potential of that industry is limited (Porter, 2008). In other words, the cheaper the price of substitutes, the smaller the profit that industry can bring in normal periods. In booming periods, substitutes have the ability to cut down the opportunities of profits that an industry can gain from the market. For example, during the cold winter in 1978, the birth of many insulation materials (such as rock wool, styrofoam and

cellulose) removed the chance of fiberglass producers from gaining more revenue when the demand of market was rising (Porter, 2008).

2.2.3 Bargaining power of suppliers

According to Porter (2008), the power of suppliers depends on the situation of the market, industry, and the volume of product they are about to supply for customers. Usually, the sellers or suppliers are more powerful if the products or services are unique or rare, especially if said suppliers have a strong ability to supply large amounts of product into the markets. These characteristics below would strengthen the power of suppliers:

- **Number of suppliers:** In the case where there are a few suppliers of some specific products or services in the industry, the suppliers often have better position to bargain with buyers (Porter, 2008). Additionally, suppliers are significantly stronger if they are able to create threats towards that industry's business
- **Uniqueness of product:** The uniqueness or differentiation of a product would affect steadily the power of the suppliers.
- **Ability to substitute:** If the supplier does not need to compete with other competitors or substitute product suppliers.
- **Cost of changing:** Switching cost is the price that the buyer needs to pay to change sellers. If switching cost is high, it could strengthen the bargaining ability of the suppliers.
- **The buyer's industry is not important:** In case the industry of buyer is not significant to the group of sellers, they would not pay high attention to that buyer. As opposed to a situation like that, if the buyer's industry is important, the seller tends to stand close and maintain the business relationship. They also want to *"protect the industry through reasonable pricing and assistance in activities like R&D, and lobbying"* (Porter, 1998, p.27)
- **Other factors that affect negatively to the power of suppliers:** buyer earns low profits, they have all the information about the supplier (actual

prices, demand of market, supplier's cost) or in case the buyer can make a threat back to integration.

2.2.4 Bargaining power of buyers

Consumers affect the industry by bargaining for lower prices or demanding better quality of a product or a service (Porter, 2008). It leads to the situation where companies have to try to improve their organization, production or supply chain. The power level of buyers is clarified based on the following factors: the situation of the market, the quantity of products within each purchase from the industry and their size in the market.

- **The volume of purchase:** The buyer has potential to bargain the price if they are able to place a large and concentrated order of materials or products.
- **The characteristics of products and cost of changing:** If the products or services are not identical on the market, it is always possible and easy for buyers to find similar products and prices from other sellers (Porter, 2008). For example, pen, paper, washing liquid, etc. are products that customers can always find from other sellers.
- **Price sensitivity:** If the roles of items are not critical to the production process or the revenue of the buyer, they are often more sensitive on the price of products or services from suppliers (Porter, 1998).

2.2.5 Intensity of rivalry among existing competitors

The intensity of the competition between existing companies in an industry makes it easier to identify the attractiveness of the industry. It also helps new company to point out the extend value that might be lost if facing with competitors directly (Karagiannopoulos, Georgopoulos & Nokolopoulos, 2005). According to Porter (2008), the characteristics of rivalry among existing competitors are:

- **Numerous or equally balanced competitors:** If there are many companies within an industry, it is more likely that some companies can make moves without being noticed by the others. If there is relatively small number of businesses in an industry it is more likely that they would fight against each other. On the other hand, if there are only few companies in an industry, *“the leader or leaders can impose discipline as well as play a coordinative role in the industry through devices like price leadership”* (Porter, 1998, p.18)
- **Slow industry growth:** Slow industry growth activates the desire to expand the company’s market. Whereas, if the industry is growing, businesses tend to improve their techniques or organization in order to follow the general development of their industry (Porter, 2008).
- **High fixed or storage costs:** High fixed or storage costs puts significant pressure on business. In order to gain cost advantages, they try to fill their capacity, usually to the extend where the volume of products gets overloaded. This situation increases the cost of storing and company would like to fit the selling price to ensure their sales (Porter, 2008).
- **Lack of differentiation or switching costs:** If there are many similar products or services in a market, consumers have more choices based on price and service (Porter, 2008).
- **Diverse competitors:** According to Porter (2008), competitors in the same market may have a difficult time reading the strategies of each other correctly and comply with the rules of game in that industry. This situation happens when companies in an industry are various in their characteristics, origins, goals, strategies, etc.
- **High exit barriers:** The exit barriers of an industry are specialized assets, fixed cost of exit, strategic interrelationships, emotional barriers and government and social restrictions. Due to high pressure and difficulties that they create, a company cannot exit from the industry easily. Instead of leaving the industry, the company tends to keep on fighting no matter how low profit they gain or even with investment losses.

3 CASE STUDY: BEIBAMBOO

In this section, the case study of Beibamboo Company is presented. This case study discusses about Beibamboo's main business ideas and the author's insights based on Porter's five forces framework as presented in the previous chapter.

3.1 About Beibamboo

"There's nothing more precious than a new life. We make the soft, easy-to-dress baby clothing for newborns and prematurely born babies" – Beibamboo's Twitter (20th September 2016).

