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E-COMMERCE AS ENTREPRENEURSHIP OF 21ST CENTURY:

CREATING OF ONLINE SHOP MYBABY.FI.

MASTER'S THESIS 2013

ABSTRACT

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The present thesis deals with establishing of a trade company which will operate online at children apparel business field. The main subjects of e-commerce involved into online store creating and aspects of those issues are discussed.

The aim of the study was to find answer to the research question - how to establish a company operating online in the sector of baby clothes. NS Project Oy is very young and active company established by authors of this study at the beginning of the year 2013. The main project of that company was the creating of online store. It was intended to operate in the field of children apparel and children shoes.

The research was conducted as qualitative research. Data collecting methods were questionnaire and observation. Respondents were interviewed in order to clarify consumer behavior at online shopping. A structured non-disguised questionnaire was used to get more objective and relevant information.

The result of this study became an establishing of valid online shop www.mybaby.fi. Conclusions and the main findings of research are very important for authors not from research side only, but also as result of the work done throughout the year.

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1 INTRODUCTION

1.1 Research and development problem

The idea of establishing a company operating in the field of baby clothing in Finland emerged when authors of this study have introduced at the KyAMK at IBM 11. We discussed much, planned as we have to create and develop our future firm, but nevertheless not at once have decided to write master thesis research, based on experience of our company. It was frightful, and it seemed there will be no knowledge, forces, time, skills, and etc. But in due to time, during study, we began to understand, that we have a good idea and we must activate all insight forces to achieve sustainable result. So, our study based on case of NS Project OY, online shop www.mybaby.fi.

The developing problem of this study is establishing own company which will operate at the children apparel business online. The present master thesis is very important for authors not from just intellectual side, but also as result of the work done throughout a one year. The decision concerning creation of baby clothes online-shop has come not at once. For a long time we are interested in fashion, clothes and other beauty things. During the last five years we became happy mums of fine children. The question of purchase of beautiful, qualitative and inexpensive children's clothes is very topical in our life. Besides, we have had an experience in the field of international business for the last 10 years; we would like to continue to grow as professionals in this field as well. That is why we have decided sometimes ago to establish own company related to apparel business and to become entrepreneurs.

This study based on our own actions, learned experiences of actual doing, current business situation and circumstances. We focused in the establishing own trade company which will operate at the children apparel business, to get self-employment and self-realization. Also we would like to share our practice experience with colleagues and other students.

1.2 Research and development objective and limitations

According to survey made by FINATEX (2012) most of the purchasing power in Finland are people whom average age is about 40 years, who are interested in fashion and quality. Women's fashion is the biggest segment of the textile sector and it is expected to continue to grow. There were taken into account a lot segment of fashion we could choose: woman fashion, children fashion, junior fashion.

As the market of children's clothes is kind of evergreen markets, i.e. it is demanded always, we have solved to combine our 'hobby' and business. So, idea was ready, and then we had to define will we start-up offline or online business. Thus, development objective is to develop detailed plan of establishing baby clothes online shop and to implement it into reality.

Development limitations were concerned, first of all, to fact that we had no such experience, we did not know from what to start project, as we were not familiar with online business. Besides, we had no entrepreneurial experience either.

It seems that it is important to mention, that authors could not find much time for start-up, creation, and development online shop, as Natalia worked in Logistics Company, and Svetlana delivered the second child. Accordingly at lack of time, free from work and family time, we worked above our project. The process was complex and hard, because of lack of time, impossibility to work at the afternoon, but we were inspired by idea of creation of our e-shop.

1.3 Research and development question

In the beginning, we studied several issues, concerning establishing of traditional children's shop, places, rents. According to the survey made by FINATEX (2012) Finland has a population of about five million people, and one million of whom live in the area of the capital Helsinki, and other large cities like as Turku Tampere, Jyväskylä, Kuopio and Oulu. The total population of Finland is equal in size to the population of one only the cities of Russia, St.-Petersburg. So, we understood that traditional offline store cannot capture the big volume of buyers in our small region. To open offline shop in region Hamina - Kotka is a big risk and also it needs a huge amount of money to start (rent, advertise, purchases).

The understanding that internet is transforming the world's market, has led us to an idea to create exactly online shop. The found researches by FINATEX has strengthened our idea, that 20 % of the respondents had purchased women's clothing online and about 15 % had purchased children's clothing online. It has been estimated that electronic commerce, within the textile industry, will increase to more than 1.4 million Euros in 2016.

We made a set of decisions related to next items: Which customer group should we serve, how we provide benefits to our target customer, how do we communicate with customers, how we should structure our organization, who are our potential partners, while the main development question still was:

- How to establish own company in sector of baby clothes operating online?

We have studied these questions and now we are in charge of a new e-commerce business of online baby clothes store www.mybaby.fi.

2 ENTREPRENEURSHIP IN 21th CENTURY

Entrepreneurship has long been considered an important economic activity. There is no doubt that entrepreneurship has tremendous impact on the economy and society. In 2004, a report by the Global Entrepreneurship Monitor (GEM) stated that a large number of people are engaged in entrepreneurial activities around the world. Based on a sample of 34 countries representing a total labor force of 566 million people, GEM research estimates that 73 million adults are entrepreneurial (Zhao, 2006).

Entrepreneurs are as varied as the kinds of business they run. For example, there are four broad categories: the home-based entrepreneur, the serial entrepreneur, the traditional entrepreneur, and, more recently, the cyber entrepreneur (ibid.2006, p.180). Cyber entrepreneurship is a result of rising of commercial Internet. Cyber entrepreneurs transact all their business with customers, suppliers, strategic partners, and others on the Internet and deal in digital products and services that do not require bricks-and-mortar infrastructure like warehousing and physical distribution (ibid.2006, p.180).

2.1 Entrepreneurship's definition

There a lot of different definitions of entrepreneurship. But commonly entrepreneurs are described as innovative, flexible, dynamic, creative, and risk-taking. Some authors suggest that important part of entrepreneurship is identifying and pursuing opportunities. Other authors have said that entrepreneurship involves the creation of value, the process of providing a new product or service, and the intentional creation of value through organization by an individual contributor or a small group of partners (Zhao, 2006). Another definition of entrepreneurship that has been used is "the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction" (2006, p.181).

The term “entrepreneur” was introduced into economics by Cantillon (1755) and raised to prominence by the French economist J.B. Say around 1800 (Barrow, 1998). According to Barrow (1998), “he used it to describe someone who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield”.

To go back to basics, the word “entrepreneurship” derives from the French words *entre*, meaning “between”, and *prendre*, meaning “to take”. The word was originally used to describe people, who “take on the risk” between buyers and sellers or who “undertake” a task such as starting a new venture (Zhao, 2006). But, actually, there is a difference between inventors and entrepreneurs. An inventor creates something new. At the same time, an entrepreneur searches, finds and integrates all the resources needed (money, people, idea, strategy, business model) to run a new business.

Therefore “entrepreneurship” is the process by which individuals pursue opportunities without regard to resources they currently control (Zhao, 2006). It is possible to say that the nature of entrepreneurial behavior is identifying opportunities and transforming interesting ideas into the real life. The tasks called for by this behavior can be accomplished by either an individual or a group and typically requires creativity, drive, and a willingness to take risks (ibid.2006, p.181).

2.2 Circumstances, that affects person to become entrepreneur

To try to explain entrepreneurial behavior, researches tend to examine either personal traits and characteristics, or the influence of contextual factors, such as availability of support and finance. Clearly, any complete understanding of entrepreneurship requires both perspectives to be integrated: no matter how entrepreneurial an individual might be, they will require a context which provides access to appropriate resources (Bessant and Tidd, 2007)

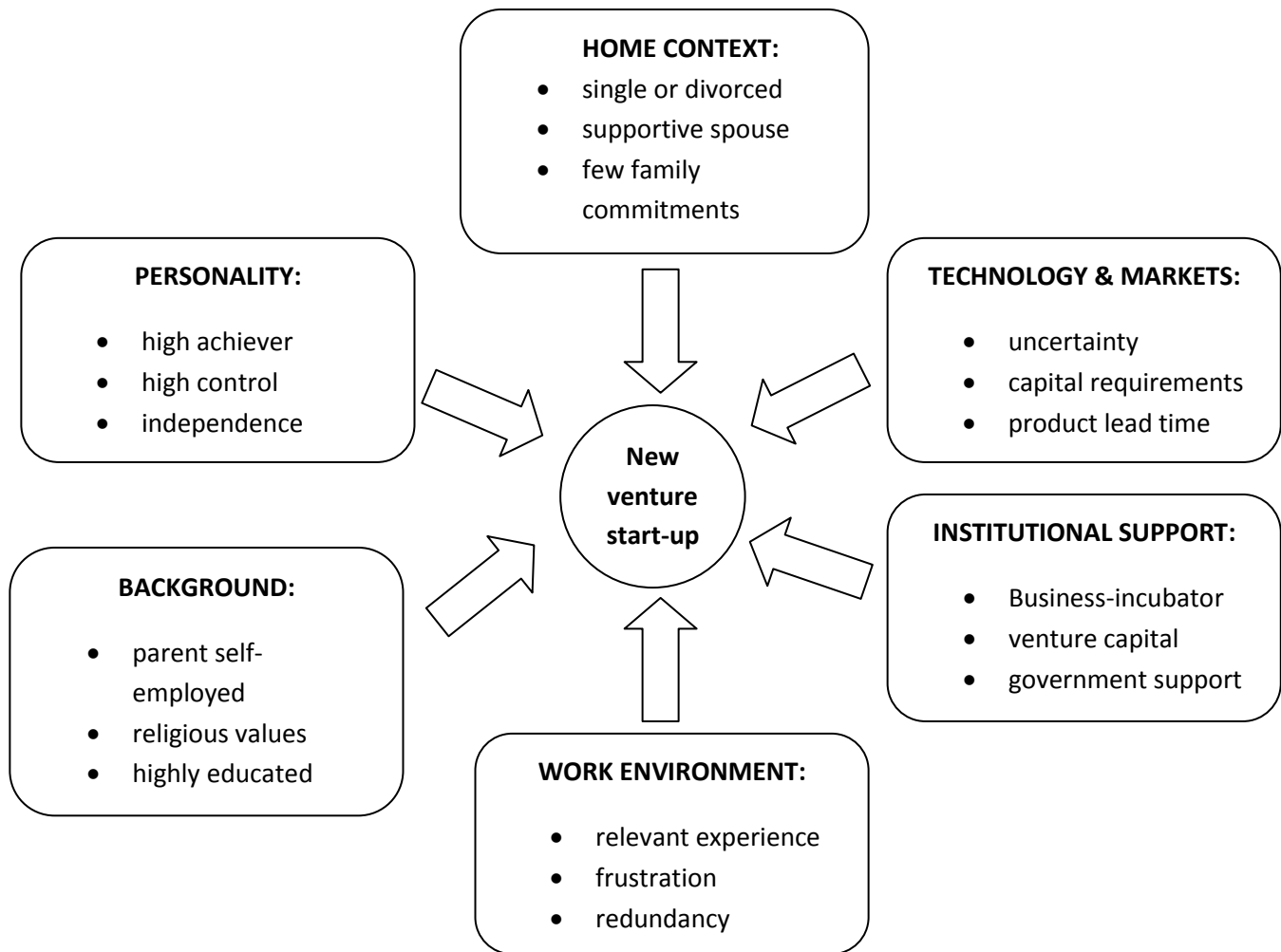


Figure 1 Factors influencing the creation of new ventures. *Source:* Bessant, J.R. and Tidd, J. 2007.

As can be seen in figure 1, a lot of aspects influence the forming of entrepreneurship behavior of the person. It is impossible to say what aspect is the most important for the entrepreneurial style of living, or is it enough just one of those factors to become entrepreneur. More likely, there should be combination of all aspects mentioned in figure. Nevertheless, according to Bessant and Tidd (2007), most of entrepreneurs had a self-employed or professional parent. They explain this fact by modeling role of parents and providing of support for children who wants to become entrepreneur. Besides, they talk about religious values like significant aspects: effect of religious background is controversial. Dominant cultural values are more important than minority status. Nevertheless, the effect of family background is more significant than religion (ibid.2007, p.257)

What concerns educational leverage on entrepreneur forming, there is a complex problem too. The exact influence of the educational level and type of education can be different. From the one hand, entrepreneurs tend to have a less level of education than the average of population (ibid.2007, p.257). The explanation is close to the minority status for religion. If person has a minor status of something (poor educational level, not-common religion), this status push him or her to find a development for own ambitious, to find a way to prove own significance in public. On the other hand, technological and social entrepreneurs are often more highly educated than the population average (ibid.2007, p.258). The type of education and previous working background, experience and skills are also important.

2.3 Characteristics of entrepreneurs

There a lot of entrepreneurs all over the world. They live in different countries with different political, economical and environmental situations. They operate with different capital, cash flows and legal systems. Some of the entrepreneurial companies are huge, some are micro-firms. Diversity seems to be a main characteristic of entrepreneurs.

Nevertheless, all of these people have something common in their behavior. Let's take a look to the literature to find out the most important common characteristics of entrepreneurs.

According to Zhao (2006), there are following obviously common aspects:

1. *Vision*. Something that is very similar to a dream, but in contrast to the dream, the vision has clear impact on reality, encouraging people to act. Without action there is no result. Vision is always connected to result.
2. *Innovation*. New products and services, new markets are prerogative of entrepreneurship. They change, transform, create new approaches and systems. In other words they are economical revolutionaries. They create new values.
3. *Passion for the business*. Entrepreneurs truly love what they do. They can not live without their business, even if they are financially secure and do not

have to work every day, day after day like ordinary employee. But business for them means the whole life. In some cases they are a little bit crazy about their business, but it is necessary to be crazy in good sense to pass through all asperities, to be not crushed by criticism and to keep strong belief in own strengths and own idea.

4. *Product / customer focus.* This underscores an understanding of the two most important elements in any business. An entrepreneur's keen focus on product and customers typically stems from the fact that the most successful entrepreneurs are, at heart, craftspeople. This is important to remember, particularly in era when it is tempting to envision new businesses resulting from every advance in technology. (2006, p.183).

5. *Opportunity identification.* Entrepreneurs are the kind of people who prefer to see opportunity where other can see only risks and dangers. If the glass is half empty or half full – that is the psychological cornerstone of entrepreneur's difference from other.

6. *Creating value.* As entrepreneurs create something new, this new one has a value. So, by doing and acting, entrepreneurs are creating value. It can be valuable business-model, or money-rising, or experts-team, partnership, business-processes, etc. As can be seen in Figure 2, value creation appears on crossing of opportunity seeking and advantage seeking.

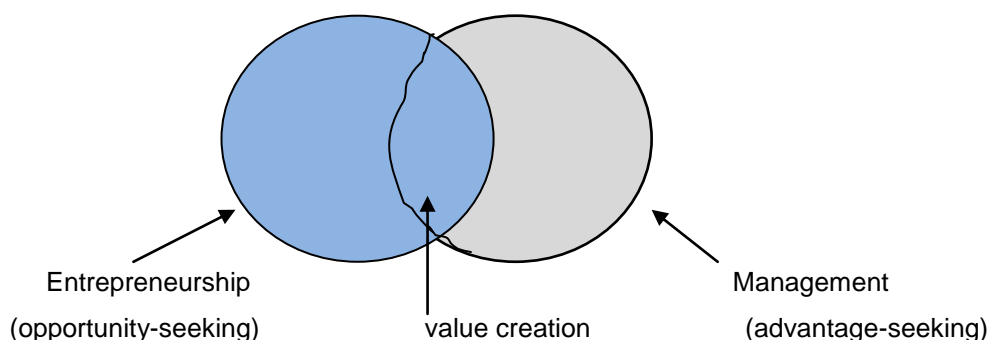


Figure 2 A Venn diagram illustrating that efficient value creation often occurs at the overlap of entrepreneurial and managerial behavior. *From:* Mellor, R.B., Coulton,G., Chick, A., Bifulco, A., Mellor, N., and Fisher, A. 2009..

7. *Growth*. Traditional definitions of entrepreneurial success have included tangible growth indicators such as revenue growth, increase in market share, and growth profits. However, it is sometimes at the neglect of considering the intangible outcomes in growing business and pursuing opportunities as they arise (ibid.2006, p.184).

8. *Social and economic change*. Entrepreneurs create new job places, increase employment level even by self-employment; they enhance quality of life and improve productive and economic efficiency. Some authors (Zhao, 2006) say also about negative impact of entrepreneurship. Negative outcomes such as environmental damage, social disruption, and violation of individual rights may occur (ibid.2006, p.184). Obviously, there are no absolutely positive or totally negative issues in the world. Entrepreneurship is not exception. Thus, such aspects as environmental damage and social disruption is more related to huge international companies than to individual entrepreneurs, from our point of view.

9. *Financial risk*. All entrepreneurs face with financial risks. Profits of entrepreneurial actions are uncertain. On one hand, this uncertainty may lead to opportunity for profit. On the other hand – it is always risk to lose all assets. So, the main question of good entrepreneur must be risk management. Entrepreneurs know that by the time there will be no uncertainty too many people will be able to see the opportunity clearly. In point of that fact an entrepreneur would usually only be interested in a decision that involved accepting a degree of uncertainty (Barrow, 1998).

10. *Tenacity despite failure*. Failure rate of new entrepreneurs is really high. Sometimes the reason is not enough skills, or product knowledge, sometimes it is lack of investments. So, it is a natural process, when setbacks and failures occur. According to Zhao (2006, p.184), the test for entrepreneurs is their ability to persevere through setbacks and failures. In fact, a certain measure of fear is healthy when pursuing new ideas.

Finally, some issues about the psychological characteristics of entrepreneurs. There are two of the common characteristics of US entrepreneurship researchers: internal locus control and a high need of achievement (Bessant

and Tidd, 2007). Entrepreneurs are usually motivated by high need for achievement (so-called “nAch”), rather than a general desire to succeed. Such kind of behavior is associated with moderate risk-taking, but not gambling or irrational risk-taking (ibid.2007, p.258). Persons with high nAch usually:

- Like situations where it is possible to take personal responsibility for finding solutions to problems.
- Have a tendency to set challenging but realistic goals.
- Take calculated risks.
- Need concrete feedback on personal performance.

For a self-evaluation of ourselves as entrepreneurs we used this questionnaire (sourced from Barrow, 1998). The following questions probe only those areas that are important to successfully starting up a business and can be controlled or affected by the individual. The score-calculation is like this:

1 – if the statement is rarely true;

2 – if usually true;

3 – if nearly always true.

Questions:

1. I know my personal and business objectives.
2. I get tasks accomplished quickly.
3. I can change direction quickly if market conditions alter.
4. I enjoy being responsible for getting things done.
5. I like working alone and making my own decisions.
6. Risky situations do not alarm me.
7. I can face uncertainty easily.
8. I can sell myself and my business ideas.
9. I have not had a day off sick.
10. I can set my own goals and targets and then get on with achieving them.
11. My family is right behind me in this venture – and they know it will mean long hours and hard work.

12. I welcome criticism – there is always something useful to learn from others.
13. I can pick the right people to work for me.
14. I am energetic and enthusiastic.
15. I do not waste time.

A score of 30+ is good; 20-30 is fair; below 20 is poor. At the same time, a high score will not guarantee success but a low one should cause a major rethink.

As for NS Project OY, Natalia has a rank over 30 and Svetlana between 25 and 30, what can be suggested as a good starting point of becoming entrepreneurs.

2.4 Advantages and disadvantages of being entrepreneur

2.4.1 Advantages

By working for someone else, it is hard to get rich. Running own business at least gives a chance to make more money than it is possible to earn as employee. But whether entrepreneur becomes wealthy depends very much on how successful business will. If the business goes well, the owner can take such advantages from company like salary, bonuses, dividends, car, insurance and other benefits.

Another great benefit of being self-employed is the freedom. There are no bosses over entrepreneurs, they are totally independent and can plan the business and run it on a day-to-day basis in the way they want (Barrow, 1998).

In 1991 some 800 independent profitable companies with turnover of less than 25 millions of pounds were asked what motivated them to start up and run their own businesses (ibid.1998, p.32). The majority of responses, 73,5% had turnover between 1 million and 10 million of pounds. A massive 98% of respondents rated personal satisfaction from success as an important motivator, with 70% of these rating it very important. 88% rated “ability to do things my own way” and 87% rated “freedom to take a longer-term view” as

important or very important, indicating that independence is a key motivator in entrepreneur's minds.

Evidently, financial rewards register as an important motivator, but it is interesting to note that they are rated less highly than personal satisfaction, and only marginally more highly than independence (ibid.1998, p.33).

For NS Project it is a really crucial issue, because of children and families duties of both owners. Svetlana has 2 children in age of 6 and 1 at the moment of writing this page, and Natalia has a 5 years old daughter. It is impossible for them to work as ordinary employee every day from 8.00 till 16.00. Entrepreneurship gives an opportunity to act whenever you want and able to do so. Besides, MBA studying at Kymenlaakson University of Applied Sciences of both Svetlana and Natalia also brings the limitations of their possible employment as employees. In this situation entrepreneurship became the great opportunity for them to get self-employed, to be pro-active and business-oriented women. Thus, this is not only the question of freedom in sense of being own boss, but also the freedom of utilizing your time by the proper way.