Beibamboo was established not only to respond to the demand of market on organic textiles, but also to provide customers with their innovations and smart designs. This is a micro start-up company, located in Kaivopuisto in Helsinki. The founder and CEO of the company is Nina Ignatius. Beibamboo's mission is to provide safe and comfortable clothes for newborns up to 3 years old and tiny prematurely born babies by eliminating any unnecessary designs, decorations and seams which do not serve for the main purposes. Furthermore, the company would like to maximize the value of money for parents while purchasing high quality clothes for their babies. Beibamboo's vision is to become the number one brand of choice for people that have middle to high level income and can afford high quality clothes for their babies.

Nina Ignatius, the owner, created the business idea because of her own experience, when her daughter was born premature. At that moment, there were no good design clothes for premature babies with special care and treatment needs in hospitals. As the owner wrote on Beibamboo's online store:

"The premature birth of my own daughter in the summer of 2007 was the kind of life changing event that started my baby wear revolution. Who was designing clothes with hard seams and labels on the inside, itching and irritating baby's thin, delicate skin? Why did the design not cater for fast growing babies by offering solutions that allowed the clothes to grow with the baby?"

I set out to design a small, but beautiful, range with only the most essential items that would answer the everyday needs of newborns to 2.5-year-olds. My designs also take into consideration the special requirements of premature clothing, as tubes and wires can hamper dressing.” – Nina Ignatius, Founder, CEO (Beibamboo web store, accessed: 20th November 2016)

She had a passion of creating something different from all the clothing on the market for babies, newborn babies and prematurely born babies that need special care and treatments. Healthy babies and their parents also get a lot benefits from Beibamboo’s products. The owner spent two years to design products and plan for the business. Finally, Beibamboo was launched in May 2010 as a micro company based on the E-business concept.

The main products of Beibamboo are designed baby clothes from preemie up to 3 years olds. The clothes are made from 50% bamboo and 50% organic cotton. From 2010 to 2016, they have won multiple awards such as:

- Design Deed of the Year 2012| Vuoden Designteko 2012 (Design from Finland)
- Finalist at SOURCE Global Ethical & sustainable Fashion Awards London 2012
- World Design Capital – program Helsinki 2012
- Special Recognition Award at EUWIIN Reykjavik 2011
- Silver Metal at Swedish Investors Association, SUF 125 Stockholm 2011.

Beibamboo’s products are bonnets, baby grow, baby grow over head, trousers, rompersuit, sleep pops and pajamas. The special features of their products are:

- Hospital line – special functional designs for prematurely born babies and newborn babies that need specific treatments. It allows nurses and parents to change clothes for the baby in shorter time compared to existing clothes. Furthermore, Beibamboo’s products also help reducing the probability of weak babies from getting infected or accidentally detached from the medical pipes or equipment around them while changing clothes.
- Timeless – the design is simple but practical, parents are able to reuse them for many years without worrying about them being out of fashion.
- Season-less – the clothes are suitable for the whole year.

- There are just a few seams and no labels inside to avoid itchiness or irritations on baby's skin
- Extendable and adjustable size, which gives parents their money's worth. Babies can wear their clothes longer than normal.
- Gender neutral – the clothes are suitable for both baby boy and baby girl.
- The combination fabric between certificated bamboo (from China) and organic cotton (from India).

3.2 Operations

To get an understanding of how Beibamboo is operated, there is some basic information from the interview explained here. After that, we move over into the systematic analysis of the five forces of Porter in connection to the strategies of the company.

When the owner was asked about the reasons for choosing E-business instead of a traditional business concept, she responded that she believes there was no other concept that could be better than E-business for Beibamboo. There are more and more people who prefer shopping online nowadays.

Additionally, for baby clothing, customers often do not need to try them on to check size. Hence, it is not difficult to shop online. The owner said that their products have never been returned for "size does not fit" reason. Compared to women's clothes, which get returned all the time, baby clothes is a better category for online shopping.

Nevertheless, E-business concept leads to a specific disadvantage for the company: customers cannot touch and feel the softness of the fabric. Consequently, this downside limits one of the highlighted differences of Beibamboo's products: the quality of their fabrics. To offset this shortage, the owner spent time designing their website's layout carefully to partly convey the quality and softness of their products through images.

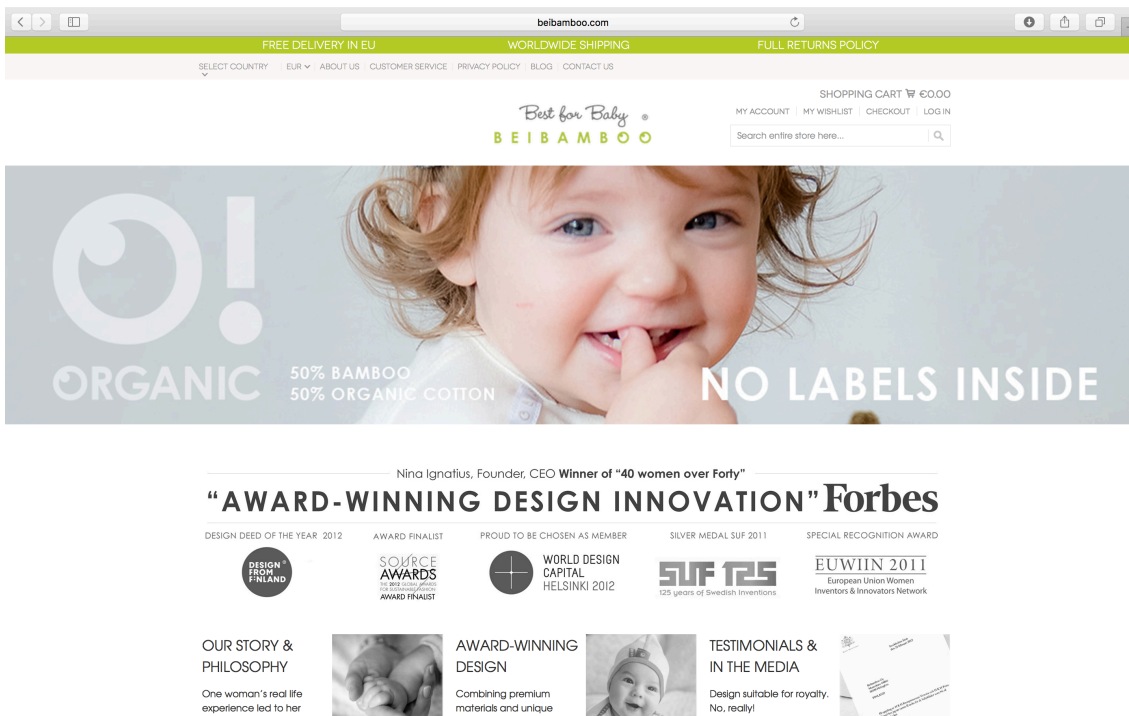


Figure 6: Beibamboo's web store layout (<http://www.beibamboo.com>, accessed: 17th November 2016)

Usually, Beibamboo has one assistant who works with the owner in all the tasks. The owner and the assistant have to carry out all of the main tasks. Nevertheless, they do not have a clear task list for each person. She describes the process as:

"Whoever has time or nearby computer will be in charge. For example of such can include: updating inventory, reply email or feedbacks". [Extract from interview]

Along with the assistant, the company has students interning for them throughout the year and cooperates with Haaga Helia UAS in marketing and market research related issues.

The owner admits that the company is still lacking full-time and experienced employees.

There is a lot of works for two people, considering the website is operated in five different languages. It means that everything they adjust would affect all of the catalogues in different languages (for example: updating inventory). Beibamboo needs IT staff as well, people who can support with all the tasks related to technical issues of their website. Currently, they have some ideas on how improve Beibamboo website, but the current staff does not have the skillset to do that. As a result, there are always risks if they start to change some set-

tings or the code of their website. Comparing the investment and risks to the benefits those improvement ideas can bring to their revenues; the company is temporarily delaying the improvements.

3.3 Model of analysis - Porter's five forces

The interview was analysed in detail based on the theoretical insights from Porter's five forces model. After the interview script was written down in order to see the relations and to draw conclusions. The interview was coded in Excel and coding scheme was used to help the process (see figure 6). As mentioned earlier, Porter's five forces was the framework for this research, so it is obvious that the coding scheme was built up based on the same foundation. The information and knowledge from the interview with the owner of Beibamboo was extracted and organized into the catalogues of Porter. First column has five forces listed, while second column contains all the elements in the forces that relate to Beibamboo. The third column contents are the extracted information and knowledge from the interview, and the last column has some relevant discussion during interview.

Threats of new entry			
	Product differentiation	*Design: faster time to wear, season-less, label outside, less seams, extendable and adjustable, gender neutral *Material: organic cotton + bamboo *Hospital line for preemies and ill babies *They have several patents for their designs *At the beginning, the factors that attract community are: - A company cares for sick babies and preemies in hospital - The story of the owner as an entrepreneur woman who has never been earlier - Beibamboo won all the design competitions at that point - We have a side business concept at clothing rental company, which is a new	
	Time consuming	*1,5-2 years of planning for business framework, designs, legal documents, find out suppliers.	

Figure 7: Threats of new entry, example form coding scheme

3.3.1 Threat of entry

When a new company enters an industry, it may bring new potential of production with expectations to gain a share of the market. The threat of a new entry creates the barriers for new businesses in an industry.

Product differentiation: The special features of their products are:

- Some of the designs have “community design” patents for special designs and functions and Beibamboo is a trademark brand

- Hospital line – special functional designs for prematurely born babies and newborn babies that need specific treatments. It allows nurses and parents to change clothes for the baby in shorter time compared to existing clothes. Furthermore, Beibamboo’s products also help reducing the probability of weak babies from getting infected or accidentally detached from the medical pipes or equipment around them while changing clothes.
- Timeless – the design is simple but practical, parents are able to reuse them for many years without worrying about them being out of fashion.
- Season-less – the clothes are suitable for the whole year.
- There are just a few seams and no labels inside to avoid itchiness or irritations on baby’s skin
- Extendable and adjustable size, which gives parents their money’s worth. Babies can wear their clothes longer than normal.
- Gender neutral – the clothes are suitable for both baby boy and baby girl.
- The combination fabric between certificated bamboo (from China) and organic cotton (from India) is rare.

Although they try to protect the patents as much as they can, the annual cost for the protection is significant. Therefore, there are couples of patents that they allow to pass. In addition, the respondent believes that if there really is someone who wants to copy Beibamboo’s products they could find a way to avoid all of the patents. Therefore, it is impossible to protect all of them forever.

Time consuming: Despite the fact that the owner already had the inspiration, it took her awhile to bring the ideas into real design. In total, she spent almost one and half to two years for designing, planning, figuring out suitable suppliers, legal papers, and so on, before the company was established. She said:

“I was a designer but not specific in clothing design. I was a graphic designer and worked in branding design (logos, packaging, etc.). So clothes design was completely new for me, I knew nothing about it either. I spent long time to study and bring the ideas of Beibamboo to life”. [Extract from interview]

Most of the time and effort was not used on designing and branding, but on finding out all the legal papers to fill and on figuring out where to find support. At the beginning it was another person who took care of the budgets, payments, and taxes for the company.