2.4.2 Disadvantages

Obviously, that all medals have two sides. First of all, running a business is much more risky than working for someone else. If the business fails, entrepreneur will lose far more, than just a job.

Entrepreneur are totally responsible for the success or failure of his business. This can be very exhilarating, but it is, inevitably, very stressful: contrast pressure and long hours are par for the course for most entrepreneurs (Barrow, 1998). This can dramatically affect to social life, family and relations with friends, and finally to health.

Nevertheless, despite all difficulties, the most of business owners are pleased to have gone on their own and would have no hesitation in starting up another business rather than work for someone else (ibid.1998, p.32)

2.5 Factors, explaining why small firms fail

Each year it is born more than million of new businesses all over the world. But only half live as long as eighteen months and only one in five live as long as ten years (Barrow, 1998, p.35). These are quite dramatic figures. One of the reasons for them – no one can predict success or failure of exact company. Company can be shut down due to economic reasons, merger or acquisition; it can be sold out to competitors or creditors for the debts.

Barrow (1998) describes following eleven basic reasons of new start-up businesses fail:

1. *Lack of expertise.* Starting businessman have to be accountant, developer, merchandiser and logistics specialist, and whoever at one moment. All in one. It is difficult to be expert in all fields, and there can be lack of money to hire expert employee.
2. *No product/marketing strategy.* It is impossible to sell something do not knowing the target customer group. It must be defined first of all.
3. *Over-optimism about market size.* It is a fundamental misconception to believe that people are just sitting and waiting to be sold to. New businesses need to conduct research into the market they are aiming at, to see who the competitors are and make some reasoned estimate of what their anticipated sales will be.
4. *Underestimating the start-up time.* There are a lot of works to be done before the opening ceremony: premises to be found and fitted out, equipment and stock to be bought. It is necessary to estimate how long you think it will take, then to double it, and to add a little more.
5. *Lack of working capital.* If entrepreneur have not calculated 3 and 4 correctly, it is possible to run out of money easily. Scarce cash is tied up, and money is flowing in one direction only until customers start buying in reasonable numbers. Assess capital requirements with a good safety margin at the outset. A well-prepared cash flow forecast will help to decide how much is needed and when.
6. *Start-up cost is too high.* It is mistake to spend a lot of money on fixtures, fittings and equipment too soon. Start-up small business is not a place for

luxury offices, extravagantly high standards for supportive, not core features. These overheads have to be spread across the products/service sold and entrepreneur can lose your competitive edge by being too greedy.

7. *Consequences of early growth.* Do not celebrate a victory right after the first sale! Problems are not over, they only just begin. A business changes its shape and size very rapidly in its early days. As sales grow, ever increasing sums of cash are needed to fuel that growth, and the danger is overtrading, i.e. growing faster than cash resources allow.

8. *Mistaking cash for profit.* The cash that flows into the business is not the same with your employer salary. Too often entrepreneurs use the company cash for their own needs, to maintain living standards, which can be extremely high, and when bills come in from suppliers and partners – they cannot pay them. The Inland Revenue and Customs & Excise put more businesses into liquidation than anyone else.

9. *Wrong location.* Location of office and rent payment is vital issues for start-up new business. Do not be tempted to take premises just because the rent is cheap – no customers may pass the way. Equally, do not take on an expensively high street site if your business turnover is unlikely to cover the costs. Initial market research should help you to identify a suitable location.

10. *Selecting and managing people.* Small companies can not to have such a luxury to hire wrong people. Only huge business monsters can to do so. And even they fail after that sometimes (let's remind the Nokia example).

11. *No management accounts.* New entrepreneurs often tend to look at regular paper work with figures as a bureaucratic compulsion to admit all necessary requirements. Necessary, but not mandatory. So, someone skip off. And then things become to go wrong. The first year is often the end of the business.

Before coming too depressed by written above, just remember that the best way to act is to be realistic, not too-optimistic or too pessimistic all the time. It is important to keep eyes opened, head cool, and heart hot.

2.6 Transformation of society

In human history the only 20th century has experienced so many social transformations (Drucker, 2001). The term “Social transformations” used in scientific publications and indicates systemic changing in society during the years. The term “social information” indicates the impact of globalizing forces on society according to historical experience (Castles, 2000).

According to Dutton (2004), development and evolution of Internet, mobile connection, digital data channels, and other communication technologies are opening new ways for transforming the way of people life. The fast grows of Internet and technology changes bring social and economical inquiry on all kind of aspects people’s life (Kumari and Chandio, 2004).

The global Internet usage increasing had generated a lot of forecasts of its potential to transform enterprise, governance, education, leisure, and society. The Internet is not isolated from the people who develop, use, and are affected by it. Instead, choices about the design, use, and management of the Internet are continuously changing the communicative power of individuals, groups, organizations, and nations as it reshapes access to information. The “digital choices” made by individuals and groups involved in these separate but interrelated social processes can result in many different outcomes for the same technology (Dutton, 2004).

In the science literature it is easy to find also a lot of critical articles related to Internet using, electronic devices between lifestyles of individuals and cultures, communities, religions, economies. Before there was little such close involvement in all aspects of peoples’ life, some authors suggested create more pacific and favorable global world (Kumari and Chandio, 2004).

Despite the uncertain competitive landscape the emergence of thousands of new electronic commerce ventures attempt to capitalize on the emerging digital New Economy. Physical global business is adopting very fast new

digital strategies and devices and launching the new digital business (Rayport and Jaworsky, 2001).

Digital technology is transforming the New Economy. The primary sources of value creation for consumers has shifted to an economy that favors service, information, and intelligence as the primary sources of value creation (ibid.2001, p.11).

When the Internet just started, there was a propensity for experts to declare all of the old rules of business dead and that Internet changed everything so fundamentally that new rules were needed. Nevertheless, the old rules of profit, loss, and revenue and consumer satisfaction still apply. Thus, the lesson for the Internet is that usage or development of a new technology does not negate the lessons of history (Dann, 2011).

2.7 Online vs. offline stores

According to Wikipedia, the terms "online" and "offline" have specific meanings in regard to computer technology and telecommunications. In general, "online" indicates a state of connectivity, while "offline" indicates a disconnected state. The distinction between online and offline seems as the distinction between computer-mediated communication and face-to-face communication.

According to Business Dictionary (WebFinance, 2013), the online shopping is the act of purchasing products or services over the Internet. It has grown in popularity over the years, mainly because people find it convenient and easy to bargain shop from the comfort of their home. Today as the online shopping grows in popularity more people are turning to online shopping for all their needs.

Today Online shop simply known as "Twenty-four-seven", that is expected to be open 7 days a week, 24 hours a day, and 366 days a year. It is an important implication for customers and the firm. There are some advantages for buyer that he is always able to gather information, compare prices across

multiple sites, and make purchases. Also advantages for firm that it is not possible to close storefront for relaunch (Rayport and Jaworsky, 2001).

In offline store customers make purchases “face-to-face”, while online store purchasing process is making by “screen-to-screen”. This interface model has the potential increase sales and decrease costs. Oppositely, if the interface doesn't work and has poor design, the firm incurs revenue lost and technology costs (Dann, 2011).

In online store customer can control the time he spent, search process, price comparison, the decision to buy. In offline store often happens that the seller attempts to influence the buying process and reacting in real time to making purchases (Rayport and Jaworsky, 2001).

Authors of this study faced itself in really practice with some disadvantages of online shop and would like share with them. For example, a customer could not test, touch, and physically inspect he product before ordering and delivering to home. Product might have looked attractive and beautiful to customer at the screen, but might not live up to its expectations once received. If customer will not like goods received, he will have to pay the charge for shipping it back, repackaging, and stocking in most cases, unless it's a manufacturing problem. Only huge online stores can afford offering to customers a free return service. Also customer have to wait for their orders to be received, processed, and shipped. Actually in practice at our online shop we suggest goods which are available and in stock, that way customer will not wait a long time.

One of the biggest online shops in Europe, especially in Finland is www.Zolando.fi. They suggest free delivery and returns. For small shops owners this way of working is impossible according to high delivery prices, especially in Finland.

According to Pekkala - Managing Director of Kaupan liitto (Kaupan liitto, 2012), today Finnish online shops face with problem that online customers make a lot of purchases abroad, because of poor assortments, high delivery costs, long delivery time. However, domestic Finnish online stores have a good consumer protection and product safety. He said that it is already a

problem for the Finnish domestic specialty retail and helps the relevant state tax decisions of the consumption of the vaccine. It is important to increase the size of the domestic e-commerce expertise.

In practice authors of this study faced with situation with ordering business cards via online shop Vistaprint in Finland. It is huge online shop which offers a large selection of manufacturing promotional products in 31 countries over the world, exactly in Finland. After an analysis of manufacturing prices, delivery cost, and the most important thing for us those days - time delivery, the result for us was unexpected. Delivery time in Finland was about 2 weeks, plus high delivery cost, but delivery time from United Kingdom was 2 days and free delivery cost. As a result, we ordered from United Kingdom from the same web shop at night, next evening it was in Finland in Helsinki and then we wait when Finnish Itella brings it to us for 4 days. The long delivery time and high delivery costs are the big problem for Finnish online shops, comparing with another European Countries.

Another disadvantage is that potential customers worry about fraud or theft with credit cards purchases and often it is a really reason to do not make purchases in small and new online shops.

According to data gathering by Tilasokeskus (2013), people are using web at the age 16 – 74 years grow at 2012 year to 90%. Also the number of people using the web for shopping online is growing. Two-thirds of Finns made some purchases at online shops during 2012 year, as can be seen in Table 1.

Table 1 Internet using during 2012 year. *From Tilasokeskus (2013)*

age&sex	use internet last 3 months	use internet more than 1 time per day	use online shops marketing during last 3 months	make online purchases last 3 months
% from all number of Finns				
16-24 y	100	80	75	54
25-34 y	100	88	98	67
35-44	98	74	96	61
45-54	96	68	92	54
55-64	82	44	74	31
65-74	61	26	51	13
men	90	66	81	46
women	90	61	83	49
at all	90	64	82	47

The number of people are using web as a virtual shopping and then buying products is growing very quickly. During the 2012 year 65% of Finns made purchasing online. The younger people make purchases more often. Two-thirds of 25-34 years old men bought something at the last three months at web.

Finland is one of the most internet-using countries in Europe. In 2011 year the most internet-country was Island, where the number of web-users was 95 %. Most often purchases are tickets, travels and theatre tickets, clothes and shoes (Tilasokeskus, 2013).

According to Seppo Roponen - Director of TNS Gallup (2013), Finnish people make purchases for 9,4 billion Euro during 2012 year, 17 % of purchases were from foreign abroad online shops. The most popular product categories at online stores are tourism, electronics, transportation, gambling, housing, and clothing. For example, trips to the Finns bought online last year, more than 3.5 billion worth of electronics, and more than billion. The following categories of foreign e-commerce accounted for the largest: sports equipment (49%), special activities related products (42%), pet supplies (36%), gambling (32%), books (31%), games (28%), software (27%), transport (transport and supplies) (25%), footwear (25%) and beauty products (24%).

Online shopping give a lot of possibilities to consumers like to find favorite stores, to get what they want at a cheaper price and delivered to their own homes, sitting from the comfort at home. Also it becomes more popular in the recent economic times as not only they are making their purchases at discounted prices, but also saving money of petrol. Online shopping is becoming more popular during the festive seasons, because people do not have to worry about fighting through the crowds.

For business in generally, e-business is becoming increasingly popular. It is a great opportunity to save time, because company can find partners, suppliers, made orders for business from them also via online. Further in this study we will investigate this question deeper. Actually, business of our company, partnership, contacts, orders, cooperation with partners – it is all owing to Internet.

With the new generations being born into such a technology strong society the online shopping market is set to continue to increase. Researchers believe

that new generations will rely heavily on the internet to fulfill their shopping needs (Dann, 2011).

Opinion of authors of this Study that online shopping is great. As we are new moms, we don't always have time to go do the store. The possibility of being able to shop at 2 a.m. at the night and the more easily way of comparison shopping and possibility find the best prices is make the online shopping more attractive today for every person. Anyway, Statistics, the global trend shows that the market for online shopping is a promising and growing.

3 METHODOLOGY

In this study authors have to investigate more deeply the relevant information to make important decisions and as a result find answer on main question of this work: How to establish online shop of children clothes?

3.1 Research method: qualitative research

With regards to selection of methodology, authors of this study accepted to use those methods which provide information necessary to address the research questions.

Qualitative method of research is interested in life as it is lived in real situation. The qualitative researcher looking for discovering of meanings those participants impart to their behavior (Woods, 2006). The key purpose of qualitative research is to understand and gain insights (Ghauri and Grønhaug, 2010). It is in particular relevant in the “context of discovery (Popper, 1961). Qualitative research approaches are multiple and no agreed-upon classification of the various approaches or method exists (Ghauri and Grønhaug, 2010). It has no precise meaning in any of the social sciences. It is at best umbrella term covering an array of interpretative techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world (Maanen, 1979). It tends to be more explorative and unstructured, with emphasis on understanding. In qualitative research data collection and analysis are often conducted simultaneously in an interactive way where collected data are analyzed, initiating new questions, and initiating further data collection (Ghauri and Grønhaug, 2010).

Authors of this study would like to share own experience, give more practical and real-life information in establishing web shop of children apparel market in Finland and from this point of view it seems the qualitative method is most appropriate to this thesis.

3.2 Process of data collection

Research is often thought of as a process that is a set of activities unfolding over time (Ghauri and Grønhaug, 2010). According to Glenn (2010, 1-28), research process is defined as human activity based on intellectual application and this term is also used to describe an entire collection of information about a particular subject.

The goal is to produce knowledge, which takes three main forms (the boundaries between them may be fuzzy):

- Exploratory research, which structures and identities new problems
- Constructive research, which develops solutions to a problem
- Empirical research, which tests the feasibility of solution using empirical evidence.

According to Sontakki (2010, 144-149), research can also fall into two distinct types: primary and secondary. Researches have to delimit the information needed to find answer on main question during the study.

Secondary data is one which is already collected by individuals or organizations which is either published or unpublished, and researches task is to pick and choose the extent and relevance to his needs. If data are relevant adequate, timely and matching in all aspects to solve the research question or problem, there is no need for going in for primary data. But when secondary data cannot answer our research questions directly, we must collect the data that relevant ourselves. Primary data are original data collected by researcher for the research problem (Ghauri and Grønhaug, 2010). The basic means of primary data is communication and observation (Sontakki, 2001).

3.3 Communication: questionnaire

For primary data, the researchers have to decide whether to communicate with the respondents or just observe them. Communication does not have to direct or face to face. Researchers send questions by e-mail and ask for

answers to be sent back in the same manner. The instrument used for this type of data collection is called a survey or questionnaire (Ghauri and Grønhaug, 2010).

According to Ghauri and Grønhaug, 2010, the collection of primary data can take a long time and can cost a lot. Moreover, it may be very difficult to find consumers, companies or other target groups who are willing to cooperate and answer our questions. Also researcher needs to be careful in using proper tools, procedures and methods of analysis. Researcher has less degree of control in data collection. As a result, unexpected factors may influence and interfere with efficient data collection

During the process of our online store creation, authors of this study had many conversations with friends and colleagues and partners. According to Sontakki, 2011, communication involves the questioning the selected respondents to get the detailed desired information using a questionnaire. Questions to the respondents can be asked orally or (and) in written form. Answers are recorded or fixed by another way.

There are four main questionnaires types:

- Structured non-disguised (direct questions);
- Structured distinguish;
- non-Structured, non-disguised;
- non-structured, disguised (indirect questions).

Questionnaire framework for this study was completed according to Guidelines provided by Ghauri and Grønhaug, 2010. Questions was asked in simple language, each question was deal with only one aspect, questions were formulated in way that there is no escape route in the questions, questions were specific that respondents couldn't give several answers to one question, it were formulated in a polite land straightforward language.

Using the questionnaire authors desired to get next results:

At first, it was important for us to understand influences on consumer behavior and activity such factors like gender, education, age, residential community. Second, do potential consumers have possibilities to expand online shopping activities or not. Basing on results we have chosen method of payment for consumers in our e-shop. Third, to get information what kind of activities for conducting purchases people make? Fourth, to understand people's attitude to www-based sailed transaction at all.

Primary data for our study comes throw practice development our online shop. Basing on Sontakki approaches, 2010, authors of this study used communication method with structured non-disguised type of questionnaire.

3.3.1 Structured non-disguised questionnaire

Structured non-disguised questionnaire is one where the listing of questions is in a prearrange order and where the purpose is to reveal the respondent the enquiry so made (Sontakki, 2010). Authors of this study had to work out such questionnaire that respondent could fill it quickly, and we would get the most relevant information. The structure of questionnaire and questions type is based on research approaches of Öörni (2002).

3.3.2 Merits and demerits of empirical findings

Researches of this study faced with problem that got from a lot of potential respondents refused in infilling the questionnaire. One reason was lack of time; another reason was that they don't want show personal e-mail when sent answers back. This second answer was very strange and incomprehensible for researches, but it was most frequent reason for refuse.

Anyway, researches got essential quantities of answers, but can recommend for future researches create online questionnaire.

Using of web-based online interviewing is new development. Online questionnaire should not be seen just as paper questionnaires transferred to screen. They offer more opportunities for questionnaire writers to be more creative in questions asking (Brace, 2008).

3.4 Observation

Observation is the process of observing the respondents about their current behavior where no questions are asked and their observed behavior or reaction is recorded (Sontakki, 2010).

For this Study Observation Method of Primary data was one of the main. We used classical statements and modern e-commerce statements to collect data by observation method.

According to Sontakki (2010), one of the factors influencing the sale of goods is how it is kept in stock, its display position. Prominently displayed goods will receive greater attention of visitors. In our case it is goods photos positions on screen. We collected data about competitors, exactly kids' online stores: strategies and prices, presented brands, terms and conditions, delivery, return policy, discounts policy. We made interesting and important marketing study, analyzed results and then made our conclusions.

During of development and design of online shop, we based on elaboration work at online market in the field of internet-marketing and e-commerce, especially in marketing experimentation. We compared and analyzed huge amount of online kids store worldwide, compared it, determinate its good and bad sides, advantages and disadvantages, and then like a result understand what we would like to apply to our online shop.

Authors have to read a lot of books aimed to designers of web sites. All of them explain that the customers want an easy life. People will always choose a simple way of achieving their goals over a complex way (Travis, 2004). If customers cannot use site, they will not use it. The easy usability for customers, the most customers will bye. We read a lot that people who want to

buy products are unable to, because of navigator difficulties. So web site need to be useable.

According to Travis (2004, p. 3-15), to make usable online shop, we studied different points:

1. Screen design.

Design and optimizing the colors, fonts and icons will improve usability.

This is important part, but Travis (2004) said that not so necessary part and it takes, at best, 15 per cent.

2. Consistency.

Web sites that score high also show a consistency key facture. It takes for about 25 per cent of a web shop's usability. Intuitively, we spent a lot of time just for consistency and coherence at the online store.

3. Task focus.

Online shop works the way person who designed it expect. The main thing for customer is to make purchase easy. Achieving task focus is hard long process. It takes for about 60 per cent of a web shop's usability, as it can be seen in Figure 3.

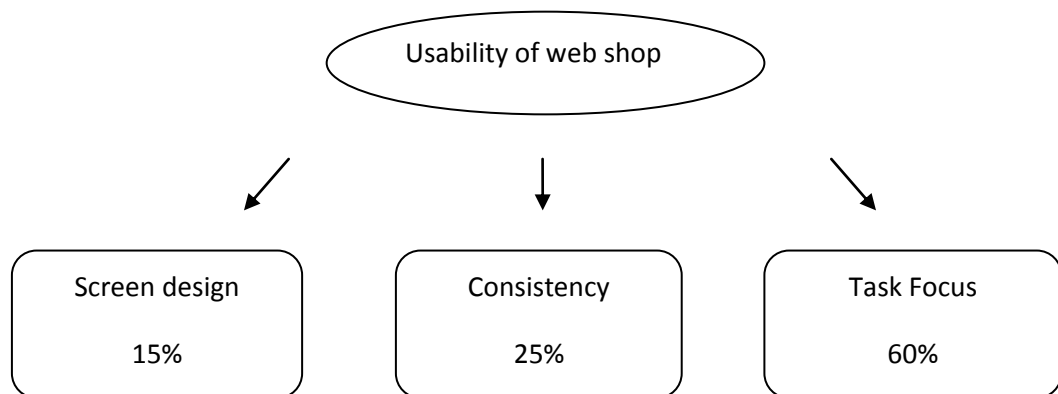


Figure 3 Usability of web shop. From: Travis, 2004

For our studies we need specific demographic information about consumers as education, lifestyle, background, position and attitude to research question, people's attitudes, intentions and buying behavior for a particular product and

etc, which might not be available in any other secondary source. Therefore we choose primary data.