Capital requirement and government policy:

"Investment was a really hard for us to find the beginning. I think what was harder was I had never run a company before and I also do not have any business study. I started with my own capital for 10,000 euro". [Extract from interview]

In Finland, the government has TEKES - a funding program for start-ups, however business needs to have capital (at least 50.000 euro) to able to apply for the funding.

Economies of scale: At the beginning, the most significant factor that affected to the cost of production was labor for sewing because they were made in Finland. Furthermore, with such a high ambition, high quality, expensive materials and fabric, the cost to make Beibamboo clothes was high. For example, the fabric, which is a combination of 50% organic cotton and 50% bamboo, is specifically made for Beibamboo. Even though Beibamboo's team understood that bigger quantity of production would lead to a better cost per unit, they did not have such a big capital to invest in it. In general, if they were able to make 1000 pieces of clothes, the cost per unit would be 30% cheaper than 200 pieces of clothes.

Cost advantages: As mentioned earlier, the fabric and design of Beibamboo are unique. Combined with the cost of labor, all the elements push the cost of production per unit to the higher end.

Access to distribution channels: In Finland, there are only two or three big fabric companies. Specifically in Beibamboo's case, the fabric is rare so there is only one fabric supplier in Finland who can produce this kind of material for them. Other suppliers (buttons, labels, business cards, stickers) are not difficult to access or replace. We will have a deeper look at the suppliers later in this study.

3.3.2 Pressure from substitute products

As has been stated, the owner spent a long time to design Beibamboo’s products. They have the balance between material, design features, comfort, and timeless look. Thanks to the combination, currently they do not have exact substitute products. Obviously, there are companies that either have 100% organic cotton fabric, 100% bamboo fabric, or similar fabric to that of Beibamboo. There are also several companies that supply baby growth extensions, but they are in separated pieces. We will discuss about those companies later in this thesis. There is data that is collected during the interview relevant to substitute products showed in figure 8 below.

Pressure from substitute products		*The combination of high quality fabric and design is unique. *There are several company produce 100% bamboo clothes or similar with our material.	It took me quite long time to find the balance between material, design features, comfort, and timeless look.
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Figure 8: Pressure from substitute products

3.3.3 Bargaining power of suppliers

Beibamboo has many suppliers, from their main materials for production to other supplements for their business activities such as business cards, stickers, etc. Here we look at how to find out how suppliers affect to costs, business activities, and their revenues as well.

Number of suppliers: Beibamboo has more than ten suppliers such as: fabric, sewing, logo bands, size labels, buttons, threads, packaging, business cards, smiley stickers, etc.

Size of supply: The company, who is making the special organic cotton and bamboo fabric for Beibamboo, is one of the biggest fabric suppliers in Finland

Meanwhile, their sewing companies are located in Latvia and Estonia. The only difficulty is that they only accept orders of at least 5000 pieces. As the owner said:

“The sewing company that we have in Latvia and Estonia are very good. In term of price, they are not probably more competitive than our old sewing company in Finland, but they have quite good reputation”. [Extract from interview]

The rest of the suppliers are small companies. As the owner said, one of the problems when working with small and new suppliers (such as: buttons, logo label) is that in order to get a good price, the purchase quantity has to be huge. They would prefer not to take small orders due to the high cost on their economies of scale. Besides, the transportation and costs related to logistics would be affected by the size of the order.

Uniqueness of product or service: In this organic cloth industry, a company is always able to find other suppliers for fabric, sewing, or packaging. However, it always takes time to change the production related suppliers.

The most critical suppliers of Beibamboo at the moment are their sewing companies.

“They are very good and understanding. Sometimes we make mistakes or the other suppliers delay their delivery. We have to be very nice to them and sometime we are willing to pay more in some case to keep good business relationship”. [Extract from interview]

Even though the company’s fabric is special, it can be sourced from other companies as well.

Cost of changing: Since their establishment, Beibamboo has changed sewing suppliers twice. The owner said that it takes time for the factory to get used to the company’s designs. Furthermore, production schedule is usually fully booked at big sewing companies like the ones in Latvia or Estonia. There is often a situation where small buyers need to wait for six months. It costs a lot and it steadily affects business activities and revenue.

Some suppliers like the ones who provide threads, buttons, and labels are also able to affect production process. Even though the change may take time, it is not significantly difficult to change those suppliers because there are many similar suppliers in the industry.

Ability to substitute: Regarding suppliers of business cards, buttons, thread and packaging - these are quite easy to change.

Price sensitivity: Beibamboo sometimes agrees to pay extra to keep good business relationship with sewing factories due to the quality of service and

products. It means that the price sensitivity of Beibamboo towards sewing factories is not significant. As opposed to other suppliers that are easy to change, depending on the price of their products, company may decide to change to others.

3.3.4 Bargaining power of buyers

In this section, we discuss the main segments of Beibamboo and the power of their buyers, including customers on web store and resellers (see figure 9).