At the end of this part the scheme of research process is illustrated in Figure 4:

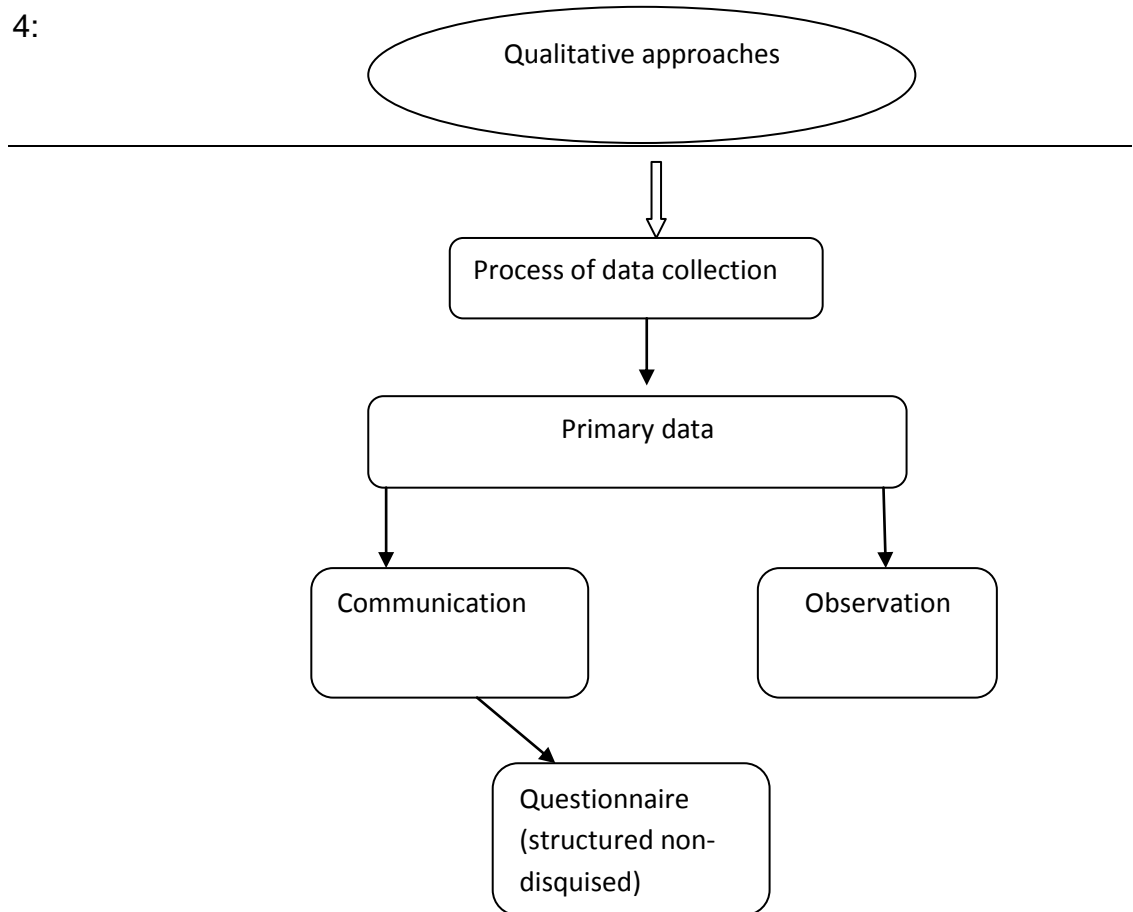


Figure 4 Research Process of current study

4 E-COMMERCE. FRAMING THE MARKET OPPORTUNITY

4.1 E-commerce

The New Economy has been transformed by digital technology in the “postindustrial” period. The primary source of value creation for consumers has shifted from physical goods to service and information.

E-commerce can be define as technology-mediated exchanges between parties (individuals, organizations, or both) as well as the electronically based intra- or inter organizational activities that facilitate such exchanges (Rayport and Jaworski, 2001).

E-commerce refers to all types of electronics transactions between organizations and stakeholders whether they are financial transactions or exchanges of information or other services. Management of e-commerce involves prioritizing buy-side and sell-side activities and putting in place the plans and resources to deliver the identified benefits (Cheffey, 2002).

E-commerce can be broken into four categories: business-to-business (B2B), business-to-consumer (B2C), per-to-peer (P2P), and consumer to business (C2B) (Rayport and Jaworski, 2003)

Business-to-business (B2B) activity refers to the full spectrum of e-commerce that can occur between two organizations. Among other activities, this includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service and support (Rayport and Jaworski, 2003). Here are examples of transactional: Eurooffice (www.eurooffice.co.uk), relationship-building: BP (www.bp.com), media-owned: Emap business publications (www.emap.com), B2B marketplaces: EC21 (www.ec21.com/) (Chaffey, 2009).

Business-to-consumer (B2C) activity refers to exchanges between business and consumers. It means the exchange of physical or digital products or

services and is usually much smaller than B2B transactions (Rayport and Jaworski, 2001). Here are examples of transactional: Amazon (www.amazon.com), Relationship-building: BP (www.bp.com), brand-building: Unilever (www.unilever.com), media owned: News Corp (www.newscorp.com), comparison intermediary: Kelkoo – price comparing service (www.kelkoo.com) (Chaffey, 2009).

Peer-to-peer (P2P) activity involves transactions between and among consumers. This can include third-party involvement, as in the case of the auction website eBay, websites related to personal services, human research, music and movies research (Rayport and Jaworski, 2003). This activities also known as Consumer-to-consumers (C2C): eBay (www.ebay.com), peer-to-peer (www.skype.com), blogs and communities, product recommendations, social network (www.vk.com, www.facebook.com, www.myspace.com) (Chaffey, 2009). Also online payment systems like PayPal where people can send and receive money.

Consumer-to-business (C2B) activity refers to buyer group. Consumers can band together to present themselves as a buyer group in a consumer-to-business relationship. Those groups may be economically motivated, socially oriented (Rayport and Jaworski, 2001)). For example, consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. It empowers consumers around the world by providing the meeting ground and platform for such transactions (Source: <http://www.digitSmith.com/ecommerce-definition.html>).

4.2 Choice of customer benefits

Some believe that the Internet will lead to the communization of products, meaning that the only benefit customers will care about is low price. Proponents of this view argue that products can be comparatively shopped for

across the Internet using “bots” such as mySimon.com. One the product is located; customers select the lowest price, and no other criteria matter. However, Rayport and Jaworski (2003) argue that it does not necessarily lead to the choice of the lowest-prices site. New research suggests that price sensitivity can actually decrease when quality information increases.

Eric Brynjolfsson and Michael Smith studied consumer behavior when using the shop bot DealTime.com. They found that 51 per cent of shoppers did not choose the lowest price item, and that shoppers were willing to pay 3,1% percent more for brand-name items and 6,8 percent more to buy at stores where they had purchased in the past. A 1999 Morgan study on retailing found that price is indeed an important decision point for customers (19 percent reported caring about price). However, a host of other services that imply different benefits were significantly more likely to influence the purchase decision. These included customer support, on-time delivery, shipping and handling, and privacy protection (Rayport and Jaworski, 2003).

Thus, firms that are better able to offer services and the associated benefits will continue to compete and win on attributes other than price. Some authors argue that firms that attempt to compete on more than one benefit create two basic problems. The first, on the demand side, is that multiple messages confuse customers. The second, on the supply side, is that systems must be uniquely constructed to delivery certain benefits. Choosing two conflict benefits (e.,g.,fast delivery and low prices) will lead to compromises in strategy development – average performance on two benefits. Important whether the benefits work together to fill a customer need (Rayport and Jaworski, 2003).

4.3 Preliminary e-marketing outline

4.3.1 E-marketing process

E-marketing or Internet marketing plan will help define specific e-marketing objectives and develop strategies to ensure that resources are deployed to take advantage of the marketing opportunities provided by the Internet, and to

counter its threats. The term Internet-marketing tends to refer to an external perspective of how the Internet can be used in conjunction with traditional media to acquire and deliver services to customers (Chaffey, 2009).

Figure 5 shows that there are three main operational processes involved in

E-marketing:

- *Customer acquisition.* Attracting visitors to a web site through reaching them via search engines or advertising on other sites.
- *Customer conversion.* Engaging site visitors to achieve the outcomes the site owner seeks such as leads, sales or browsing of other content.
- *Customer retention and growth.* Encouraging repeat usage of digital channels and for transactional sites, repeat sales.

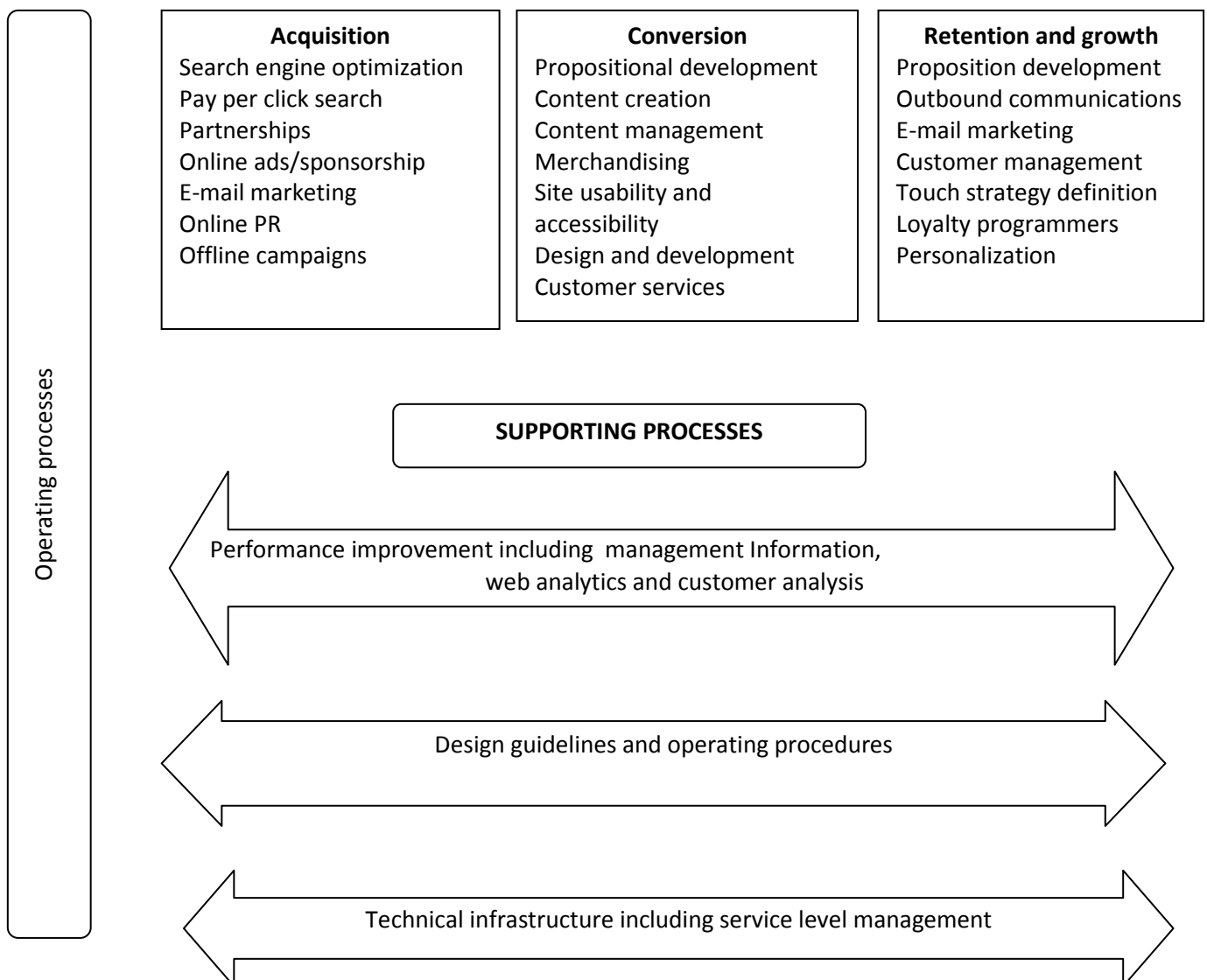


Figure 5 The operational processes of e-marketing.

From: Chaffey, 2009, p.413.

4.3.2 Six elements of the SOSTAC® approach.

Since the e-marketing plan is based on the objectives of the e-business there is overlap between the elements of each approach, particularly for environment analysis, objective settings and strategic analysis. It is an addition to business strategy to detail how the sell-side specific objectives will be achieved through marketing activities such as marketing research and marketing communications (Chaffey, 2009).

Starting to write e-marketing plan, authors of this Study faced with one big problem: the more necessary to dive into arrays of data and information, the more porridge is formed in the head. During in investigating we found a simple and convenient model for planning - SOSTAC®.

Paul Smith in the 1990s developed SOSTAC®, a generic framework for e-marketing strategic planning (Zhaohao, 2009). SOSTAC® is actually a protected registered trademark (registration number 2219677 to be precise) (<http://www.prsmith.org/sostac.html>).

SOSTAC® summarizes the different stages that should be involved in a marketing strategy from strategy development to implementation (Chaffey, 2009). It is clear framework which is breaking down strategy plan into six elements (<http://webyogi.co.uk>). Figure 6 shows the SOSTAC approach in scheme.

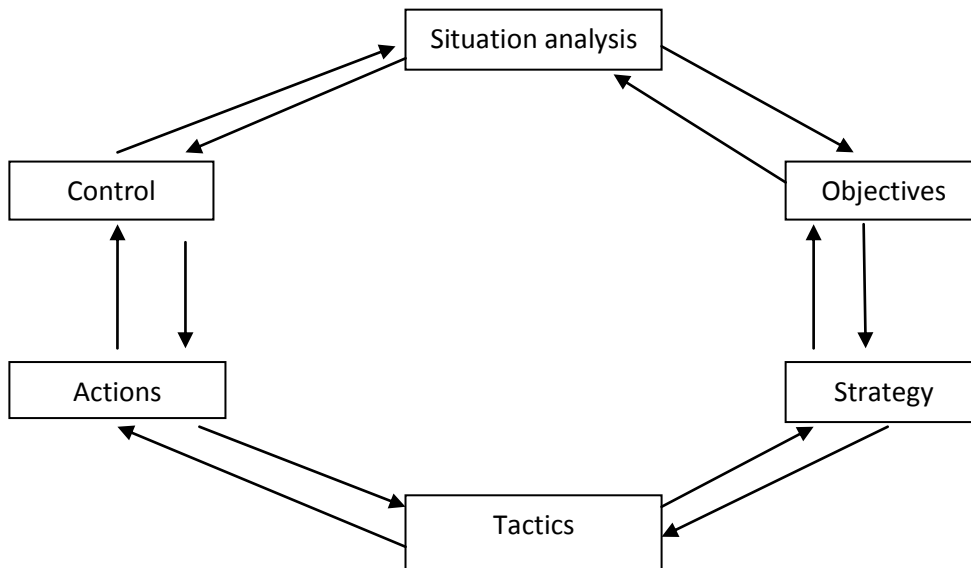


Figure 6 SOSTAC® - a generic framework for e-marketing planning (From: Chaffey, p.419, 2009).

1. S - Situational analysis. Our current location.

Authors of this study established firm that focused on the retail supply of good quality children's clothing over Internet, initially, a retail online shop www.mybaby.fi.

This shop suggests kid's fashion, kid's clothes from European brands by reasonable prices. The products of this online shop are good quality children's clothing for years 1-8 years with some selected toy offerings as part of the product suite and furniture sets for children rooms for this age. Shop presented in three languages: Finnish, Russian, and English.

Slogan of r online shop reflects owner's emotions, feelings, concernments in its simplicity. It is just few words in which we want to share with people our attitude to life: "We create the future. With Love."

The owners of www.mybaby.fi are young moms and consider themselves like experts in children's clothing sector. One owner is Svetlana Jaruta has an

extensive experience in the building area in wholesale and retail product development and marketing, another owner – Natalia Denisova has great experience in HRM area at international company and over the past years in logistic area. But today, additionally acquired profession of Mothers, let them feel themselves confident in the field of children's fashion.

During the last year, at the time of studying in the University of Applied and Sciences in Kouvola, owners have seen considerable opportunities in the children apparel business and have thus decided to start their own business in the children's clothing area. Table 3 contains SWOT analysis of online shop www.mybaby.fi.

Strengths	Weaknesses
Good quality and affordable prices	Payment for post fees for return
Clothes and shoes combined with each other	Finnish language - it is a third language for producers
Good customer services	Site was produced outside of Finland – have to adapt
Modern and stylish interface	high cost of delivery
Readiness for every kind of cooperation	SEO for site is not perfect
Unique brand for Finnish market – Crios (Spain shoes)	No e-commerce experience early
Flexible in discounts decisions	Lack of financial resources
Opportunities	Threats
Possibility of drop shipping clothes from suppliers	The small amount of suppliers
Possibility of managing the distribution process	Tough competitive environment
Possibility for owners to self-employment and self-realization from home	Hacker attack against website at all
Possibility to build closer relationships with existing customers and supplier online (Chaffey, 2009)	Small firms is a most sensitive to Economical unstable environment
	Treat that inventory will not be sold

Table 3 SWOT analysis of online shop www.mybaby.fi

Below SWOT detailed analysis of online shop www.mybaby.fi is provided.

Strengths of new online shop www.mybaby.fi:

- Good quality clothes and shoes at affordable prices
- Clothes and shoes can be combined with each other. In one store customer can easily pick up a few things that will complement each other. Also planned delivery of children's furniture. Parents can build an ideal place for kids, because one set of furniture divided into many themed collections for boys and girls (sport, secret garden, cars).

Range of furniture consists of many functional pieces, such as baby cots, beds, wardrobes, cabinets, drawer chests, bookstands, toy chests and desks. Children spend a great deal of time in own room that why it must be safe (quality of materials, should not have sharp corners and parts) and sturdy. Children's imagination has no limits; they love fairy tales, so they like to be in rooms full of color where they feel special, like the heroes from their beloved tales. When parents design furniture for kids all of the above must be taken into account. That is why we would like to sell exactly this kind of furniture. (Source: www.mybaby.fi)

- Good customer services. Free returns, free shipping for order over 100 Euro. Parcel wrapped in a beautiful colorful package with the logo of the online shop, the clothing is packed in a colored gift paper. This small addition cheers up moms and make the purchase more enjoyable.
- Modern and stylish interface of online shop
- Flexible in discounts decisions
- Readiness for every kind of cooperation
- Unique brand for Finnish market – Crios (Spain shoes)

Weaknesses of new online shop www.mybaby.fi:

- From one side, we give to customer possibility of free return, but from another side, customer has to pay post fees, but it related to disadvantages of every e-commerce enterprise.
- Shop is available in three languages (Finnish, Russian, and English). For owners the Finnish language - it is a third language, and there are difficulties

with the translation and grammar with Finnish. Today necessary to find outsource person who can help with the issue of the Finnish language.

- Site was produced outside of Finland and needed to be adapted for Finnish online market.
- The high cost of delivery. Necessary to find the options for reducing of shipping cost.
- SEO of site is not perfect and it is not adapted for Finnish market. That is why it difficult for customer to find us in Google with search keywords.
- Owners haven't e-commerce enterprises experience
- Lack of financial resources

Opportunities of online shop www.mybaby.fi .

- Possibility of drop shipping clothes from suppliers
- Possibility of managing the distribution process
- Possibility for owners to self-employment and self-realization from home
- Possibility to build closer relationships with existing customers and supplier online (Chaffey, 2009)

Threats of online shop www.mybaby.fi.

- The small amount of suppliers
- Tough competitive environment
- Hacker attack against website at all
- Small firms is a most sensitive to Economical unstable environment
- Treat that inventory will not be sold

2 O – Objectives. Where do we want to be?

The mission of new online shop www.mybaby.fi is to deliver good quality children's clothing at affordable prices to its target. The main task for www.mybaby.fi is not only to find customers, but also to retain them in long-term orientation. It is necessary to make a lot of work that customer expectation of purchasing has been satisfied, namely: good quality, service, fast delivery.

The goals and objectives of the www.mybaby.fi:

- to provide and deliver good quality children's clothing to a variety of customers (B2C)
- to expand and sustain a high level of consumer satisfaction in long-term orientation
- to provide and implement a wholesale supply of children's clothing provided by the online store to other offline shops in Finland, and Russia (B2B)

2. S – Strategy. How do we get there?

The strategic objective of online shop www.mybaby.fi is to offer a good quality children's clothing over Internet firstly in Finland, initially is developed.

The first target audience is mothers of children who live in Finland, and the second target audience is mothers, who live in Russia. This is due to lack of owners time, namely small children, working with master thesis, opening of the firm, online shop creation, working with suppliers does not allow possession.

In the future, the owners are planning to enter of Russian market. However, there was no pre-planned, the company became involved in the wholesale supply of children's clothing, provided in the online store in other offline shops in Finland. Maybe in the future the key differentiator of firm will be wholesale offering of good quality children's clothing and toys at affordable prices to offline shops in Finland and in Russia. The focus in the first year is in building the online shop www.mybaby.fi and increase exposure among the target market.

The good quality children's clothing provided by online shop www.mybaby.fi will be positioned in the market as of good quality at affordable prices. This will entice the parents of the children searching for value and quality in their children's clothing.

4 T – Tactics. How exactly do we get there?

This part should describe details of firm's strategy and tools which will help to reach the goals. These mean e-marketing mix tools, such as communication, social networking, e-campaigns.

5 A - Actions. Who will do what?

This part describes responsibilities and structures, internal resources and skills.

The start-up capital of the firm is 2700 Euro. The firm utilized the start-up capital in building the business. The start-up capital was sourced from the two owners. The firm utilized capital to provide for the funding requirements of the business:

2400 Euro – to start-up business in Finland and put it on company's bank account

350 Euro – tax

Owners had 2400 Euro capital which was utilized by next step:

400 Euro – web site development in Estonia

1000 Euro – expenses by visiting Children Affair in Italy, Florence to find potential suppliers.

Next, the owners have invested an additional 5,000 Euros for the purchase of goods for the store.

Business is growing – this is the key performance metric for owners for the first year. Owners could not provide to open resources information about the planned financials and metrics of the business.

7 C- Control. Did we get there?

This part includes measurement, monitoring, reviewing, updating and modifying.

Sales through the Internet-shop are small. Customers find a store via word of mouth. Owners have to make a lot work related to site promotion, and to content improvement. The result is estimated by number of visitors and the amount of purchases is made (Chaffey, 2009).

Measurement of the effectiveness of e-marketing is an integral part of the strategy process in order to assess whether objectives have been achieved. The loop is closed by using the analysis of web analytics data metrics collected as part of control stage to continuously improve e-marketing through making enhancements to the web site and associated marketing communications (Chaffey, 2009).

4.4 Web store architecture from e-commerce point of view

Rayport and Jaworski (2003) give us such a scheme of the process of creating web site, which is shown in Figure 7:

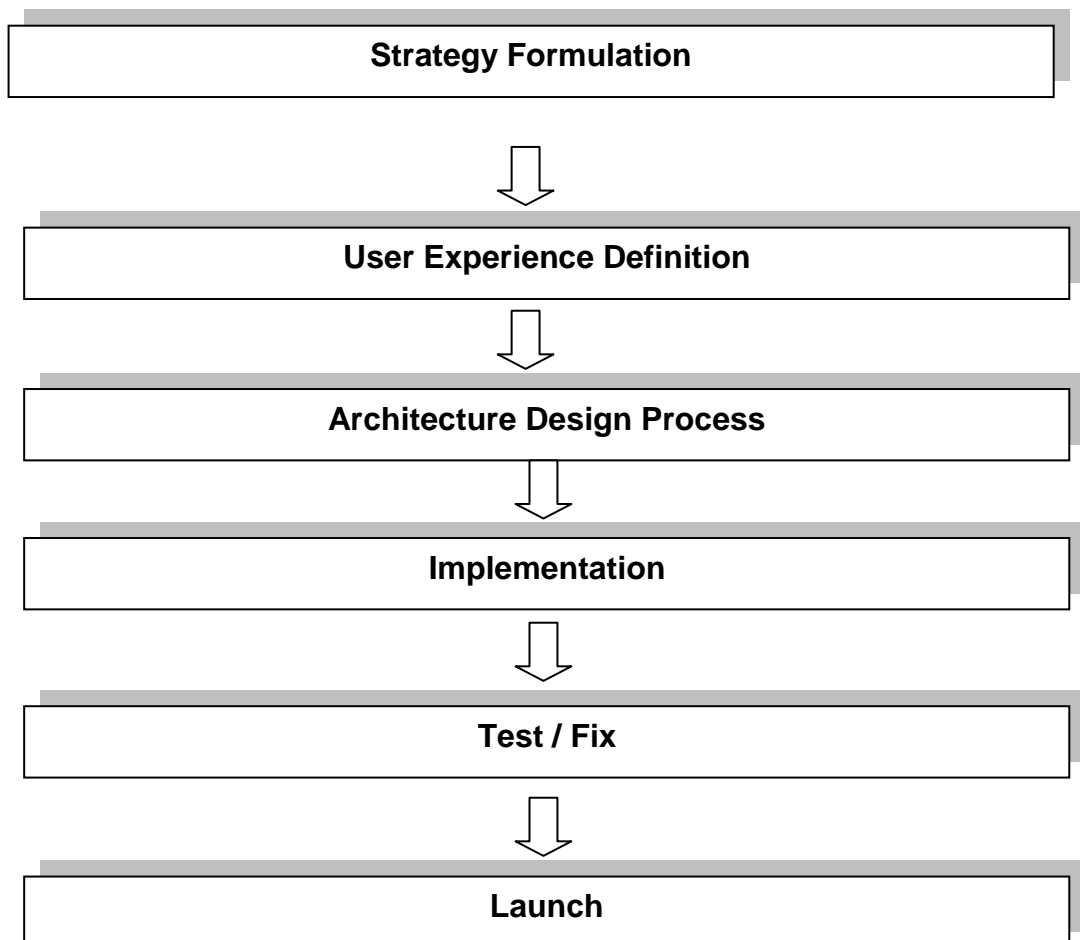


Figure 7 Processes for Building a Website.

As we have already formulated our strategy and defined our target customer group (users) in previous chapters, we can follow with architecture design process.

The goal of website development is to present functionality and content through some type of visual interface (ibid.2003, p.307). But this process is challenged by its multidisciplinary nature. Successful site development requires from developer / developers to cover such different areas such as (ibid.2003, p.310):

1. Business strategy
2. Functional / subject-matter expertise
3. Information architecture
4. Content development / writing
5. Visual design
6. Interface design
7. Technical architecture
8. Database administration
9. Data modeling
10. Technical development
11. Quality assurance team lead
12. Quality assurance testing

In our case, almost all issues were covered by owners of web-store www.mybaby.fi who are the authors of this thesis at the same time. Only the technical issue was outsourced to Estonian web-design company Art Labor (www.artlabor.ee).

4.4.1 Domain name

The domain name system (DNS) makes it easier for people to use the Internet without having to remember or write down complex strings of numbers (Lachtnain, 2011). Every computer connected to the Internet has unique address called IP address (International Protocol address). Those addresses

are seemed like phone numbers, for instance something like 192.168.0.1. For helping people not to remember these difficult numbers, there DNS was created. DNS takes domain name which is much easier to remember for ordinary people and translate it to IP address form, which only computers understand.

“On the Internet, a domain is part of every network address, including web site addresses, email addresses, and addresses for other Internet protocols such as FTP, IRC, and SSH. All devices sharing a common part of an address, or URL, are said to be in the same domain.” (Knowledge Base of Indiana University, 2013)

Choosing a domain name is a key step in developing your website. In Russia there is such a proverb: How you call the boat, so it will float. So, name means a lot. It is one of the most common way people will find you in the Internet. It must be memorable, catchy and unique (Plumley, 2010). In the most of situations the best way to find a domain name that describes your business or what you do. Another way is to create unrelated by catchy and distinctive name.

It is possible to start with list of words you like or just non existing phrases or letter's combination. Use a brainstorm to make all possible ideas to be born.

We created several variants also: babyclothes.fi, mybaby.fi, mansikka.fi (because it so beautiful name and all kids like strawberry).

To get an own domain, you must purchase it from a domain register. Every country has such institution. In Finland it is Finnish Communications Regulatory Authority (Viestintävirasto, www.domain.fi). It registers all domains with "fi" extensions.

We registered there our main domain name mybaby.fi for our web store project, and also nsproject.fi for our company generally in January of 2013.

Usually, domain name is rented for 1 year with prolongation availability. Rent and registration does not cost a lot. For new name this cost is about 12 euro per year (<https://domain.fi/info/en/index/hakeminen/hinnatmaksutavat.html>).

Of course, there is a possibility of free hosting (we will talk about hosting a little bit later, in physical architecture block) and free domain names servers, but having a domain name gives you such advantages like distinctive and professional e-mail address and web address, easy changing possibility of hosting provider without loss of domain name, your employee (if any) will also have e-mail addressed visually connecting to your business (Lachtnain, 2011).

Thus, we have got our e-mail addresses Natalia@nsproject.fi, Svetlana@nsproject.fi, and info@mybaby.fi, and we already have an experience of hosting changing. But we did not lose our domain names exactly because we paid for them in the beginning of our project.

4.4.2 Logical vs. physical architecture

Generally, every site's architecture is divided into two parts: logical architecture and physical architecture.

Logical architecture attempts to define the system "in terms of its software components and the desired functionality of those components." (Rayport and Jaworski, 2003). Usually it is all software components, from existing systems to all required in the future to build the site. It includes all the functions that site can perform. Those functions are divided into modules.

Modules are functionalities such as shopping cart or a search box (ibid.2003, p.341). As the logical architecture is created the first, when site design is starting, it helps to define all necessary requirements to physical architecture, and defines which modules are presented in the site, which modules interact with others, and by what means those interactions occur. There are the core modules and peripheral modules. The core modules or sets of modules provide the main functionality of the site. Peripheral modules deliver ancillary services of information needed by the main modules.

A number of logical architecture models have been created by present moment. You can choose between them depending on business needs. Some models provide reliable security, other give easy maintenance. According to

Rayport and Jaworski (2003), all those models can be divided into four main types of logical architecture:

- mainframe architecture,
- client/server architecture,
- n-tier architecture,
- distributed architecture.

We will describe n-tier architecture in more details further, as the most often usable for the modern web sites.

Physical architecture describes hardware and third-part software needed to host and maintain a website (ibid.2003, p.340). This type of architecture includes computers, where logical architecture (software) will run, the network, if there are several machines for one site, and other especial hardware needed to implement site's design idea. Developing a physical architecture is usually done in parallel with the logical architecture, but it is driven by priority of the logical architecture needs. Nevertheless, there should be a balance of costs, complexity and functionality. Generally, the more complex and functional site is, the more it will cost and the longer it will take a time to develop (ibid.2003, p.360).

There are possible different ways of running logical-physical components. It can be one-to-one logical to physical mappings, and also multiple logical components – a single physical component way. But both components are very important in creating a site.

Creating a site, not depending on its architecture types and proportion of logical and physical architectures, there is one rule to be kept in mind: in order to be successful, must fulfill some needs for its visitors (Crowder and David 2008). "The word "need" doesn't have to be interpreted too strictly. After all, how many people really need a \$400 leather jacket? Or handcrafted miniature car? Yet, there are sites that are successfully selling such items." (ibid.2008, p.27).

Crowder and David (2008) say also about the main goal of creating or developing, or buying new site: every person visiting your site should walk away happy. The key for visitors happy is to satisfy their desires. Then they

will come back again and again. There is one common mistakes of starting designers: they think that people come to sites only for what they really have to have. However, internet is the part of real world, where people are more driven by emotions, than by logic. So, it is necessary to come by site creating from the potential customer point of view. Does a site solves some of customer's problem or provides them with product they are searching for?

Thus, logical and physical architecture serves to satisfying customer needs, or at least must to serve so.

4.4.3 Hosting

It is very important issue where a site will be hosted, or in other words - where the servers that run the site will be located. A web host serves as a website's secure, high-bandwidth, professionally maintained connection to the Internet (Rayport and Jaworski, 2003).

Professional web hosting – it is already very serious business in b2b field. Web hosts have powerful and solid equipment – servers and data centers, which connection to the Internet web hosts lease out to customers. Customer's site content resides at the web host's location, and customer can manage their content from a remote location (2003, p.363). Management is carried out through control panel (c-panel) of customer interface. All changes of customer's site content are made by customer itself - adding, deleting and editing information, downloading pictures and videos, publishing news, etc. Web host provider just submits a proper space on the server / servers for all those needs and provides Internet connection with a high bandwidth.

What for you should pay attention when choosing web hosting provider? Here are the most important issues:

- Reliability. A great web site is useless if no one can get it, so the reliability of your web hosting provider is vital (Plumley, 2010). Reliability means no accidental outages or drops in speed. Actually, it happens with every hosting, but there is a question of frequency and lasting.

- The wide range of support for clients. There are five key types of support to look for: direct support, video tutorials, contextual help screens, knowledge base, and user forum (ibid.2010, p.21).
- Good hosting Control Panel (cPanel). A hosting control panel is an interface that makes it easy for the average user to perform tasks that, in the past, had to be performed by the web hosting provider's staff (ibid.2010, p.23). There are two qualities to look for in a hosting control panel: comprehensiveness – the panel should allow you to control much more than just e-mail accounts and file uploading, and ease of use (ibid.2010, p.24).

The following hosting alternatives are available: free, shared server, dedicated server, co-located server, and in-house hosting (Rayport and Jaworski, 2003).

Free hosting is a very good option for very simple sites, such as personal homepages and blogs. There is a plenty of free hosting providers, including Yahoo Geo Cities (geocities.yahoo.com), Homestead (www.homestead.com), and Tripod (tripod.lycos.com) (ibid.2003, p.363). Their services are free of charge, but there are limitations in amount of data you can store, in amount of bandwidth you receive and in kind of content you are allowed to host.

Shared server hosting is more solid and better alternative than free hosting for companies who want to do business in the Internet. Shared server means that few web sites of different companies are placed on the same server. This is the best way for small companies looking for such options as high bandwidth, big storage space, increased security, electronic payment and database software (ibid.2003, p.363). However, there is also possibility of overcrowding and lax security (Plumley, 2010). So, it is important to check what policies web hosting provider has for each of both issues.

Dedicated server hosting is a good alternative for larger websites. This is the next step after shared server hosting. It provides own dedicated server what means in its turn additional bandwidth and processor power. In line with additional options dedicated server means more costs for company.

Co-located server hosting. This alternative means that customer actually owns the server, and he or she is paying only for bandwidth and a physical space for server (Rayport and Jaworski, 2003).

In-house hosting. All previous types of hosting are some kinds of outsourcing solutions. In-house hosting is definitely another option, and can be suitable for big companies with proper resources. It means that customer owns servers, which are located on its territory. Those servers are served by customer's staff employees.

As far as we are small company, we chosen shared server hosting for our needs. Dedicated server is too expensive for us, and we do not need such service, because our site is not huge. We have already changed hosting provider once due to technical mismatching between our site configuration and server settings. Every day our site setup was reset to the initial conditions. After couple of weeks of such problems, we decided to change hosting provider. We have addressed to Estonian company Tantum Group (www.tantum.ee), which we were recommended by our web designer. We dealt a year contract for 45 euro with them and now our site works very well.

We cannot say anything concrete about its reliability, we have not faced with any outages or speed drops by the present moment, but this hosting provider has quite good references from other clients. So, we have no problems with reliability yet. As for support tools range, it has 4 of 5 main support services: direct support, video tutorials, contextual help screens, knowledge base. They have no yet user forum, but as far as we know, they are going to open it. And, finally, this hosting provider has very simple and logical control panel for customers.

4.4.4 N-tier architecture. Today's websites.

N-tier Architecture is one of the logical architecture types. Most of today's websites are built on some variant of the n-tier logical architecture model (Rayport and Jaworski, 2003). "Most follow the three-tier model, consisting of a data tier, a business-logic tier, and a presentation tier. In this model, the data tier is responsible for storing and retrieving data, the business-logic tier is responsible for implementing business rules, and the presentation tier is

responsible for communicating with the user.” (ibid.2003, p.351). Figure 8 gives the layout of 3-tier logical architecture.

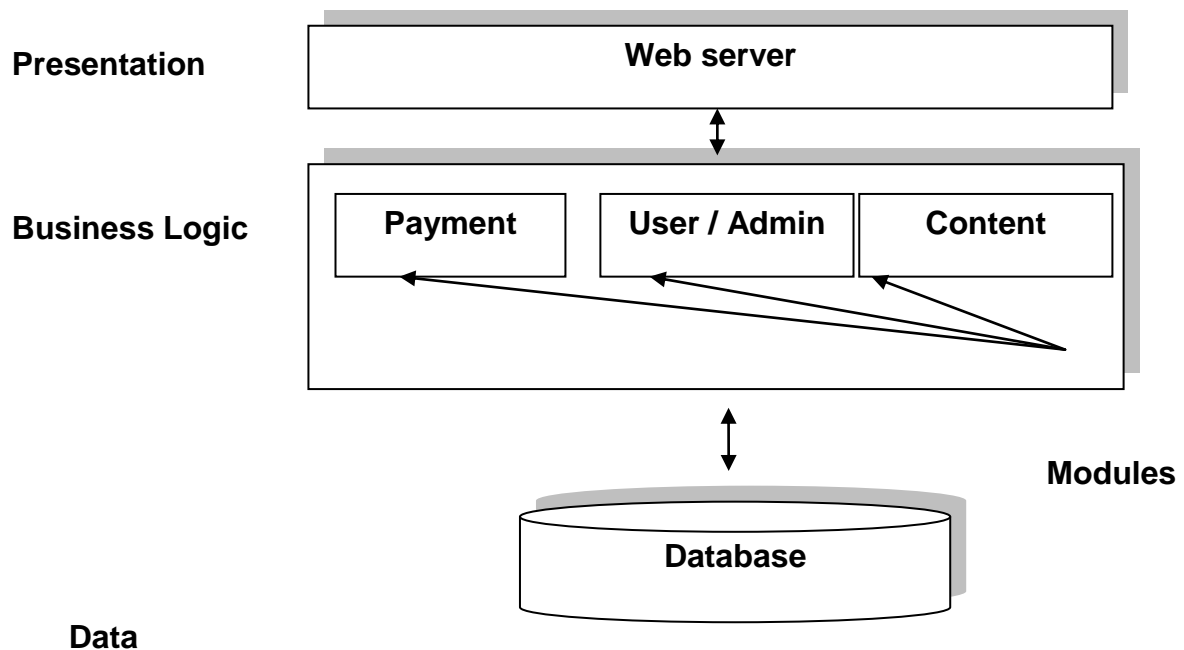


Figure 8 Three-tier Architecture (Rayport and Jaworski, 2003, p.351).

Dividing responsibilities for different function gives a beneficial opportunity to use appropriate technologies and products for each segment. There is also possibility to use integrated products, which are offered by different vendors. You can choose what better fits your business needs. For example, we use separate software for payment module (Paytrail, former Suomen Verkkomaksut).

Besides, there is one more important issue of communication between layers. In this model most of communications occur with standard, well-understood parameters called protocols (ibid.2003, p.352).

We mention exactly this model of logical architecture because the following part is close related to it.

4.4.5 Content Management Systems (CMSs). Joomla!

A Content Management System (CMS) - is an application that runs on a web server that allows you to develop and maintain a website online (Tiggeler, 2010).

“It comes packed with tools and features, from basic features to add and modify content to advanced functionality such as user registration or site search capability. In short, a CMS makes it possible to build sites that would normally involve a full team of professionals with a massive amount of time, money, and expertise at their disposal.” (ibid.2010, p.8).

At the heart of this technology is exactly the three-tier client / server architecture. This architecture as was mentioned above divides the data between

1. Client (presentation layer);
2. Application server (modules, business layer);
3. Data base.

Content management is very important.

“...there is one sound that you’ll come across so often it will remain stuck in your head like a bad pop song. “Content is a king”. It’s the Internet chorus, that everyone says when they give advance to new publishers, and what everyone believes as they build web site. And they’re right, of course. The Internet is made of content.” (Comm,J. 2010)

So, content is a king. We as Internet users first of all search for content we need. And we see only the content while using Internet, surfing the web pages. Some people look for news, some for interest articles and journals, some – for fashion trends, some - for funny videos, some for professional photos, so on, so on, and so on. These all are content, which it is possible to use at web site, of course. Content is like filling of pie, which is designed for customer. What kind of this filling will be used depends on you.

The better the content, the bigger sites attendance, the more influences site has over customers. The more sites attendance, the more influence site has

over the customers, the more conversion rate is. Sites ability to earn money in the Internet is limited only by ability to create content people really need. That is why it is so important to be able to manage content and to be able to use CMS.

There are a lot of open-source CMS around. There are great tools, which have their own benefits. Joomla! is an award winning CMS used for building multiple types of websites, including e-commerce sites (Sarkar, 2009). It is very powerful, and probably the most popular CMS due to its powerful features which make users enable to easily and rapidly build and manage rich web sites. Joomla! 1.0. was released in the end of 2005 with a revamped Joomla! 1.5. being released in 2007 (2009, p.8).

Sarkar (2009) and Tiggeler (2010) describe the following benefits and features of using Joomla! CMS: easy installation and administration, thousands of extensions are available, separation between frontend and backend, access control, easy system of templates, what allows very easy to change the site's appearance, easy extensibility through components, plug-ins and modules, search engine friendly URLs, actively developed and widely supported open system.

We were recommended to use Joomla! for the same reasons. We cannot allow for ourselves to hire professional IT specialist, who could manage the content constantly. We need to do this function itself. So, we needed very simple, logical and understandable CMS, which is created for ordinary users but not for professionals. By advice of our web designer, we looked through some sites, built on Joomla! CMS and we really liked them very much. One more benefits which was very pleasant for us - Joomla! is free of charge system, you have not to buy license every year for continuing using. It is very important issue for start-up new e-businesses.

4.4.6 Build vs. buy

Before creating a web site, you need to decide who will build the site and who will maintain it. Rayport and Jaworski (2003) notice that there are typically three different scenarios:

1. The company builds and maintain the site
2. The company hires a third party to build the site, but maintains it internally after launch.
3. The company hires a third party both to build the site and maintain the site after launch.