Bargaining power of buyers		
Size of purchase	*Individual customers with small purchase (1-4 items usually) *Few resellers at the moment: TaruLiina (Finland); Lille Maja, Englebam (Norway); Aniel, Childhood, Sanse-iv, Naturababy (Denmark), Little Kepompong (Malaysia).	
Number of buyer	*500 babies were born in every 2 minutes around the world *Almost 200 millions hospital days for children under 3 globally *The raise in demand of market for organic clothes *Nationality: 58,24% from Finland, about 20% from the rest of Nordic countries, the rest are from UK and Germany *Up to 30% order are gifts *Customer 70-80% are women between 25-34	*Stockman was one of Beibamboo resellers earlier. There was an order from them that was delayed for many months due to the lack of material (buttons) in the market.

Figure 9: Bargaining power of buyers

Size of purchase: the company has two main groups of customers: individual customers (1-4 items/order) and resellers.

Number of buyers: *“Organic baby clothing is a large market”* – Beibamboo’s owner said. According to their research, there are 500 newborn babies all around the world every two minutes. Furthermore, annually speaking, babies that need special treatments spend in total 200 millions days in the hospital. According to the report of Statista Inc. (2010), from 2006 to 2010, the global revenues of organic clothing raised from 1.1 billion US dollars to 5.3 billion US dollars. This is a significant number that reflects the need for organic clothes. (See figure 2, p7).

Based on Google Analytics in 2016, Beibamboo can picture their visitors and customers who purchase directly from the web store:

- Up to 30% of purchases are gifts
- 19,02% of web store’s visitors are men and 80,98% are women.
- 50,68% of visitors are between 25 to 34 years old.
- 55,79% of them are from Finland. Visitors from United States and United Kingdoms stand right behind with 6,63% and 5,44%. The rest are mainly from Russia, Sweden, Germany, Norway, and Denmark.

- 23,67% of visitors would return to web store.
- 56,03% of visitors access the web store from their desktop, 34,41% from mobile phone and 9,56% from tablet.
- 43,31% of visitors found Beibamboo's web store through Google search, 29,19% visited the store directly and 14,91% came from referrals, 9,64% from social media sources, 2,92% from paid search, and 0,03% from other sources.

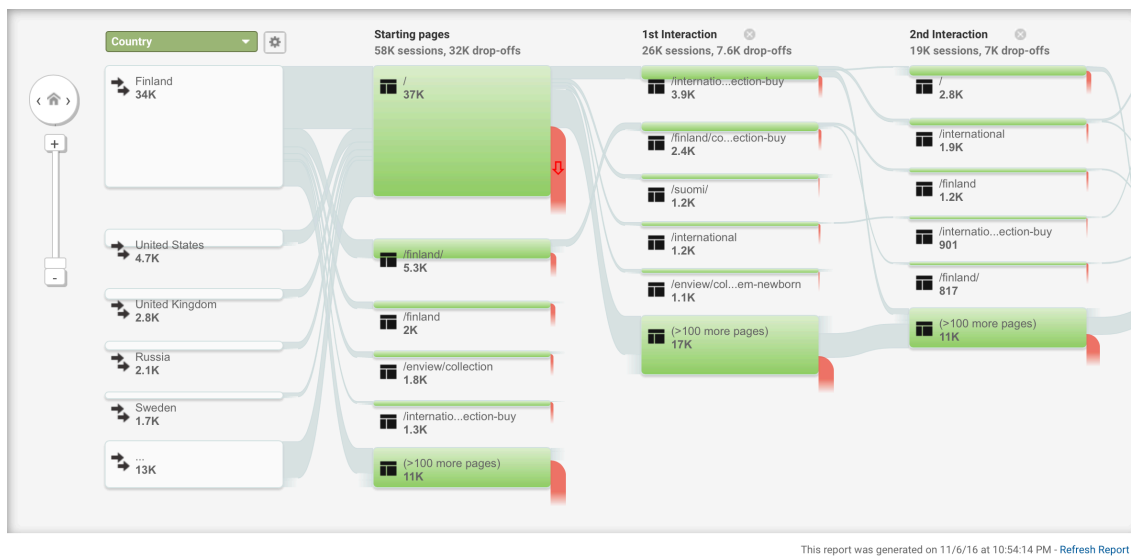


Figure 10: User flow of web store (Beibamboo's Google analysis report, accessed: 6th November 2016)

Besides the sales from the web store, the company also has resellers. Some of them are TaruLiina (Finland), Lille Maja (Norway), Englebam (Norway), Aniel, Childhood (Denmark), SansE-liv (Denmark), Naturababy (Denmark), and Little Kepompong (Malaysia)

The characteristics of products: The combination of high quality, sustainable material and smart design is unique. Beibamboo's clothes are softer than the clothes made from 100% organic cotton cloth thanks to the bamboo component in it.

Cost of changing: Obviously, there are 100% organic cotton clothes, which are budget friendly for customers. They are provided by popular brands like H&M, Zara, Lindex, etc. However, they are not as soft as the products of Beibamboo. The material that makes the difference is bamboo.

When discussing about the ability to adjust the size along with the development of a baby, the respondent explains: there are companies that sell baby clothes that can be extended, but the extension pieces are sold separately. Therefore, the total price is not that different and they do not have same materials.

The majority of products on the market sew company's labels inside, which will be faded through time and cause itchiness for baby's skin. As earlier mentioned, the owner got inspiration for Beibamboo's designs from these issues that happened to her own baby girl. That was why she took them into consideration while she was designing seriously.

In conclusion, for the same kind of products and designs, there is no cheaper option for customer to choose at the moment.