Another author Plumley (2010) says about four possibilities:

1. To hire web-designer.
2. Get a site template.
3. Get a template site.
4. Do it yourself.

Every way is limited by financial sources, time and required skills. But whatever you will choose, there is necessity to remember that web site creating is not only about making a site to look good, it is much more. Visual appearance must to match with main goal of e-business, is that entertainment, selling, informing or something else.

Here are some advantages and disadvantages of all alternatives.

To create a site with the 3d part hired often costs a lot. Prices for building web sites easily can reach seven-figure range for even a modest site (Rayport and Jaworski, 2003). At the same time, for your money you will get absolutely customized site you wanted to see it, not just in design, but in layout and functions (Plumley, 2010).

To do a site yourself, starting from zero point or even with site template requires a lot of skills, design and HTML knowledge. Even if a template includes several layouts, they probably aren't exactly what you need (ibid.2010, p.50). As a huge plus of this way is low cost. As a minus – high time costs, if you have never done it before.

Get a template site, or to buy ready-to-use site may cost quite low. This way is the fastest alternative to get your own site. Nevertheless, there is low flexibility in layout or design, if you leave a host you can take only the content, but not the design (ibid.2010, p.50).

When we started our project, we also thought about this alternative to buy ready web shop. Many companies offer attractive contracts with possibility of new web site using just in two hours after payment. For example, Finnish company Suomen Valmispalvelut Oy, Servia Finland Oy, Verkkotaikurit Oy offer ready solutions for entrepreneurs.

The price of site rent starts from 40 euro per month. This is very affordable price for start-up projects. Nevertheless, during the first year you will spend more than 500 euro, and this sum is approximately $\frac{1}{2}$ of own site price. Besides, we did not like a lot ready site's design. We wanted to put into the site a part of our preferences, dreams, sense of style and so on. We wanted to site to be exactly our. That is why we decided finally to invest the money to or own web site, not to waste them for rent, and hired web designer in Estonia (www.artlabor.ee).

He used a site template with popular Joomla! content management system inside for our project. However, every idea about colors, printing type, logo, slogans and layouts was created by us; web designer just implemented them into reality. Creating the site took a time of 2 months totally, but it was stretched in 6-months period. Such a long process is explained by our full-time job, children and family duties, and study at MBA program of project owners.

As a result now we have colorful stylish web site, which people like. The work is not finished, and we continue to improve the site. We still have a lot of work on site filling with goods, interesting content, and of course with promotion and advertising of it.

We keep on learning; have started recently to study the Photoshop program to edit photos and pictures. We like very much to see a proper result of our hard working, we really enjoy of our new job and we hope for great success of our project. Figure 9 shows the home page of our site.

mybaby boutique We create future with love

News Sign In Become a member Search...

HOME BOYS CLOTHES GIRLS CLOTHES BOYS SHOES GIRLS SHOES FURNITURE WHOLESALE

Bright and colorful baby clothes and shoes!

KIDS FASHION NEWS

SIGN UP AND GET 10% OFF!

30 DAYS FOR RETURN AND REFUND

FREE SHIPPING FOR ORDERS OVER 100€

SIGN UP AND GET 10% OFF!

Paytrail

Sign up for newsletter

mybaby COMMUNITY

CONTACT INFO

<http://mybaby.fi>
 NS Project OY
 Y-tunnus 2522523-5
 Lehtopellinkuja, 1
 49220, Siltäkyliä,
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 FINLAND
 phone number:
 +358 44 504 06 81,
 +358 50 400 79 00
 e-mail: info@mybaby.fi

NEW COLLECTION

ABOUT US

The Finnish company NS Project OY - young and active company working in the field of children's clothing trade, footwear and furniture for children's rooms - At the moment we are an official representative of Spanish footwear brand CRIO'S in Finland. We are also working with brands such as English skirts Angel's Face, German BLUE SEVEN and Polish furniture factory Baggi. [Read more...](#)

FAQ Shipping and Delivery Payment options Privacy Policy Returns and refunds

MyBaby.fi © | 2013 NS Project OY. All rights reserved.

Figure 9 Homepage of site www.mybaby.fi

4.5 7Cs framework

The interface is the virtual representation of a firm's chosen value proposition. Similar to a retail storefront, the virtual website provides significant information to current and prospective target-market customers. If designed effectively, the

site quickly answers a number of basic questions that confront such users (Rayport and Jaworski, 2001).

The 7Cs designed Elements of the Customer Interface (7Cs Framework) – representation of website in seven design choices that form the basis for an effective interface. It based on context, content, community, customization, communication, connection, commerce (Rayport and Jaworsky, 2003). The 7Cs Framework of www.mybaby.fi presented bellow in Figure 10.

context	<p>Sites design, functional looking-feel. It focuses on “how” is presented.</p> <p>The context of a site can take many different forms; the two key context dimensions are function (section breakdown, linking structure, navigation tools) and aesthetics (colors, graphics, photographs, font choices). Site www.mybaby.fi (Figure 10.) designed in such way to make information easy to retrieval. It has a hybrid design. The content of site includes text, articles, photos, and graphics. At the advertising window customer can see brands pictures (inside information about brands), slogan, discounts, and planning action in nearest future. Below, there are briefly information about return policy, and shipping. Below, site displays all payment systems. Also there are represented article about firm, photos of new collection. Site is compact enough, but on the home page provides a lot of useful information. But for the store development, it is necessary make improvements constantly. Mybaby.fi has bright colors, bright pictures. Since the site is for the parents, owners did not do quiet "children" colors, and preferred the stylish bright design. Value proposition is clearly stared near with logo – slogan: “We make Future. With Love”. At the nearest future there will be another value proposition concern to affordable prices: discount products. Using of dark grey text color is consistent throughout site.</p>
content	<p>All digital subject matter: Text, pictures, sound, video, graphics, product, service, information offering - all that webpage’s contain. It</p>

	<p>focuses on “what” presents. Front page promotions of mybaby.fi are changing constantly. Site is aimed to parents. Visitors can read kids fashion news.</p>
community	<p>Communication between site users (for two users: e-mails, joint game-playing, to shop simultaneously; for one user and many: chat rooms. Today community of www.mybaby.fi is facebook, vkontakte, and instagramm.</p>
customization	<p>Site ability to tailor itself or to allow users to personalize the site. When the customization is initiated and managed by firm – <i>tailoring</i>, by the user – <i>personalization</i>). Consumer may type information about itself. When customer submits personal profile data is he begin to use the site, and the site in turn also uses this data. Site will send e-mail messages to consumer inform about news, articles to advertise it. Site www.mybaby.fi also will use the same way tailoring.</p> <p>.</p>
communication	<p>Dialog between the site and its users:</p> <p>Site-to-user communication (e-mail notification); user-to-site (customer service request), two-way communication (instant messaging). Today mybaby.fi has just site-to-user, communication and user-to-site communication.</p>
connection	<p>Extant of the formal linkages between site and other sites.</p> <p>Mybaby.fi does not have any connections to other sites. But in the nearest future owners will make it. In particular, Landsend.com supplies the affiliate site with banner ads to link visitors from the site to the www.Lendsend.com.stor. The affiliate partner earns 5 percent on every sale that occurs on a click-through from the site. If a customer is a first-time Lands’End buyer, the affiliate earns an additional finder’s fee. This is good experience and mybaby.fi now in the process of negotiation with another web stores to link visitors from them.</p>

commerce	<p>Sale of goods on the site.</p> <p>Online shop www.mybaby.fi has transactional capability. It has the typical “shopping basket” feature along with shipping information. The shopping basket can be viewed at any point in the shopping experience. Also there are information about quantity, size, availability. As a summary feature, the site displays the total product price, tax, discount, notes and special requests, and shipping cost (if it selected). If customer wants go further and accept order he has to input billing information (name, contact address, phone number, shipping address. Then customer makes decision about payment method. Mybaby.fi suggests lots of option: banks transaction through Finnish banks, Visa, Visa electron, Master card, PayPal.</p>
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Figure 10 7Cs Framework: www.mybaby.fi

The success of online shop depends on the extent that all of the Cs work together to support the value proposition (Rayport and Jaworsky, 2003).

4.6 LOGISTICS

4.6.1 The ABC of great supply chain management. A beginner's guide to online business logistics

Great logistics and proper supply chain management is needed for every business to reduce cost and to operate as effectively as it able to do. There is no difference for online shops.

We observe the retailing revolution during few last years. This revolution brings immense benefits to the global logistics. The online shopping market now accounts up to fifth of all purchases and it is growing between 15-20% a year in Europe and the US and approximately 75% a year in China (Manners-Bell, 2012).

At the same time with growing online shopping market face with growing pains of different types. John Manners-Bell write: “Take China for example. The express and logistics industry has just not been able to keep pace with the growth in demand. Quality has become a critical issue, with delivery deadlines across the holiday season being missed. This undoubtedly will slow the take up by Chinese consumers”. (Manners-Bell, 2012)

So, logistics and delivery options are crucial issues for online businesses, as we can see. Online logistics services are still developing and adjusting to the demand, customers and business owners needs.

According to the Driving Business Online Initiative (2013), here are some key points to consider when managing the supply chain for your online business.

- Product suppliers. Build relationships with a number of different suppliers to avoid the situation when you can not get the required goods from one supplier.
- Inventory management. Keep the balance between having enough products to fulfill your orders and properly managing your product inventory so that it doesn't tie up too much working capital or cost too much in storage. The main idea is to have around a week's supply in reserve in case you get an influx of orders. (Driving Business Online Initiative, 2013)
- Warehousing. At the start, many online businesses use their garage as warehouse. We are the exception. We also use own garage to stock the goods we ordered from the suppliers. But as the business grows, more space will be required. It's an idea to look locally for warehousing space - you might be able to share space with another small business. (Driving Business Online Initiative, 2013)

- Record keeping. It is one of the most important aspects of supply chain management. It's essential to have a reliable system of record keeping to proceed carefully every product that enters and exits the business. (Driving Business Online Initiative, 2013)

Resuming all mentioned above, it may be concluded that in some cases it can be better and cheaper to outsource logistics operations of small online shop.

4.6.2 Business-models of online shopping logistics

4.6.2.1 Dropshipping

Dropshipping is such model of supply chain management, where retailer does not keep goods in stock, but instead transfers customer orders and shipment details to either the manufacturer or a wholesaler, who then ships the goods directly to the customer (Wikipedia, 2013).

The main difference between dropshipping and the standard retail model is that retail seller (online store) does not stock own inventory. When it is needed, online store purchases required goods from wholesaler or manufacturer, who is called dropshipper.

This is a direct delivery method. Let's say entrepreneur has an online store. He loads in store supplier's products: post their descriptions, photos, prices, and attract visitors. The following is the order. Entrepreneur is working on a 100% prepaid: get the money from the client and tell him to deliver the goods at a certain time. Then he is transferring money directly to the supplier, and he, in his turn, away from entrepreneur delivers the goods to the customer. If entrepreneur has a good supplier - dropshipper, on the parcel label he will place online shops contacts and logo of the online store. The client cannot even guess that the goods did not come from entrepreneur's shop and from the supplier directly.

According to the young specialist of new logistics – Youderian and Hayes (2013), this model has a number of benefits and drawbacks.

Benefits of dropshipping:

- Less capital is required.
- Easy to get started.
- Low overhead.
- Flexible location.
- Wide selection of products.
- Easy to scale.

Disadvantages (according to Youderian and Hayes, 2013):

- Low margins
- Inventory issues
- Shipping complexities
- Suppliers errors

It is necessary to say, that such monsters of online sales like E-bay and Amazon.com use exactly the dropshipping model of business.

At our project, we have found one supplier who is able to work under the dropshipping model. This is kid's room furniture manufacturer from Poland – Baggi Design (www.baggidesign.pl). They provide the wide range of different styles furniture sets for children's and junior's rooms from baby born till ten years old. It would worth a many thousands euro for us to complete the stock, but in fact we are able to sell their products without spending even 1 euro. We use our online shop platform like a showcase of their products. When we receive an order of it, we immediately connect to the manufacturer and transfer all the details of order we received. They package to order and ship it itself to customer.

4.6.2.2 Affiliate Business Model, selling by order, own warehouse and combination model.

Affiliate Business Model. Online store, built on this model - is a showcase where customer can select a particular product, but everything else - the processes of registration and order processing - is not in your store, and in the store of your partner. A customer who comes to your page, choose favorite model of clothing, such as jeans, clicks on this item and enters the online store of your partner, with which you promote your business. The idea is that you give traffic to your partner, and he, in his turn, pays to you a fee for the finished order. Usually it is between 5% and 15% (Rayport and Jaworski, 2003).

The advantage of this business model is that you do not need to track the progress of order and precede the order. You do not need to look for vendor. That store, which you build an affiliate model with, and will be your supplier. Your task is to create a site-mart, run it and send traffic of visitors to the partner.

Selling by order or in other words purchasing by strictly by requirement means that no purchase is made until a need arises, and then only that quantity is purchased which is necessary to meet the need (Bhatnagar, 2009).

This method is applied principally when inventory is not kept on the warehouse of merchant, and purchase has the place only when there is a proper order from the end customer.

Let's say you set the goods of your suppliers in your online store, not having any goods at the warehouse. Immediately after receiving the order, you will quickly redeem a product from a supplier and deliver to the client.

Disadvantages of this system:

- If the item is not in your warehouse, it will need to pick up it from supplier that will increase in average delivery time of your shop for a few days.

- If the customer will not like your goods, you will not know what to do with it. Therefore it is necessary to agree in advance with the supplier about the possibility of the exchange and return of the goods directly to him.

Advantage of this system is that you do not need to stock inventory. Once you understand what products will be demanded, purchase these products from suppliers and sell them like hot cakes on a cold day. This way reduce your costs and shorten delivery time.

Own warehouse model supposes that you have in use own warehouse area, where you stock all staff, and where from you deliver the purchased goods to the customers. Obvious benefit of such model is that you deliver orders very quickly, and there is no limit related to availability of goods. You sell only what you have at warehouse.

From the other hand, there is risk of too long stocking of some goods, if it is not selling. Working under this model, you will get the maximum profit, but the risk is also maximal.

Of the above four patterns it is formed *composite business model*. All existing business schemes it is better to use one after another.

For example, by now you have decided on a niche and decided that you will sell. First you create an online store. Organize it as a showcase, exhibition, publish a large amount of content. In this way, your website appears quickly in search engines, traffic comes to the site, and so you sell first products on the affiliate program. The site traffic you send to the partner sites where your visitors become their customers. In parallel, you build a customer database, find out what products your audience likes, what is in demand and what is not.

Then you connect the dropshipping business model, that is, find the main partner to close the demand for key commodities. You add to the online store such element as a "Shopping cart" and begin to work directly with clients.

Meanwhile, you have formed a base of subscribers, you collect positive reviews and place them on your website and in your store in parallel builds a wide range of products. During this work, you collect the statistics and figure out what products are selling well. After that, in parallel with the dropshipping model, you start selling by order and offer customers a choice: buy low-price, but with a long delivery, or more expensive, but faster. The range may be slightly different. You work from all directions. As a result, you collect orders and money from all of these models.

Once you begin to understand what product you will sell well, you can purchase it from the supplier to your warehouse. Thus, your online store looks similar to the layer cake consisting of many business models. The main task for cyber-entrepreneur – it is to use the maximum number of circuits in terms of time and financial restrictions.

Composite business model seems for our project to be the ideal business scheme. In the real life it doesn't work sometimes in such way.

When we started our project, we hoped very much to use in logistics part of our business exactly composite model. It is very attractive model for new start-up entrepreneurs. It doesn't require a lot of investments, there are no a lot of business issues you should to run right after beginning, it is very smooth, gradually dive to the own business field. So, we were imagining this perfect way of doing.

In fact, when we launched already our site creating, and started to communicate with suppliers of children and baby clothes, it turned that in this niche actually nobody wants to deal with beginners, especially with start-up online shops. Almost all vendors want to sell big amounts of clothes, by sets or by collections, with wild size and colors range. There was a requirement to order next season collection with prepayment, depending on vendor, the minimum order was 3 or 5, or even 10 thousands euro. So, we realized that

the only business model is available for us in this niche is own warehouse. No dropshipping, no affiliate model. Only own warehouse.

We have no time to get statistics, to analyze what is well selling what is not. We needed to decide right at those moments what we are going to purchase and what not. We based only on our maternal experience and own intuition. It was a big responsibility for us. We were nervous, because we have no such previous experience of buying, and we were going to spend all our money, as far as we had no bank loans, only own savings.

As a result, now we have a little warehouse, we order the collections of baby clothes and shoes in advance (in 6 months or even more). We use the dropshipping model only with furniture manufacturer.

4.6.3 Delivery model options

After we ordered more than 100 pairs of children shoes and more than 50 kilograms of children clothes, we faced with necessity of local logistics provider, which would deliver orders from our warehouse to customers.

We found out the main parcel logistics providers in Finland:

1. DPD (www.dpd.fi)
2. DHL (www.dhl.fi)
3. Itella (www.itella.fi)
4. Scortexpress / Tampereen Express-Huolinta Oy (Tampere Express-Forwarding) (www.scortexpress.fi)

Our main requirements were:

1. Delivering small parcels (till 5 kg) inside Finland
2. Delivering small parcels (till 5 kg) to Russia
3. Delivering cargoes (furniture sets) inside Finland

4. Delivering cargoes from Europe (our orders from suppliers)

We negotiated with DPD, Itella and DHL. ScortExpress, as it turned, does not deliver parcels inside Finland and to Russia, only from Europe to Finland. DPD has a higher prices comparing with Itella. For example, parcels inside Finland cost in Itella from 5,60 euro, and in DPD it costs from 9,00 euro (see Figures 11 and 12 below). DHL dropped to negotiate by unknown reasons. So, the winner of our little tender became Itella. It has the lowest prices for parcels inside Finland, it delivers cargoes inside Finland, and also delivers cargoes from Europe, and parcels to Russia, so it fits all our requirements.

Posten Logistik SCM Oy

Kuljettamisen ja varastoinnin pohjoinen ulottuvuus

MPD13044

MyPack-pakettipalvelu noutopisteeseen

Palveluhinnasto: kotimaa

Hinnasto on voimassa sopimuksen voimaantulusta alkaen.

Rahdituspaino ¹	Hinta €/paketti
	Suomi
3 kg	9,00
5 kg	9,57
10 kg	11,24
15 kg	12,02
20 kg	12,67

1. Tilavuusehto 280 kg/m³

Lisäpalvelut	Hinta €
COD/Jälkivaatimus	5,00
Saapumisolmoitus kirjeitse	1,00



Figure 11 Tariffs of DPD company for internal parcels inside Finland



OFFER

1 (4)

14.3.2013

NS Project Oy

ITELLA'S OFFER FOR PARCEL TRANSPORT SERVICES

Thank you for your interest. We offer you Itella Corporation's parcel transport services as follows:

Services

ITELLA ECONOMY

Efficient service for consumer deliveries available for pick-up at postal outlets

- Ready for collection by the recipient at a postal outlet the next business day as of 4 p.m. for a separately specified route. For other routes, the transport will take 2 business days.
- The recipient will be notified of the delivery arrival electronically.
- The densest delivery network in the country ensures that the customer will receive his or her package at the familiar nearest postal outlet or selected pick-up point. The storage period is 2 full calendar weeks.

Price

5,30e/parcel +0,16e/kg

Figure 12 Itella's commercial offer's part to NS Project Oy.

After making a deal with logistic company, there is a need to decide what delivery option you are able to offer to your customers. Actually, there are a range of delivery options for online business. It is worth exploring these to work out which one will help to cut costs while enabling products to reach your customers as fast as possible.

According to Driving Business Online Initiative (Driving Business Online Initiative, 2013), here are some different models to consider:

- Free delivery

Free delivery is one approach available to take. Offering free delivery is certainly attractive for customers and potentially a way to differentiate a certain business from the rest of the market.

If to do so there will be need to build the freight costs into the price of the product to maintain margins. This might be difficult to do if products are shipped right around the world, but it can be done. Check out ASOS, a UK clothing store that offers free shipping worldwide.

If to offer free delivery, make it a feature on sites home page to make sure customers are aware of this benefit as soon as they visit the site. Free delivery can be seemed like very attractive way of promotion for start-ups. However, be aware of some practical tips of this delivery method.

According to Porter (2012), if online company needs as a promotional feature offer free shipping during the holidays to retain and attract customers, it should be done accurately and take into consideration provided below positions.

1. Assuming free shipping is one of the best promotional offers.

It is not a true. Some customers prefer discounts more than free shipping (Porter, 2012).

2. Free shipping year round, or regardless of price.

It is a mistake to offer free shipping all the time, or for all purchases. Customers will think that they can buy something whenever they like, thereby delaying their purchase till later (Porter, 2012).

3. To make minimum threshold of purchase too high.

There is necessity of figuring out the average order size and to make minimum threshold 10 or 15 percent higher to encourage customers to buy a little more than they normally would (Porter, 2012).

4. To tout and promote free shipping as main marketing message.

Retailers too often rely on free shipping option as main marketing message. At the same time, free shipping message takes away from everything else (Porter, 2012).

5. Failing to remind customers about savings.

Let customers to know exactly how much they are saving when use free shipping option. Most online shopping carts automatically calculate shipping charges, so customers can see how much they would have spent (Porter, 2012).

- Percentage of sale

Another idea is to charge freight on a percentage of sale's basis. Entrepreneur might, for example, charge freight at 10% of all goods bought valued under \$100. This works well if the relative cost of products is high. But if online shop is selling lower priced items entrepreneur could find itself out of pocket.

- Actual

Having customers pay actual freight costs is one of the most popular ways of charging for freight online. Many online businesses publish a table of freight costs, determined by the weight of the parcel and the distance it travels. Customers review the table and can determine the right freight charges.

- Returns policy

When entrepreneur choose delivery model, he will need to consider returns policy. One approach is to allow free returns for items that are damaged, but to charge for items that are being returned because they are not what the buyer wanted, or to exchange size or color. It is essential to think through policy around returns before start selling and to clearly display policies on site.

Taking into account all mentioned above recommendations, we made a standard shipping cost – 5.70 euro per parcel as delivery model option, and for orders above 100 euro – free delivery. We have set also 30 days return and refund policy for all orders. If order is not suit the client, he does not like size or color and would like to change the item, then return for him/her is free. If client wants to refund spent money and does not want to change item at all, in this case return is under client's payment.

Our policy concerning shipping costs and returns may vary in the future, of course. We will be guided by customer feedback, their wishes and our possibilities.

4.7 SUPPLIERS SEARCHING

4.7.1 Findings wholesale suppliers

To sell something, there is necessity to buy it before from supplier. Finding the suppliers is possible with a number of different strategies. Some of them are more effective than others. Youderian and Hayes (2013) listed the methods below in order of effectiveness and preference, with the most effective methods listed first:

- Contact the Manufacturer
- Search Using Google
- Order From the Competitors
- Attend a Trade Show
- Directories

Thus, there are at least 5 main ways of finding suppliers, and we used 3 of them with successful results.

If you have already selected your niche and/or product, attend a trade show. A trade show allows you to see and connect with major manufacturers and wholesalers in a niche. In our case, we were invited by one supplier, who we had found by Google, to visit the exhibition Pitty Bimbo, which we will talk about in the next chapter. So, we combined several methods of suppliers searching.

Besides, there are additional ways to search suppliers too:

1. The largest online stores where you can buy certain products, such as sites www.alibaba.com, www.focalprice.com, www.dhgate.com. There are a lot of interesting proposals from suppliers. Alibaba.com, for instance, suggest 1 642 product offers of children clothes from Europe and 325 814 from all over the world at the moment of writing this page. Just imagine this quantity! So, it is a huge market. So, there is need to spend some time (and nobody says that it will be short time) to explore all offers and choose the best offer for you personally. It is very convenient, that those sites have very flexible sorting options. There is no need to look through all products. Everyone can filter just exactly he or she wants to look.

There are also the databases of suppliers for search, for example on the website www.worldwidebrands.com there is a large database of advanced and proven vendors. Using online shopping as a provider of purchasing is convenient if to run the dropshipping scheme. In this case, there is only need to find a quality store with good prices and to clarify via the support service, if they support this kind of cooperation. Write a letter about enough large quantity of the goods to buy and sell them to customers, where briefly describe the situation and ask whether they are interested in the offer.

2. Social media. Ask friends on social networks, whether anyone knew of suppliers in a given niche. The best way - to publish on the social network status "looking for a supplier in the niche ...". This method can be used for other resources.

After founding a number of solid suppliers, entrepreneur is ready to move forward. Before start contacting companies, check the following two issues:

You need to be legal. Be prepared to prove that a legal business, not an individual person. Most suppliers will require it before allowing to apply for an account (Youderian and Hayes, 2013).

We faced with that requirement, when we were trying to register on the Pitty Bimbo Exhibition. They do not accept individual registration, and give account to companies only. So, we needed to get official ID after registration in Commercial Register of Finland. And only after that we could to visit exhibition. The same situation was during negotiation with suppliers. First of all they asked about ID, VAT number and other legal issues.

Understand how you appear. Wholesalers are constantly enquired with “great ideas of doing business”. It means that people ask them with plenty of questions but then never orders anything. When launching a new business, be aware that suppliers are not going to do things differently from their standards to help someone get started. Don't ask for discounts before make a single sale. Build credibility. Be definitive about business plans instead of using rhetoric. Use any past professional successes, especially in sales and marketing field, that will help with new venture (Youderian and Hayes, 2013).

We also faced with necessity of clear understanding of our appearance. Suppliers asked us very concrete questions: how many items we will buy, which way of payment is suitable for us, how we will sell items. They asked about our website – is it acting or not, and when it is launched. So, we needed to be able to answer all that specific questions. It means that we needed first to think about all this issues of our appearance and to make some decisions.

4.7.2 Case study: Pitti Bimbo fair

As it was mentioned above, during our googling of suppliers and entry conversation with some of them via e-mail, we were invited to the grandiose event in the children fashion industry – Pitti Bimbo. As we never have visited the similar events, and we needed to contact potential suppliers face to face preferably, we decided to participate. And we did not regret.

The exhibition Pitti Imagine Bimbo is deservedly considered one of the most influential sites in the world where producers and buyers have a rare opportunity to meet face to face. The different sections of the exhibition reflect all the current trends of the fashion world.

Pitti Bimbo - one of the largest exhibitions devoted to child-related issues. It is unique international event which gives a full view of the world of children's fashion. Pitti Immagine Bimbo represents various styles of children's fashion from sportswear brands to classic elegant style. In addition to ready-made garments focus in the exhibition is on development of new tissues. During the exhibition there are workshops, clothing demonstrations at round tables, where manufacturers and buyers discuss trends in children's fashion and get professional advice on the clothing purchase.

It takes a place twice per year, annually, in January and in June, in Italian city of Florence. Here are some facts and information about the last one exhibition, which we visited (according to Pitti Bimbo official site, 2013):

PITTI BIMBO N.77 (Florence, Fortezza da Basso, 27-29 June 2013)

During the last fair 460 collections were expected, of which 185 from abroad; over 6,200 buyers and a total of more than 10,000 visitors at the last summer edition: these figures confirm Pitti Bimbo's role as the only global reference trade fair in the children's wear universe. An important observatory for global trends of children's clothes world is a result of the myriad creative shortcuts between fashion, art and design. Pitti Bimbo is a 360° overview that spans the classic-elegant looks of the big names, the sportswear, new brand's creativity, the urban couture and the avant-garde collections.

Among the new entries and special projects is the worldwide launch of the new junior collection of brand Dsquared²; the collection of Versace Young that will be for the first time inside the Fortezza; and the worldwide launch of the first Trussardi Junior collection produced by I Pinco Pallino.

During last fair's session there were 460 brands and collections, 185 brands from abroad (40% of the total), there were 60 new names and 450 firms participating in the fair. The exhibition area is 47,000 square meters. The journey through the world of children's fashion is divided into 8 different sections: Pitti Bimbo, Sport Generation, New View, Kids' Design, SuperStreet, EcoEthic, Apartment and Pop Up Stores. Pitti Bombo was visited by 10,000 visitors in total. Over 6,200 buyers attended the last winter edition, out of which 2,700 (43% of the total) were from abroad (Pitti Bimbo, 2013).

Main foreign reference markets of this fair are Russia, Spain, Germany, Turkey, United Kingdom, France, Japan, Holland, Ukraine, Greece, Switzerland, United States, Brazil, Portugal, China, and South Korea.

So, as we can see, it is a huge trade show and kids fashion event in the world. Start-up business entrepreneurs have a great opportunity to meet the last trends of children clothing, to see the latest collections of the most known designers, and to choose which brands and styles they would like to cooperate. Also, there is one important issue to mention about: Pitty Bimbo is very democratic trade show. There are brands and trademarks of all levels – from luxury to mass-market. So, everybody will find something for his/her own preferences.

As for our project, we found there the following partners, which products are successfully represented at our web store:

- Blue Seven, Germany (www.obermeyer.de)

H.OBERMEYER GMBH & CO is a privately owned company located in Oberstaufen, Germany (Blue Seven, 2013). It represents trade mark Blue Seven. It has been in business for more than 60 years and it is among the largest suppliers of apparel in Europe.

H. OBERMEYER GMBH & CO sells about 10 million garments each year to customers in more than 30 countries. Warehouse space consists of 16 000 square meters. The turnover is evenly split between specialty retailers and private label customers.

- Angel's Face, England (www.angels-face.co.uk)

Angels' Face is the UK's No.1 brand of Pettiskirts, and tutus from Keely Deininger of Little Linens (Angel's face, 2013). In the past three years Angel's Face has evolved to become the UK's number supplier and their pettiskirts are of the highest quality and come in an amazing range of colors.

They stay on top of the trends by constantly updating styles and color choices.

- Crio's, Spain (www.calzadoscrios.com)

CRIO'S is a family manufacturer from Spain produces shoes for children since 1968. They have adopted this brand and have sought to maintain their prestige in the Spanish and international market.

Crio's facilities meet the latest demands of technology. Some modern buildings, operational, functional welcome all production areas, warehouses, manufacturing, cutting, design control, promotion, administration and dispatch.

As the child's foot as important for Crio's have tried to maintain the prestige basing their production on three pillars:

Design - Materials – Quality.

4.8 MARKET COMMUNICATION

All relations and contacts with consumers related to market communication, they are: television advertising, promotions, and sales calls, as well as the emergent advertising approaches on the Internet (Jaworsky, 2001).

According to Jaworsky (2003), marketing communications that online companies use to attract new customers are: general online communications, personalized online communications, traditional mass marketing, and direct communication (as can be seen in Figure 12)

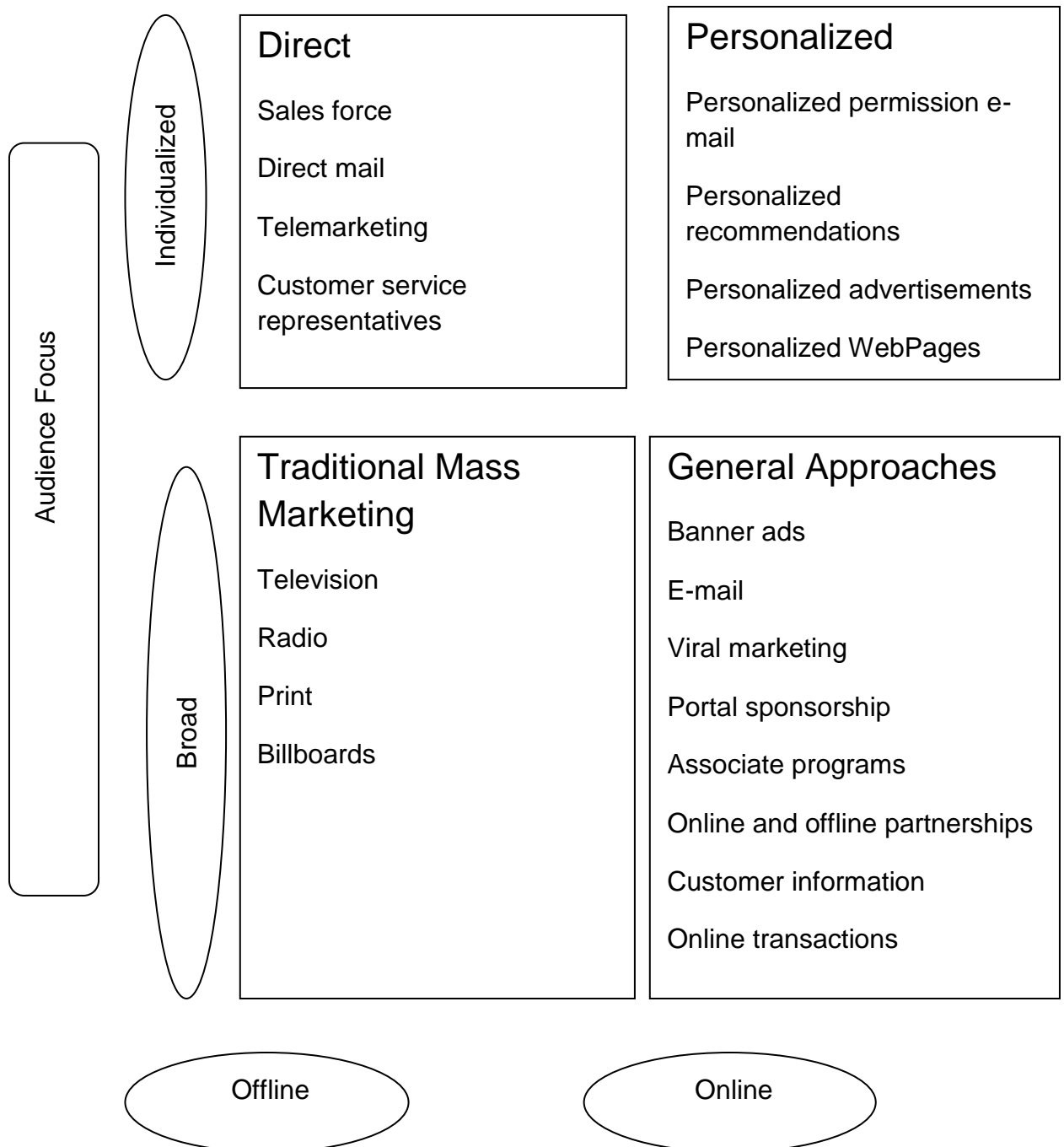


Figure 13 Framework for Marketing communications and Four Categories of Communications (Rayport and Jaworsky, 2003, p.197)

According to Fill and Jamieson (2006), there are five main marketing communication disciplines or tools: advertising, sales, promotion, personal selling, public relations and direct marketing.

Changing of technologies generated new media formats. The fast development of the Internet accelerated change in the marketing communications industry. New forms of promotion and innovative forms of communication have been developed: video screens on supermarket trolleys and check-out coupon dispensers, sponsorship, floor advertising, the Internet and associated technologies. Public relations became now both marketing and corporate tool. Direct marketing became an important way of developing closer relationships with buyers. There are now a plenty of opportunities to communicate with audiences (p. 17-26, 2006).

4.8.1 E-Customer relationship management

The application of technology to achieve customer relationship management (CRM) is a key element of e-business.

According to Chaffey (2009), “the interactive nature of the web combined with e-mail communications provides an ideal environment in which to develop customer relationships, and databases provide a foundation of storing information about the relationship and providing information to strengthen it by improved, personalized services. This online approach to CRM is often known as “E-CRM” or “electronic customer relationship management.”

According to Allora (2005), when businesses are taken into the web, E-CRM is becoming necessary. Organizations which involved in online business need study new phenomenon of electronic customer relationship management.

According to Chaffey (2009), when online business use the Internet for relationship with customers, it involves the integrating of customer database with sites to make its relationship exactly targeted and personalized:

- Targeting more cost-effectively.
- Achieve mass customization of the marketing messages.
- Increase depth, breath and nature of relationship.
- A learning relationship.
- Lower cost. .

According to Rayport and Jaworsky (2003), Seth Godin (1999) provided the new term of Permission marketing or Invitational marketing. Consumers give a permission to send them promotional messages. Permission marketing explains e-mail campaigns successful (Rayport and Jaworsky, 2003).

Permission marketing allows the marketer to match advertising messages with the interests of consumers when registering for a service. Consumer is offered to fill out a survey indicating him/her interests (Krishnamurthy, p.3 – 19, 2001).

Once customers initiate this relationship, they anticipate e-mail messages because they know that these messages will be on relevant topics. Through permission marketing, online firms can create a valuable database of customers who are receptive to marketing messages. (Rayport and Jaworsky, 2003).

According to Krishnamurthy (2001), permission marketing is now a large-scale activity on the Internet and one of the most often studied in marketing management.

4.8.2 Promotion via social media

As far as we are a start-up business, we need to promote it and to get communication with our target audience. Social networks are the easiest way to declare ourselves to the world, from our point of view. Chris Treadaway and Mari Smith (2010) write about how Facebook, for example, works for startups:

“Social media is a potentially huge opportunity for startup businesses, especially those that need to sell or market to consumers. Startups are often the most sensitive organizations of any you’ll find. But where startups are poor in cash resources, they are generally willing to try anything and work hard at new things that may help the business succeed. Social media is a good fit because much of it is built to be self-serve.”

We are totally agreed with Chris and Mari, because we faced with promotion question ourselves. We use the social media almost every day anyway, it is ordinary communication channel for chatting with friends, for knowing something new or fun, or just for to be in trend. So, why not to use such habitual tool of communication to promote own business? It is must to do. But first of all it is necessary to get familiar with social media promotion rules, which you should not ignore if have a serious intention for business.

Social networks are the fastest growing phenomenon on the Web, and the one that will fundamentally change marketing as we know it. Two – thirds of the world’s Internet population visits them. In highly developed markets, the percentage is even higher. In the UK, for example, the number is 80%. According to a survey by Anderson Analytics in the US, 71% of social network users said they could not live without them (Sheehan, 2010).

Social networking is so popular, that people spend more time on them than they do on e-mail; users now share twice more content on Facebook than they do via e-mail. Social networks are growing three times faster than Internet usage commonly and now account for 10% of all online activity (2010, p.108).

Advertising Agency Universal McCann published a global “Power to the people” study. In it, they offer a number of important tips for successful social-web marketing (2010, p.114). Among them:

- Make the experience better when shared
- Give users something to join
- Refresh content regularly.

Larry Weber, in his book “Marketing to the Social Web” (2009), outlines an even more comprehensive seven-step process for marketers to get it right:

1. Observe. Find the place where target audience congregate, listen to what people are saying and map it.
2. Recruit. Find a core group of people who wants to talk about your product and/or service.
3. Evaluate platforms. Your best opportunity to enter the conversation maybe any existing blog, your own blog, a social network, anything else, or even combination of all places.
4. Engage. This is about content. What content makes people to visit, share and talk about?
5. Measure. Define your success measures and track them.
6. Promote. Use online and offline tools.
7. Improve. Make it better, make it better, after make it better again.

Here are some thoughts about people and their behavior in social networks, which should be kept in mind all the time you work with both:

People like to be engaged. One way to engage people is to ask a question. Another way is to encourage people to take part in the activities. They should not be just an audience, because it is a passive way. Think of ways to get people into the story (Brogan, 2010).

People are busy. It means – respect people’s time when creating your media. For example, make sure you provide many ways to subscribe to your media (2010, p.2).

People like to be appreciated. The notion is that you are out there trying to build a relationship with an audience, it is two-way method, and people on the other side want to know you respect them (2010, p.3).

Make people the experts. Seek ways to tap your audience for their expertise. Ask them to tell you about things, find out what they know. Learn from them. People love giving their opinion. It’s a great way to give them the chance to do so (2010, p.4).

4.8.2.1 Facebook

Despite on Facebook is only 7 years old; it is a serious advertising and e-marketing tool.

No social network can match Facebook's current momentum or broad international customer adoption. There are a lot of social applications in Facebook and it has been the market leader in social media since April 2008 (Treadaway and Smith, 2010).

The world map o social networks distribution shows the leadership of Facebook over the world, as can be seen in Figure 13 (according to <http://vincos.it/world-map-of-social-networks/>).

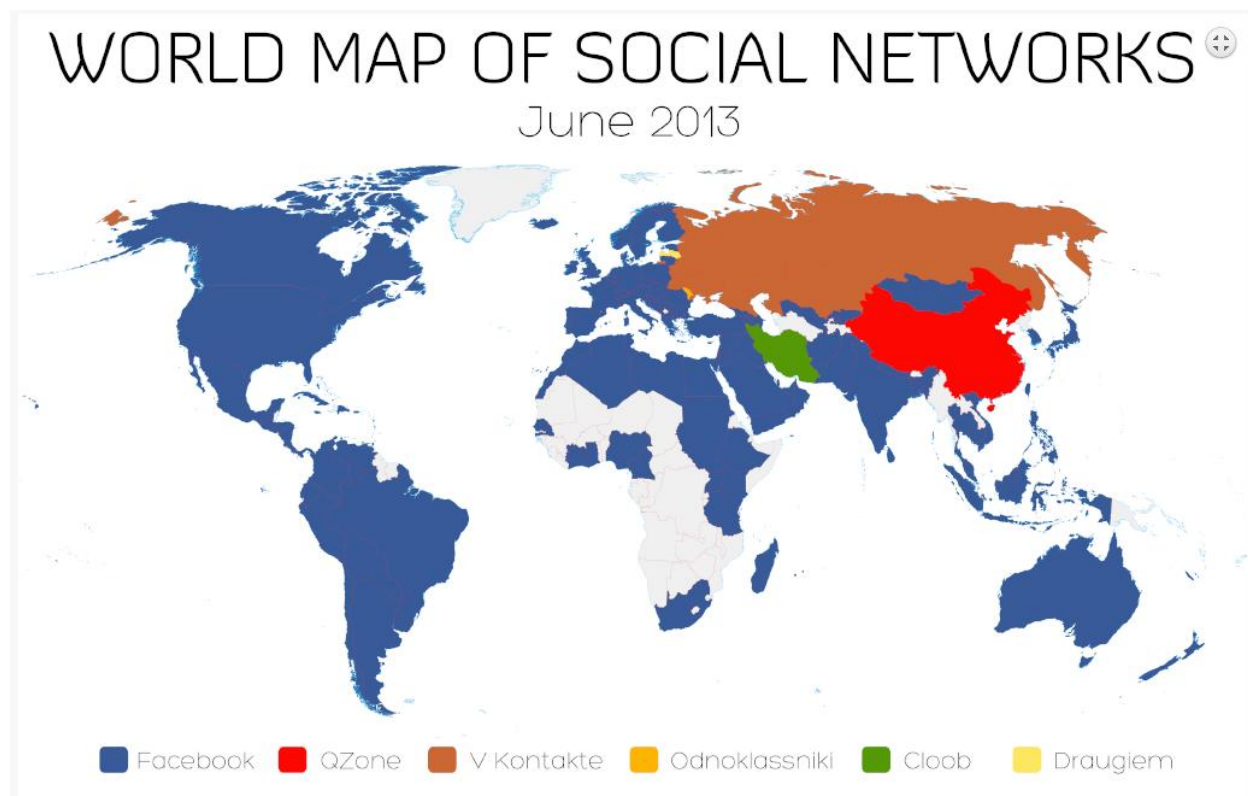


Figure 14 The map of social networks distribution over the world.