3.3.5 Intensity of rivalry among existing companies

Porter defines intensity of rivalry among existing competitors as performing tactics or strategies between existing companies in same industry. They can be competitive pricing, attractive advertising, better customer service, or better warranties (see figure 11).

Intensity of rivalry among existing competitors			
	Number of competitors	*There are many baby clothing companies *There are 4-5 Finnish baby clothes have been doing quite well	*Those Finnish companies have clothing background, which already saved 2-3 years to figure out everything like Beibamboo at the beginning
	Product differentiation	*Beibamboo's price is higher than other existing company in Finland (Melli and Guugu) *Do not have seasonal or fashion design	
	Loyalty of customers	*Some customers are loyal if they have certain taste of style. However they would not buy only from one brand *Beibamboo gets a lot of compliment from customers about their products. *The amount of Beibamboo's loyal customer is not enough.	

Figure 11: Intensity of rivalry among existing companies

There are many organic baby and children's clothing companies in Europe, as shown in appendix (Table 1). In Finland, there are companies that have been doing pretty well in the last four to five years. They all have clothing background. The most prominent among them is Gugguu. They have quite colorful and graphical designs in their collections. Compared to Beibamboo, the price points of Gugguu for the similar products are a bit lower. Gugguu's products focus on the trendy baby fashion while Beibamboo prefers timeless and functional design.

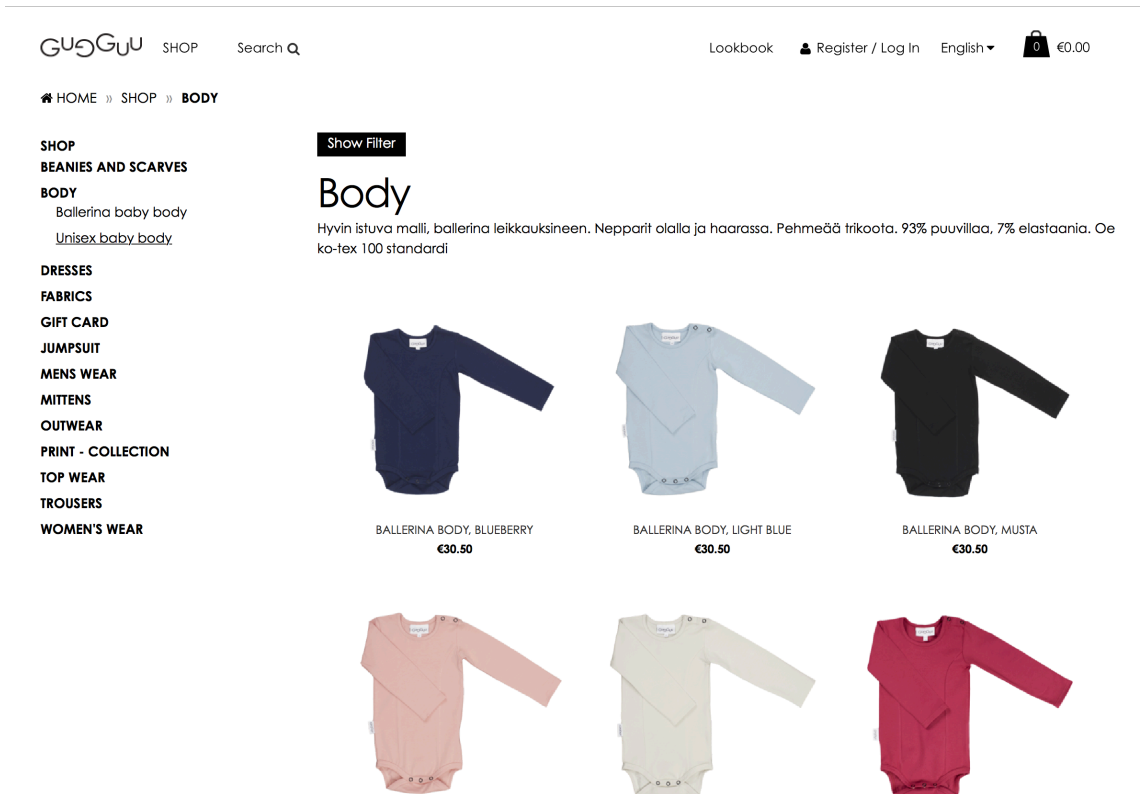


Figure 12: Gugguu's web store layout (<https://www.gugguu.com/shop/body.html>, accessed: 17th November 2016)

In the interview, the respondent talked about a Swedish brand that also pays attention on beautiful and fashionable designs for babies and children's clothes. The brand is called Mini Rodini. Their prices are high.

"They have various patents with animals and other stuffs. Additionally, Mini Rodini has new patents all the time. Their customer have been following and ask for new designs to collect".
[Extract from interview]

In comparison with those brands, Beibamboo chooses the timeless character in their products, which means:

"It can be boring for some people. However, in term of business, I think it is good for us because we do not need to have a lot of stocks that might not be able to sold immediately" [Extract from interview], says the respondent.

4 FINDINGS AND DISCUSSION

The objective of this section is to present the outputs of the research and to provide an analysis of their relevance to the research questions. The author will

also use the analysis to answer the proposed main research objective and following questions.

Main objective of this research is: gaining an insight into the field of an E-business that sells organic baby clothes work in Finland.

Based on the five forces of Porter and the collected information from interview, we can see some important points for the answer of this question.