Finland, where our project operates mainly, is also Facebook occupied country. So, our presence at Facebook is obviously required.

Facebook offers several options for marketing of product or company as far as several ways to make its presence felt – profiles, fan pages and groups. It can help to increase sales, improve customer service and save money on

marketing or advertising. Besides, it provides web analytics tools to monitor the main data and then manage advertising campaigns in a proper way.

We created our site group at Facebook - <https://www.facebook.com/Mybaby.fi>. The like-box of this social media is added to our home web page, and it is possible to register and log in to our online shop via Facebook account. Many of users find it very comfortable because it is not required to remember one user name and password more.

At Facebook we publish news of fashion industry, inform about the new arrivals at our online store, and post some fun pictures. We try to follow the main four pillars of social media strategy, suggested by Safko and Brake (2009):

1. Communication
2. Collaboration
3. Education
4. Entertainment

So, fashion industry news are published for education and entertainment goals, new arrival information for communication with target audience, fun pictures – for entertainment, and we need to add the last pillar to our portfolio of Facebook marketing strategy– collaboration with customers. It can be done by different promotion campaigns, events, competitions, or even comments of customers, their feedback on product or service.

The main idea of many sources about social networks is that constant encourage of customer to say something about company, their products and services, to leave feedback, is required. The power of engaging customers through collaboration is significant and huge. Without communication and collaboration with potential and actual customers it is impossible to succeed.

This idea is confirmed by our project. At the moment we have no success at Facebook (24 likes only). We advertised our group only via our friends; we did not use still special advertising campaigns and marketing tools which Facebook offers. It can be explained by that fact we are just starting our business. There were a lot of organizational questions and problems to solve

besides Facebook promotion, that we had no enough time and resources to implement it in a proper way.

At the same time we convinced of the truth of social networks theoretical aspects, and we should not ignore them in the future. We can't consider this situation as a failure, but clearly we need to give to this side of our business a lot of attention.

Thus, creating and implementation of Facebook promotion strategy for online shop Mybaby.fi can be suggested as a substantive topic for the following researches.

4.8.2.2 V Kontakte group of online shop mybaby.fi.

If we take a look at couple pages above, we can see from the World map of social networks, that such social media as V Kontakte is very popular inside of post-Soviet Union space. This social network is the top social network in Russia (Constine and Cutler, 2013).

V Kontakte was founded in 2006 by Pavel Durov, a 28 years old citizen of Saint-Petersburg. This network is an online powerhouse that attracts 47 million users daily (Balmforth, 2013).

Our project is also interested in Russian market, especially in Saint-Petersburg due to its close location to Finland. This fact necessitated the creation of group in V Kontakte social network.

This network allows you to find your target audience for free, to attract its attention and redirect to your online store. It is required to begin with the creation of the group and posting information about your store and products, as well as competitive advantages. Further it is necessary to establish active interaction with the target audience. You can use questionnaires for it.

It is must hold competitions that offer freebies for your customers. So you start to spin your audience that they interact with each other and with you. It is very important to enter into the dialogue with customer and have ready in advance thoughtful answers to any questions and claims.

There are two core ways of promotion via Vkontakte: context advertising and advertising in publicities. They can be used separately or together.

Our group in VKontakte is also reflected in like-box on the site main page. It is a more successful than our Facebook group. At the moment it has more than 140 likes. We already had the sales done via Vkontakte; we sent our products to Moscow.

The reason that our group Vkontakte is more successful than the group at Facebook can lie on the surface. Originally, the project owners are Russians that is why it is easier and more familiar to communicate via that social network. It is required to use mother language to communicate in Vkontakte group, while communication in Facebook group requires English or Finish language, which are not native. Behavior of Russian customers is more understandable for Svetlana and Natalia then behavior of foreign customers.

Nevertheless, we still have a lot of work to be done and improved in our Vkontakte group. We still need to communicate more, to get more group members and expand our sales to Russian market.

4.8.3 SEO

After you have your site done, you need your potential customers to find you in the World Wide Web. How it is possible to do? There are millions of sites in the Internet by the moment. So, there is only 1/1000000000...of chance that you will be founded. It is very little probability if you want to get success. Thus, there are some methodologies and technologies to get you right to your potential customer. This technology is called search engine optimization.

Search engine optimization (SEO) “is a process that uses a search principle for search engine to acquire higher ranking for web pages or websites to enhance the probability of website access.” (ur Rehman and Ahmed Khan, 2013)

SEO relates to the ability of optimizing personal web pages or web sites to make them more higher ranked in the search results. All major search engines

such as Google, Yandex (Russian analog of Google), Yahoo, are based on web pages ranking using a certain search factors which affect ranking.

“The core methodology used in SEO is to upgrade both content and associated coding of the website to improve its visibility and prominence in organic search made by the search engines.” (2013, p.101)

This methodology is based on different strategies of gathering information from the Internet by search engines, than organizing and processing the searched information for displaying results of search to the users in a systematic way (2013, p.101). Efficient search engine allows to user to find target information quickly and accurately.

Websites with good SEO, or well optimized, have better ranks in search engines and naturally get a higher number of visitors or in other words – website traffic. In its turn it gives more sales capability or conversion rate.

A conversion rate is measured by the number of potential visitors performing the desired action, whether the action is buying a product, filling out a form, or some other goal of the web page (Bhavna and Parminder, 2013). For example, if any webpage has 100 visitors, and one of those visitors will buy something this website sells, then the conversion rate in this case is 1%.

According to DeMers (2013), there are 3 main pillars of good SEO:

1. Content (including user experience, site design, keyword research, content optimization and the presence of a blog with interesting content updated frequently)
2. Links (leverage real world connections into links, press releases, guest blogging, repackaging existing content).
3. Social Media (build your brand and interact in social media, generate social signals by making content easy to share, think Google+ and platform strategy).

Whalen (2013), a Guru of SEO, also recommends taking into account the following issues of online business:

- Understand your target audience
- Create a user-friendly and search engine-friendly site architecture
- Content creation

- Writing tags
- Getting the word out

Commonly, they both describe the same things with little variations by different words.

First of all and the most important is a need to create unique content, the base of which is the keywords. The concept of keywords is very simple. It is based on your awareness of target audience. The better you know your potential customers, the better is awareness about their keyword queries.

Keywords, or search words are those words, which Internet user enters in the search engine panel. Keywords are what a potential visitor to site puts into a search engine to find web sites related to a specific subject (Ledford, 2008). Ledford (2008) also call the keywords by cornerstone of any SEO program. Chuck Price agrees with him. “Developing the right list of keywords remains a staple of SEO, even in 2013”. (Price, 2013)

DeMers (2013) suggests the following three ways of creating a proper list of keywords:

1. Brainstorm. Make a list of phrases related to business, brand, products, etc. After you developed that list, enter each of these words into the Google Keyword Tool. After that Google recommends related terms. We will take a look at SEO tools a little bit later. Lee Odden (2012) also describes a brainstorm as the main direction of creating keywords.
2. Enter your site URL into the website box in the Google Keyword Tool. This tool will scan your site, and after it gives you a list of recommended terms. Many of these recommended terms will be great keywords for your site. (DeMers, 2013).
3. Make a list of competitor’s sites and enter each of those URLs into the Keyword Tool. Your competitors may be ranking well for specific terms that you hadn’t thought about. You should never to copy a competitor’s keyword strategy directly, but it can inform you about approach and options you hadn’t thought of yet (DeMers, 2013).

At our project we have 5 main categories:

1. boys clothes,
2. girls clothes,
3. boys shoes,
4. girls shoes,
5. furniture for children rooms.

Also we have wholesale section and about thirty subcategories (boys jeans, boys cardigans and sweaters, sweat trousers for boys, T-shirts and polo for boys, etc.). For initial keywords definition we used a brainstorm and competitor's sites analysis. We built a table of all possible keywords for each categories and subcategories in Microsoft Excel program. It is needed to add, that our site has three languages versions– Finish, English and Russian. It means that all keywords for each category and subcategories should be translated into the three languages. We made all this huge work during July 2013. Totally, it was created and translated about 200 versions of keywords variants.

Table 3 Forming of keywords table in English for www.mybaby.fi

	A	B	C	
1	name	url	Title	Description
2	Home page	http://mybaby.fi/ru	babyclothes and shoes onlineshop	babyclothes and shoes onlineshop . Quick delivery, low prices, good references. Babyclothes and shoes online. High quality shoes and clothes, brands Blue Seven, Cnio's, Angele's Face, w
3			online shop of babyclothes and shoes	Boys clothes online store. Cheap prices on baby clothes.
4	Boys clothing	http://mybaby.fi/ru	boys clothes. Brands store.	New season collection of girl clothes Blue Seven and Angel's Face in our online store.
5	Girls clothes	http://mybaby.fi/ru	Girls clothes. Online sale.	Boys footwear - boots, shoes, trainers, willies, slippers, occasion&party shoes.
6	Boys shoes	http://mybaby.fi/ru	Boys footwear. High quality shoes at online store.	Online wide model range of girls shoes (Cnio's). Occasion and party shoes, boots, wellies, flats, t
7	Girls shoes	http://mybaby.fi/ru	Girls shoes and footwear at the brand store online.	Babyroom furniture sets
8	Furniture	http://mybaby.fi/ru	Babyroom furniture sets	Babyclothes, babyshoes, babyroom furniture sets wholesale.
9	Wholesale	http://mybaby.fi/ru	Babyclothes, babyshoes, babyroom furniture sets wholesale.	babyclothes wholesale, babyshoes wholesale, babyroomfurniture sets wholesale. Blue Seven wh
10	boys 56-80	http://mybaby.fi/ru	Boys clothes 50-86 cm at online store	Boys clothes 50-86 cm. Baby clothes wide range, online store, high quality, sale, worldwide quic
11	boys 92-128	http://mybaby.fi/ru	Boys clothes 92-128 cm at online store	High quality boys clothes 92-128 cm, wide range of colours and styles. Cheap babyclothes price
12	boys 134-170	http://mybaby.fi/ru	Boys clothes 134-170 cm at online store. Wholesale and retail.	Online shop boys clothes 134-170 cm. Stylish and elegant babyclothes. Quick delivery worldwid
13	girls 50-86	http://mybaby.fi/ru	Girls clothes 50-86 cm at online store.	Girls clothes 50-86 cm, wide range of colours. Stylish and elegant girls clothes for low prices. Wh
14	girls 92-128	http://mybaby.fi/ru	Girls clothes 92-128 cm at online store famous brands.	Wide range of girls clothes 92-128 at our online store. Famous brands Blue Seven, Angel's Face. Wh
15	girls 134-170	http://mybaby.fi/ru	Girls clothes 134-170 cm at online store. Good quality and low prices.	New babyclothes online store. Girls 134-170 cm. Famous brands Blue Seven, Angel's Face. Wh
16	elegant boys shoes	http://mybaby.fi/ru	elegant boys footwear. Low prices, wide size range	Ocation boys shoes at onlinestore www.mybaby.fi. All payment methods and worldwide delivery.
17	boys shoes/boots	http://mybaby.fi/ru	High quality boys shoes online	Stylish boysshoes wholesales and retail. Good references. Worldwide Quick delivery.
18	boys shoes/trainers	http://mybaby.fi/ru	Boys trainers at online shop for kids	Kids trainers for boys at online store. High quality at low prices. Worldwide quick delivery.
19	boys shoes/willies	http://mybaby.fi/ru	Boys willies by famous brands.	We offer wide range of boys willies at favorable prices in internet. Quik delibery and guaranteed re
20	boys shoes/slippers	http://mybaby.fi/ru	High quality boys slipper	We offer wide range of boys slippers at good prices. Onlineshop of high quality baby clothes.
21	boys shoes/baby	http://mybaby.fi/ru	Baby shoes - the first shoes for kids	We can help to choose the first babys shoes for boys. Our prices are low. Guarantee and return i
22	girls shoes/ occasion and party shoes	http://mybaby.fi/ru	Occasion and party shoes at at competitive prices.	High quality kids occasion and party shoes for girls. Quick worldwide delivery.
23	girls shoes/boots	http://mybaby.fi/ru	Girls boots wide size range.	Quality boots for girls buy online. Winter, fall, leather, Spanish - different colors and sizes.
24	girls shoes/willies	http://mybaby.fi/ru	Girls willies for every test.	Buy baby boots for girls profitable in our online store. Stylish models of all sizes wholesale and re
25	girls shoes/flats	http://mybaby.fi/ru	Girls flats at online shop mybaby.fi	Buy cheap children's ballet flats in a secure online store mybaby.fi. The warranty on footwear, hou
26	girls shoes/trainers	http://mybaby.fi/ru	Girls trainers of famous brends.	At online shop mybaby.fi you can find girls trainers. Wide range of colours. High quality and world
27	girls shoes/sandals and shoes	http://mybaby.fi/ru	Girls sandals and shoes from Europe.	At this online shop you can buy girls sandals and shoes. Stylish, modern shoes at good prices.
28	girls shoes/slippers	http://mybaby.fi/ru	Girls slippers at low prices.	Beautiful girls slippers at online store mybaby.fi. The world of kids shoes from Europe. We are coo
29	girls shoes/baby	http://mybaby.fi/ru	High quality babys shoes for girls.	The first shoes for your girl from best manufactures. Ecological mathenals and high quality. Alway
30	boys.coats and jackets	http://mybaby.fi/ru	boys.coats and jackets 92-128 cm	Internet shop outerwear for boys 92 - 128 cm Fluv in bulk and retail. Good prices, fast delivery. Qu

Here you can also find the detailed plan of SEO works for our site.

mybaby.fi

Job title and description	Quantity	Data				Status
		week 1	week 2	week 3	week 4	
Preparation work						
A detailed audit of the site		---				ok
Drafting of the tasks on the error correction		---				ok
The semantic core		-----				ok
Analysis of competitors in the issuance of the stated keywords		---				ok
Techn. work		-----				ok
Filling the meta data			---			ok
Copyright of the promoted pages				-----		ok
The scheme of internal linking				---		ok
Creating advertising in AdWords					-----	ok

Setting up a web analytics

Determination and approval of the purposes of site visitors

Setting up a site analytics account

Testing

Figure 15 SEO works plan for site www.mybaby.fi.

As SEO has grown as industry and in popularity, the search engines started to provide more information about their data. It started with the queries listed in the preceding section and eventually turned into tools that are dedicated to making our jobs and SEO easier (Dovern and Dafforn, 2011).

The two most popular search-engine provided tools that are expected to exist for a while are Google Webmaster Central and Google AdWords Keywords Tool (2011, p.56). Google derives over 80 percent of revenue from placing ads on their search engine results screens which means they take it very seriously. They have created a robust program (AdWords) to manage this advertisements, which allows any size company to participate (Elad, 2008).

Google Adwords Keywords Tool is available at <http://adwords.google.com/select/KeywordToolExternal>. With this tool it is able to see specific information from Google how many searches are performed on a given term per month. This is extremely useful for conducting keyword research and deciding which word a given page should target (2011, p.56).

Google AdWords requires to register and to create an account. If you do not want to do it, you can use another useful tool *Google Insights*. It is available at www.google.com/insights/search. It is another excellent tool that enables you to identify keyword trends and compare the relative popularity of up to five phrases at the time (2011, p.56).

Google Webmaster Central is available at www.google.com/webmasters. This tool allows you to set specific settings for your website as well as see specific metrics of how Google see your site. These metrics include link profile details and crawling statistics (2011, p.58).

This all mentioned above tools are concerning content issues of your website. Whether you want to analyze your website visitor's behavior, you need to get a web analytics tool.

Google Analytics tool is one of the best free tools that any website owner can use to track and analyze data about Web traffic. Using this tool, you are able to see what keywords are bringing the most visitors to your pages and what aspects of your designs are turning them off. Upon request it generates a report for your website that includes information about visitors, traffic sources, goals, content and e-commerce (Jantsch, 2012).

According Waisberg (2012), Google Analytics is implemented with "page tags". A page tag, in this case called the Google Analytics Tracking Code is a snippet of JavaScript code that the website owner user adds to every page of

the website. The tracking code runs in the client browser when the client browses the page (if JavaScript is enabled in the browser) and collects visitor data and sends it to a Google data collection server as part of a request for a web beacon.

Here is example of such Java script code for site www.mybaby.fi:

```
<script>
  (function(i,s,o,g,r,a,m){i['GoogleAnalyticsObject']=r;i[r]=i[r]||function(){
  (i[r].q=i[r].q||[]).push(arguments)},i[r].l=1*new Date();a=s.createElement(o),
  m=s.getElementsByTagName(o)[0];a.async=1;a.src=g;m.parentNode.insertBefore(a,m)
  })(window,document,'script','www.google-analytics.com/analytics.js','ga');

  ga('create', 'UA-44470315-1', 'mybaby.fi');
  ga('send', 'pageview');

</script>
```

After implementation of Google Analytics at your site you will be able to see statistics of visitors.



Figure 16 One of the Google Analytics view screens (sourced from <http://online-behavior.com/analytics/implementation>).

Hereby, as we can see, Google provides e-business entrepreneurs with very powerful tools of analytics. Of course, adding Google Analytics scripts to your site is not enough to optimize your business. But it is a good start point, and whether you will continue to develop your site and your business as whole, depends only on you personally. Web society and professional SEO companies offer a lot of solutions, from free of charge for beginners till very expensive and deep for large sites and e-projects.

4.9 IMPLEMENTATION

4.9.1 Successful implementation of online business

When customers begin visit website, company must deliver the total benefit that brand communication has promised. Company must be able to correctly execute transactions initiated through the customer interface. (Rayport and Jaworsky, 2003).

According to Bartelt (2006), implementation of online shop can be very risky because of no widespread and profound knowledge and experiences.

Framework for implementation provided by Rayport and Jaworsky (2003) covers 7 aspects: human assets, processes, organizational structure, systems, culture, leadership, partnership. All factors needed to build a strong system.

The term human assets refers to hoe employees are developed, manages, and retained. More attention has been paid to human resources management since the collapse of Internet stocks and the associated recent uncertainty by employees regarding stock options.

Processes outline how particular tasks are accomplished in organizations. Firms have the option of telling employees to do the work however they think best. It makes most sense for organizations to identify and enforce clear processes to direct workers and provide an opportunity for continuous improvement.

Organizational structure is perhaps best understood as the way the firm devises both horizontal and vertical reporting responsibilities.

System of company which puts in place related to supply chain management. This area is often very different for online companies.

The final three components are culture, leadership, and partnership. All firms have distinct cultures. The best cultures are ones that provide a sense of meaning to employees and drive the organization toward productivity. Leadership is one of the most well researched but least understood areas of management. Partnerships are much more significant for online companies because network effects can be multiplied more easily online (Rayport and Jaworsky, 2003).

4.9.2 Implementation challenges for online companies

According to Truex (2013), to start business online is faster, easier and more affordable than physical business, but there will be a lot of challenges related to technical problems, security issues, and consumer skepticism.

Due to the fact that online storefront is complete transparency for customers and competitors the implementation mistakes will be punished much more quickly than in the offline world. If competitors are able to monitor a firm's prices immediately, they can respond with price adjustments in a real-time fashion. On the customer side, if the customer finds that a particular product is not available, it would only take a few minutes to order this product at another online shop (Rayport and Jaworsky, 2003). So, business owners must constantly monitor the potential problems to avoid major disasters (Truex, 2013).

Below provided implementation challenges of online firms.

1. Higher Visibility of Errors.

The Web offers consumers a wide variety of easily accessible sources of information on e-commerce companies. Many rating services have been established to help shoppers choose reputable companies. Some websites give disgruntled customers the opportunity to vent their feelings and experiences to a large audience (Rayport and Jaworsky, 2001, 2003).

2. Low Switching Costs.

Switching cost include additional driving, new constrains on method of payment, and time spent learning about a new retailer. For consumers who shop on the Internet switching costs lower than for consumers who shop at bricks-and-mortar firms. If customers are satisfied with their experience with an e-commerce store, they will spend a certain amount more to continue to shop there. If they become unsatisfied, they will quickly look at competitors. Because switching costs involve only a simple click of the mouse, companies are under constant pressure to make their current customers want to return to their stores (Rayport and Jaworsky, 2003).

3. More Fluid Organizational Boundaries.

The lack of clear dividing lines between partnering and collaborating parties creates fluid organizational boundaries. While this fluidity increases contact and community between partners, it also increases the complexity of interactions (Rayport and Jaworsky, 2003).