Threat of entry: First of all, the combination of all the features creates the product differentiation for Beibamboo. It makes Beibamboo's products become pretty unique compared with existing products and be also an advantage of Beibamboo in the market. Therefore, product differentiation is one of the most important factors in threat of entry. Secondly, it is clear that in order to start an organic babies clothes E-business in Finland, the company has to have plenty of capital.

"Investment was a really hard for us to find the beginning. I think what was harder was I had never run a company before and I also do not have any business study. I started with my own capital for 10,000 euro". [Extract from interview]

Even though there are government programs to support start-up companies like Beibamboo (TEKES, Finpro, etc.), they are difficult to get. To receive those support programs, start-up companies have to meet all the strict requirements and fill in a lot of legal papers, which is very time-consuming. Another downside is that the investment is divided into small parts and company receives them after their projects are complete. This might create difficulties for a company when planning their financials. For example, in the case of Beibamboo, it was risky to put large investment into production to gain benefits from economies of scale (produce 1000 pieces will be 30% cheaper per piece than 200 pieces of clothes).

In terms of distribution channel and production, there are not many big fabric suppliers and the labor costs are significant. These issues lead to the high prices at the final products, which might not be competitive compared with other similar products in foreign markets. This is why company tries to outsource or co-operate with factories at neighbor countries like Estonia and Latvia to save costs but still maintain the quality of goods.

Pressure from substitute products: It would be difficult for the company if their products or services did not have differentiation from existing products or could be copied easily. Therefore, in some cases patents are necessary, for example: for new ideas, functions, designs, etc.

Bargaining power of suppliers: Some of the suppliers in the supply chain are able to influence the production process of Beibamboo in different levels (for instance: suppliers of threads, buttons, sewing factories, etc.). But, the most important supplier is the sewing factory, which can affect significantly to business activities of Beibamboo. Hence, company is less price sensitive with the sewing factory than other suppliers.

“The sewing company that we have in Latvia and Estonia are very good. In term of price, they are not probably more competitive than our old sewing company in Finland, but they have quite good reputation”. [Extract from interview]

Otherwise, depending on the price and service quality of common suppliers, Beibamboo can change to other ones.

Bargaining power of buyers: The potential of this industry is great; especially thanks to the steady grow in demand for organic textiles all around the world. In case of Beibamboo, they do not have any similar substitute products in the market, which is a critical advantage.

Furthermore, thanks to the advantages of being an E-business, the company can reach out to the larger markets, more resellers and customers, even those outside of Finland.

Intensity of rivalry among existing companies: In fact, there are many companies in this organic baby clothes industry. They might be big companies like Zara, H&M or new ones like Mini rodini, Gugguu and Beibamboo. Each of them has different advantages in their business strategy. For example, H&M and Zara have price advantage, Mini rodini and Gugguu have their beautiful and fashionable design, while Beibamboo has chosen functional and timeless design. According to Porter (2008), competitors in the same industry may have difficult time understanding the strategies of each other correctly and comply with the rules of the game in that industry.

In conclusion, as a result of the E-business concept and the development of technology, Finnish companies like Beibamboo are able to reach out to other markets like Germany, United Kingdom, Nordic countries and many others. According to the owner, the organic baby clothing industry would not be so difficult to enter for a new business in general. If they have the right amount of capital to invest in production processes and an effective team, it would be a good starting point. Obviously, the design of products plays a crucial role in distinguishing from other existing products in market. In case if they already had some experience in clothing or fashion industry and contacts, it would also be an advantage.

What are the advantages and challenges at the moment of researched company (Beibamboo)?

The advantages of Beibamboo are:

- Product differentiation: the design, special functions and quality of their clothes are absolutely great. The prizes that they won are the best proof. Specifically, the hospital line aimed for prematurely born babies and babies that need special treatments. The author believes that it would not only help the families of those babies, but also save in costs of public health care. For instance, a nurse can take care for more newborn babies. Truthfully, the most important upside is limiting the cases where small babies get an infection.
- They do not have identical substitutes until now.
- Their supply chain is already stable.

On the other hand, there are existing challenges such as:

- Capital requirement is high.
- Beibamboo has not gain economies of scale yet.
- The price point is high.
- The neutral and timeless designs can be boring for some people.
- They have not had yet successful marketing campaigns to increase awareness about their brand.

What is the potential of organic baby clothing industry and market?

Every two minutes there are 500 newborn babies all around the world. Annually, the babies that need special care spend in total 200 millions hospital days. It

means that the potential for clothes, which serve for taking care of both healthy and unhealthy children, is huge. Additionally, the demand for organic textiles globally jumped up dramatically during the recent years (Statista Inc., 2010) due to their benefits for human's health and nature. This trend of organic textiles and clothing is presented clearly through regular fashion fairs like London Fashion Week (UK), Premiere Vision (France), or Magic (USA) (ITC-International Trade Center UNCTAD/WTO, 2007). There are more and more brands for baby's organic clothing being released such as H&M, Zara, Lindex, etc. "*Organic baby clothing is a large market*" [extracted from interview]

5 SUMMARY

It is clear that in organic clothing industry, a company needs to outstanding itself to gain advantages from market and distinguish from existing competitors. This is a large market and has a massive number of companies. Understanding benefits and challenges of one's own company, as well as analyzing pros and cons of existing and potential competitors help business owners in many aspects (for example: to figure out the shortages in market and fill in those with company's products or services, or create better value for customers).