4. More Dynamic Competitive Environment

The speed of change in the market places significant burden on firms to respond quickly. Netscape went from being the absolute dominator. The speed of evolution is high. Even the best companies cannot afford to implement changes too slowly that will inhibit it from adjusting to changing marketplace conditions. Due to low barriers to entry, poor implementation by incumbent firms provides opportunities to potential entrants as well as to current competitors. It can be relatively easy for new entrants and competitors to gain advantage from a company's implementation errors and problems (Rayport and Jaworsky, 2003).

5. More complex Linkages.

Complexity of linkages refers to the number of linkages among various partners. The more linkages, the more likely it is that decisions will become

slowed, prone to miscommunication, or more bureaucratic (Rayport and Jaworsky, 2003).

.

6. Technical challenges

Technical challenges and problems are common challenges in online business start-ups. There can be problems with host provider's servers, in coding of the site or the programming of scripts (bugs). The more knowledgeable the site owner and his webmaster are about technical challenges, the easier it is to determinate and solve (Truex, 2013).

7. Server Reliability

As was mentioned before, a great web site is useless if no one can get it, so the reliability of your web hosting provider is vital (Plumley, 2010). Reliability means no accidental outages or drops in speed. No one hosting can give guaranty for well running all the time. If server crush, website will crush also that can be sites fault. There is a lot of reason, in instance too much traffic or not good script (Truex, 2013).

8. Security

Problems with security brake online reputation and compromise customers' secure information. It is necessary to protect the information, especially about payments and personal data of customers (Truex, 2013).

Implementation mistakes of on-line companies

According to Ken (2009), implementation mistakes of on-line companies can prolong implementation process, thus increasing costs, and get unexpected result.

Rayport and Jaworsky (2003) provided six implementation mistakes ("silent killers") determinate by Michal Beer and Russel Eisenstat. They studied more

than 150 units from 12 companies and analyzed the factors that most often blocked successful strategy implementation. They are:

1. Top-down or laissez-fair senior management style
2. Unclear strategy and conflicting priorities
3. Ineffective senior management team
4. Poor vertical communication
5. Poor coordination across functions, business, or borders.
6. Inadequate down-the-line leadership skills and development

While these problems occur in brick-and-mortar companies, they are especially troublesome for Internet companies. Online companies are often encouraged to do as much as possible as soon as possible, creating an environment of conflicting priorities those users' resources ineffectively and causes confusion for employees. Regardless of whether the company is offline, online, or a combination, it will need good management, clear strategy, good processes, and solid leadership (Rayport and Jaworsky, 2003).

4.9.3 Partnership

Many successful businesses have some kind of partnership, which instrumental support to the continued success of the business. While many offline companies arrange partnership, the usage of it is more pervasive online (Rayport and Jaworski, 2003).

Even if you are currently doing your business solo, at some point you may need or want a business partner to help you expand or take your venture to the next level.

Finding a partner is a question of networking. Whether online or off, the tactics are the same. Find someone who shares your dream and whom you have the same chemistry with (Carlson, 2012).

Here are some typical ways:

- social networks, online networking groups, dedicated online partner finding sites, offline networking groups, family, friends and colleagues, some other groups (Carlson, 2012).

Some more thoughts about the groups: as far as Internet business becomes tighter, competitive advantages will be derived from innovative marketing. One form of such marketing is to ally with groups or associations which provide a complimentary services and benefits to the group's memberships. For example, in such arrangement, a new site can be launched with a large customer base, but it will be not such expensive and risky. It will be cost only group fee to access membership and customer database (Rayport and Jaworski, 2003). In common, finding the partners is possible from daily activities – communications, shopping, sport activities and internet searching.

As for NS Project and Mybaby.fi shop, partnership was a strategic element from the most beginning. At the present moment we have several partners.

1. Amalie's Lifestyle Company (<http://www.amalieslifestyle.fi>). It has two the same named shops: in Kotka and in Lappeenranta. We supply them with some brands of clothes, shoes and toys. In addition, we are in negotiations about giving them a platform of our online store for selling their own products, as far as they do not have online shop. Thus, we will be able to withdraw their business from offline to online.

2. Lasten Vaatekaappi (<http://www.lastenvaatekaappi.fi/>). With them, we have agreed to offer goods for sale. It means that they do not have to buy them from us, but we can sell our own products via their offline shop.

3. Minimint.fi online shop (www.minimint.fi, Hansan Oy Company). At the present moment we negotiate with them to buy part of inventory in connection with the suspension of their activity for an indefinite period.

4. Couple of Russian retail shops in Saint-Petersburg. We supply them with children clothes and shoes.

5. Finnish Commerce Federation (www.kauppa.fi). It is a nationwide lobbying organization whose mission is to promote Finnish commerce. There a lot of different professional organizations, including fashion and textile trade union (<http://www.textile.fi>), and trade union of fashion industry (<http://www.muotikaupanliitto.fi>). These organizations provide their members with trainings, proper events and seminars, support and provide members with the latest statistics data and articles about trends in industry. We became a member of both organizations.

Summing up, we can say, that partnership is a strategic direction of any business. It helps to survive for start-ups, to operate successfully for existing businesses, and even to finish up correctly without losses.

4.10 FOCUS ON MEASURING AND IMPROVING PERFORMANCE OF E-BUSINESS SYSTEMS

“You can’t manage what you can’t measure”

Bob Napier, Chief Information Officer, Hewlett-Packard

1960s

When online shop is loaded it will be necessary continuously to make minor updates to the content and services in response to the environmental changes. Owners have to make measurement and review. For each update, a small-scale prototyping process involving analysis, design and testing will occur. For more major updates that perhaps may occur every 6, 12 or 18 months another full cycle of analysis and design, development and testing will be required. The review of web analytics to improve the results from a site and in particular its conversion rates should be a major concern for a live website (Chaffey, 2009).

Chaffey (2009) provides in his book interview with e-commerce director Russel Gold of Thomas Cook, he said that when they analyze its online proposition through user-centered design methodology through using research, usability

reviews and analytics. He strongly recommends analyzing, analyzing, and analyzing. Online shopping is simply transparent and it allows track everything. They use data to optimize everything they do. It will lead to appearance of customer, who wants to come back and buy again. Russell Gold also said that personalization is a key factor. Owners of websites must present the right content to the right people.

When large investment made in to the site, managers want to ensure that the investment is delivering its objectives. Companies that have successful approach to e-commerce often seem to share a common characteristic. They attach great importance and devote resources to monitoring the success of their online marketing and putting in place the processes to continuously improve the performance of their digital channels (Chafey, 2009).

To describe marketing activities from the point of appropriate approach to measurement and improvement has developed the term “web analytics”. A web analytics association (www.webanalyticsassociation.org) has been developed by vendors, consultants and researches in this area Eric Peterson (2004), an analyst specializing in web analytics, defines it as follows:

“Web analytics is the assessment of a variety of data, including web traffic, web-based transactions, web server performance, usability studies, user submitted information, and related sources to help create a generalized understanding of the visitors experience online.”

The process and systems intended to monitor and improve the performance of an organization and specific management activities such as Internet marketing known as “performance management systems” (Chafey, 2009).

The measurement process was defined as key aspects of annual plan control by Kotler (1997) and is provided in Figure 17.

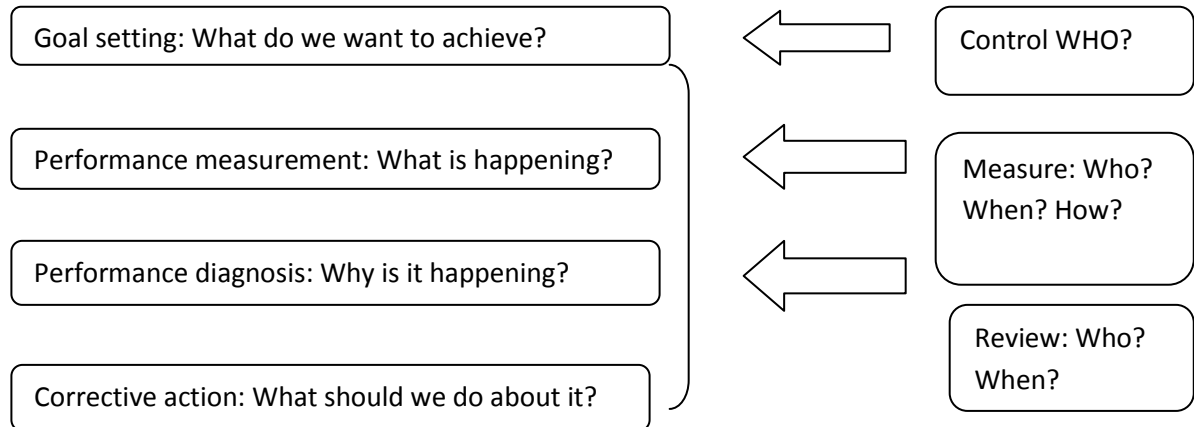


Figure 17 A summary of the performance measurement process.

According to Dave Chaffey (2000-2003), there are 4 main stages of measuring process.

Stage 1 Goal-setting stage sets the aims of measurement. Usually, the strategic Internet marketing objectives are implemented into the measuring system. The aim will be to assess whether these goals are achieved and specify corrective marketing actions to reduce variance between target and actual key performance indicators (Improving web marketing effectiveness, 2013).

Stage 2 Performance measurement involves collecting data to determine the different metrics that are part of measurement framework.

Stage 3 Performance diagnoses it is the analysis of results to understand the reasons for alteration from objectives and selection of marketing solutions to lower this alteration (Improving web marketing effectiveness, 2013).

Stage 4 Corrective action, according to Wisner and Fawcett (1991), is the identifying competitive position. "Locate problem areas, assist the firm in updating strategic objectives and making tactical decisions to achieve these objectives and supply feedback after the decisions are implemented."

(Encyclopedia for business, Performance measurement, 2013) In internet marketing context, corrective action is the implementation of updating to web-site content, design, marketing communications.

A “measurement Culture” is one in which each employee is aware of the need to collect data on how well the company is performing and on how well is meeting its customers’ needs.

5 CONCLUSIONS

5.1 Summary of main findings

At the beginning of our study research the main question was:
How to establish own company in sector of baby clothes operating online?

The current research reflected, that creating an online store is a multi-faceted and time-consuming process, which includes a lot of features and requires knowledge and basic skills in such areas as entrepreneurship, e-commerce, e-marketing, web design and web architecture, logistics, supply chain management, market communication, promotion.

During of our study we based on methods of qualitative research: questionnaire and observation.

First of all, we needed to evaluate ourselves as entrepreneurs. The first questionnaire was devoted to assessment of entrepreneurial characteristics of project owners. Result of this assessment was essential for the further steps. Fortunately, owners showed very good points for entrepreneurial activities. The scores were 32 and 28. It means that we have abilities to be entrepreneurs and to run businesses.

The online shopping survey questionnaire consisted total of 13 questions. Researches had to create short, intelligible and understandable questionnaire to get from respondents maximum quantity of answers. Questionnaire was sent to 100 respondents via e-mail to determined focus group: friends and colleagues from Finland, Russia (Saint-Petersburg), Holland and Spain.

As a result researches have back only 57 answers from total amount of respondents. The most quick-response with important comments were got from Holland, then from Russia. Unfortunately, only few answers were got from our Finnish colleagues. Someone ignored the request, someone spoke, that there is no time even to look through the questionnaire.

Result of the questionnaire was useful for researches of this study. Bellow provided detailed questionnaire results.

Most of participants in research are Female – 63%, leaving 37% for male. The main responding audience was at age of 31-39 years. Women are doing more shopping online then men. Educational level also affects the frequency of online shopping. People living in towns with population less than 45,000 habitants, also prefer to shop online. Finland – is a country with plenty of small towns and villages.

32% of respondents use the Internet very actively for searching products or merchant information, comparing prices of products, placing an orders and communication with sellers. 57% of respondents did online shopping at least once per year 2013. 32% of respondents bought clothes and 10% shoes.

The main respondent audience evaluate the process of online shopping as easy to reach, clear and acceptable, quite safe. Russian respondents have more negative attitude to the online bank payments, while Finnish respondents evaluate online payments with using credit cards as reliable.

42% of respondents marked the delivery terms and arrangements of online shop as good. Cancellation and refunds are smooth for 52% of respondents.

Comparing web shopping and conventional ways of purchasing, more than 50% of respondents were agree that purchases from web shops are very advantageous, it takes less time, buying from web shop is easier. 68% of respondents were planning to make at least one web purchase during the next six months, according to questionnaire.

While shopping online, people are looking for unknown but quite interesting, fresh brands that are not represented on conventional shops; famous brands with more democratic prices than in conventional shops; and finally famous brands with more wide range of models than conventional shops offer (ranked in order of decreasing). That ranking gave us a strategy to sell exactly new brands that are not yet represented in Finland. Also, the famous brands are demanded. Customers want to get famous brands with good quality by affordable prices. This is can be utilize as a second strategy for portfolio design.

Analyzing the results and our experience we have got during this research, we came to the following conclusions.

Establishing of online shop is challenging but interesting and inspiring process. It is possible to implement into the real life step-by-step:

- being able to be entrepreneur,
- taking into account a lot of theoretical considerations,
- constructing sustainable business-processes,
- creating the long-term oriented networks with partners and vendors,
- accurately thinking through the promotion strategy,
- budgeting costs,
- operatively monitoring results and changes in circumstances,
- constantly improving appearance of business, learning on own mistakes,
- creating own brand and reputation,
- being focused on customer satisfaction

As a result of activities, we have set up online shop, but now need to develop strategies to promote it (via social media and traditional channels of marketing communications). After creating a site, the problem of attracting customers arises, customer retention via Customer Relationship Management system becomes relevant.

5.2 Managerial implications

During the last year we faced with a lot of challenges. We learned a lot and have done a lot, but still we need to improve and update our online shop. Besides, in the process of creating online store we did mistakes.

First of all, one of the main conclusions is consideration about using of foreign SEO and web design partners. In the beginning, we came to the creation of the store by outsourcing web services in Estonia, as far as such services are very expensive inside Finland. But in the process it became clear that to be adapted in the Finnish market it should be created by Finnish specialists. Otherwise, it takes a lot of time to adapt it in the future, because there are a lot of mismatches. So now need to devote a lot of time for revision. The second way was to purchase shop creation services from Finnish companies, but due to the limited amount of money that we had, it was impossible for us.

In the future, a revision of the goods portfolio is to be done in order to the local Finnish market adaption. While creating the store and searching suppliers, we based on own preferences, we relied on our own tastes and ideas about style and beauty of the children clothes. The practice shows that this approach was not correct. We understand clear habits and preferences of Russian customers, but at the same time we do not understand anything in the tastes of the local potential customers. So, the local customer's preferences and shopping behaviour research is needed. This topic can be a separate graduation project.

Further, huge and the most important objective for the nearest future is developing of promotion strategy and it's implementing. We need to focus on

attracting and retaining of customers. We need to create customer's database, to communicate with customers, to win the trust and loyalty of our customers.

Advertising and promotion budget is to be done and implemented. Finnish SEO partner is required. After the implementation the measurement system should be designed and applied. We need to design own KPI system and evaluate our actions and results according to that.

Thus, as result of current research the owners of site www.mybaby.fi have a plan of actions for the next 6 months:

1. Site adoption for the local market
2. Increasing of site conversion
3. Creation and implementation of social media promotion strategy
4. Forming of optimal goods portfolio on base of planned research about local customers preferences
5. Design and implementation of measuring system on base of Key Performance Indicators (KPI)
6. Finding a local Finnish partner for SEO services
7. Expand of suppliers portfolio
8. Creating of media-plan on base of the most suitable for mybaby.fi advertising tools
9. Attraction of customers and creation of customer's data base
10. Promotion of mybaby.fi site to the highest ranking position in Google.fi
11. Sustainable and reliable appearance of this project

On the base of this plan, following considerations and recommendations for further research can be done.

5.3 Suggestions for further research

In the research process, with the use of questionnaires, we faced with the fact that the respondents did not want to answer questions if the answer comes to e-mail. They fear that their address will be used in the future to send them marketing messages. Our mistake was that we did not any questionnaire in

on-line system that would allow us to get a higher percentage of responses and the ability to more accurately interpret the results. In fact we had to handle a lot by hand, which took a long time and distract us from the project itself, which meant that the use of temporary resources are not properly.

Initially, the questionnaire was in English, but in the process of working with the respondents became apparent that not all potential respondents speak English at a level to understand clear the questions asked, and we have added a Russian-language version of the questionnaire and the Finnish-language version. But as far Finnish language of the authors was far from complete mastery, it became a source of distrust and a barrier to active responding by the Finns. On the other hand, the English version was sent to the Netherlands to the state organization where our friend works. At her request to fill in the questionnaire was not received a single failure from the part of her colleagues. This fact can be also utilized by further researches in their work.

In general, as topics and directions of further researches there can be recommended the following issues:

- Design and implementation of social media strategy for online shop mybaby.fi
- Creating of KPI system and its implementation to online shop mybaby.fi
- Evaluation of business-processes of online shop mybaby.fi
- Creating of optimal portfolio for online shop mybaby.fi
- Research of preferences and online shopping behavior of local customers in Finland
- Partnership with SEO services in Finland and its influencing on site's ranking in search engine Google.fi
- Perception and usability of mybaby.fi site among its customers.
- Evaluation of buying process on the site mybaby.fi on the base of customer survey
- Ways of conversion increasing of e-commerce mybaby.fi

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NS Project OY**Online shopping survey questionnaire**

After having answered the questions, please return this form by e-mail
svetlana@nsproject.fi , natalia@nsproject.fi.

Part 1 Demographic information**Question 1****Your gender**

Female

Male

Question 2**Education**

(Please tick only the highest level attained)

Primary School

High School

College

University graduate

Post graduate degree

other

Question 3**Your age**

18 – 24

25 – 29

30 – 34

35 – 39

- 40 – 44
- 45 – 49
- 50 – 54
- 55 – 59
- 60 or more

Question 4**Residential community**

- Helsinki, Espoo, Vantaa or Kauniainen
- Russia, Saint-Petersburg, Moscow
- Russia, regions
- city with a population over 45,000
- city with a population under 45,000

Question 5**Do you have at your disposal?****(Please check all that apply)**

- A bank account
- a bank debit card
- connection to web-banking facilities
- an international credit card
- VISA, MasterCard, American Express, Diners Club
- Klarna, Paypal

Part 2 Internet usage**Question 6**

How much time per week do you spend on surfing the www _____ hours per week

Question 7

	[]					
Web shops have smooth running payment arrangements	[] []	[]	[]	[]	[]	[]
It is safe to use a credit card on the WWW	[] []	[]	[]	[]	[]	[]
Web shops have good delivery arrangements	[] []	[]	[]	[]	[]	[]
Cancellations and refunds are handled smoothly by web shops	[] []	[]	[]	[]	[]	[]
When dealing with web shop, my confidential information is kept safe	[] []	[]	[]	[]	[]	[]

Question 11

Comparing web shopping to conventional way of purchasing, what is your opinion on the following statements?

Totally agree Totally
disagree

Purchases from web shops are very advantageous	[] []	[]	[]	[]	[]	[]
It took less of my time than buying conventionally	[] []	[]	[]	[]	[]	[]
Buying from a web shop is easier than conventionally	[] []	[]	[]	[]	[]	[]
I plan to make at least one web purchase during the next six months	[] []	[]	[]	[]	[]	[]

Question 12

Regarding purchases from web shops, are you looking for:

- Famous brands with more democratic prices, comparing with conventional shops
- Famous brands with more wide model range, than in conventional shops
- Unknown but quite interesting, fresh brands that are not represented in conventional shops in your area
- Other, what? _____

Question 13

What features do you suggest are important for web shop?

- Low prices
- High quality

- Ease of transaction
- The possibility of changing or canceling the order
- Previously known seller or merchant
- Good references from friends

If you wish to comment this questionnaire or give feedback to its organizers, please write your opinions

On the space below, thank you.

If any questions arise that you wish to have answered before you complete this form, please contact organizers by e-mail: Svetlana@nsproject.fi, natalia@nsproject.fi.

THANK YOU VERY MUCH!

The following questions probe only those areas that are important to successfully starting up a business and can be controlled or affected by the individual. The score-calculation is like this:

1 – if the statement is rarely true;

2 – if usually true;

3 – if nearly always true.

Questions:

1. I know my personal and business objectives.
2. I get tasks accomplished quickly.
3. I can change direction quickly if market conditions alter.
4. I enjoy being responsible for getting things done.
5. I like working alone and making my own decisions.
6. Risky situations do not alarm me.
7. I can face uncertainty easily.
8. I can sell myself and my business ideas.
9. I have not had a day off sick.
10. I can set my own goals and targets and then get on with achieving them.
11. My family is right behind me in this venture – and they know it will mean long hours and hard work.
12. I welcome criticism – there is always something useful to learn from others.
13. I can pick the right people to work for me.
14. I am energetic and enthusiastic.
15. I do not waste time.

A score of 30+ is good; 20-30 is fair; below 20 is poor. At the same time, a high score will not guarantee success but a low one should cause a major rethink.