Porter's five forces is a simple but pretty useful analysis tool to find out advantages and challenges of a company. This analysis model creates a foundation to help company evaluate their power and the environment of the market and industry. In case of Beibamboo, the analysis supports to evaluate and estimate the position of their business in Finland. It also generalizes a view about company ability against competitors both inside and outside Finland. However, the author believes that this analysis model would not be suitable for all kind of E-business nowadays due to the speed of changing and developing of technology in some industries (mobile games, apps, software, music, etc.).

It is shown that threat of entry is the strongest force in action here because it is able influence to four other forces. Take, for example, capital requirement and economies of scale can affect to the price of product. Hence, they can enhance ability to against threat of substitution, gain bargaining power from supplier, as well as strengthen company power in front of its competitors. On the contrary,

pressure from substitute products force is the least critical one. The company should consider their substitute products, but it is not definitely highest priority. As a result of the E-business concept and the development of technology, companies can gain many benefits like: lower capital requirements and marketing costs, less demand for human resources, ability to reach more markets, and so on. For instance, Finnish companies are able to reach out to other market like Germany, United Kingdom, and Nordic countries. Nevertheless, the downside is that because customers cannot physically feel the quality of products. Hence, it is pretty important to be creative on the company's messages to customers, images, designs of products and web store. Those factors help to gain more credit from customers, make them feel the quality of products through images and balance out the shortage of E-business.

Thanks to the richness of qualitative research, this study is able to provide case study evidence to start-up E-business field in Finland. The study can be interesting for readers who are interested in E-business and organic baby clothing industry in Finland. Moreover, it can help for people, who are planning for the business plan for similar E-business concept or in same industry. This research also supports other studies researching E-business and Porter's five forces later.

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APPENDICES

Company	Country Base	Age	Fabric	Products (Baby clothes)	Price Range (baby clothes)
Ava & Luc	UK	0-8	Cotton	Playsuits and burp cloths	8€ - 22€
Beibamboo	Finland	0-3	Cotton & bamboo		
Boys & Girls	UK	0-8	Cotton	Hoodies, blouses, trousers	20€ - 27€
Duns of Sweden	Sweden	0-13	Cotton	Long sleeve suit, playsuits, shirts, dresses, trousers, shorts, baby caps/beanies, shocks, sheet and pillowcase	13€ - 33€
Earthlings	New Zealand	0-4	Cotton	No/short/long sleeve body suit, kimono body suit, playsuits, pajamas, t-shirts, hoodies, shorts, trousers, rompers, dresses, underwear, beanies, bibs	16€-46€
Frugi	UK	0-10	Cotton	Soft toys, comforters, babygrow, rompers, suits, tops and t-shirts, dresses, trousers, shorts, dungarees, hoodies and fleeces, cardigans, outfits, out-	5€-51€

				erwear, hats, coats, pramsuits, crawlers, leggings, pajamas, bibs	
Greenfibres	UK	0-?	Cotton, silk & wool	Kimono/short/long sleeve suits, long sleeve baby vests, scarves, tights, hats	9€-27€
Indikidual	UK	1-7	Cotton	No/short/long sleeve body suit, playsuits, pajamas, t-shirts, skirts, hoodies, shorts, trousers, rompers, dresses, underwear, swimming clothes, jackets, hats	18€-70€
La queue du chat	France	0-10	Cotton	Long sleeve body suit, blouses, cardigan, playsuits, pajamas, t-shirts, shorts, trousers, rompers, dresses, jackets.	24€-60€
Little green radicals	UK	0-8	Cotton	No/short/long sleeve body suit, playsuits, pajamas, t-shirts, skirts, hoodies, shorts, trousers, joggers, rompers, dresses, jumpers, underwear, dungarees, jackets, hats, snowsuit, sleeping bag, gloves.	13€-60€
Nature baby	New Zealand	0-4	Cotton & wool	Kimono/short/long sleeve suits, all in one, t-shirt, jumpers & cardigans, trousers, dresses,	15€-50€

				skirts, playsuits, underwear, swimming clothes	
Macarons	Germany	Pre emi E-8	Cotton	Babygrow, rompers, suits, t-shirts, dresses, trousers, shorts, dungarees, blouses, rompers, cardigans, outerwear, hats, coats, pramsuits, crawlers, leggings, pajamas, bibs	24€-54€
Mori	UK	0-3	Cotton + Bamboo		
Mini Rodini	Sweden	0-11	Cotton	Babygrow, rompers, suits, t-shirts, dresses, trousers, blouses, rompers, cardigans, outerwear, hats, coats, pramsuits, crawlers, leggings, pajamas, bibs, jackets, overalls.	5€-182€
Piccallily	UK	0-8	Cotton	No/short/long sleeve body suit, kimono sleeves, playsuits, pajamas, t-shirts, skirts, hoodies, shorts, trousers, joggers, rompers, dresses, jumpers, underwear, jackets, hats, snowsuit, sleeping bag, gloves.	4€-51€
Pureborn	New Zealand	0-2	Cotton	Bodysuits, t-shirts, sleepsacks, trousers,	14€-37€

				shorts, toys, beanies, bibs, blankets	
ReCreate Store	New Zealand	1-5	Cotton	T-shirts and trousers, blankets	23€-45€
Thunderpants	New Zealand	0-10	Cotton	Pajamas, shirts, trou- sers.	32€-44€

Table 1: Organic baby clothing company in Europe