

## Planning of a new online business concept

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| <p>The subject of this thesis is to plan the author's future online business through an investigation of the electronic commerce market and the new electronic commerce trend, a subscription box business. The objective of this thesis is to create a one single page plan for the author's future online business concept by using the Running Lean Method by Ash Maurya, to help to validate her business idea. The first sub objective is to carry out practical and succinct information for small business entrepreneurs that are thinking about starting an online business. A deep research about the concepts of a successful subscription box business will be conducted. The second objective is to create a brief guide about setting up a private company in the Netherlands to help the author to establish her future business there. This thesis is represented from a perspective of a starting online entrepreneur. This thesis does not address particularly the topics of entrepreneurship or technical manners of starting an online business.</p> <p>The theoretical framework of this thesis is about the environmental analysis of the current state of the electronic commerce market in Europe and in the Netherlands. Current online trends that will have an effect on future online businesses and their competitive conditions in the near future will be investigated. Moreover, the framework will examines the key concepts of a successful subscription box business and how these concepts appears in a creation process of this business model. The framework is based on the most recent data about electronic commerce and its trends.</p> <p>As a result of this project based thesis there will be a complete one page plan created for a natural cosmetics and health food subscription box service. This plan will be used for the author's future validation stage of her business which will be taken later in 2016 in the Netherlands. A transparent process description of author's business planning will help to guide small business entrepreneurs who are planning to establish an online business. At the end, based on the investigation of this thesis and the planning of the business idea, the author will make conclusions about the future of her business. In addition, the author gives suggestions for the new online entrepreneurs.</p> <p>This thesis was carried out from October 2015 to January 2016 and its objectives have been achieved.</p> |  |
| <b>Keywords</b><br>E-commerce, Online business, Subscription box, Lean Canvas  |  |

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# 1 Introduction

“In preparing for battle I have always found that plans are useless, but planning is indispensable.” - Dwight D. Eisenhower

The rise of Internet and revolution of communication technology throughout the world has dramatically changed peoples' lifestyles as well as the way of doing business. While more and more people are being connected online, there is no denying that electronic commerce is booming. Electronic commerce known as e-commerce can be briefly defined as the buying and selling goods or services over Internet. According to Ecommerce Foundation (4, 2015) global B2C e-commerce sales of goods and services nearly doubled from 2011 to 2014 with sales of \$1, 9 trillion. (Ecommerce Foundation 4, 2015.) Consequently, the emergence of electronic commerce and dramatic changes in global economy has led us to a situation where more start-up companies are putting themselves on the map constantly than ever before. (Ries 2011, 15.) As relatively easy, fast and inexpensive an electronic commerce might sound, still, according to many sources, nearly ninety percent of all electronic commerce start-ups end with failure within the first four months. A number of reasons can be found among these failures, but one particular reason amongst all is the lack of planning. Without having an over-arching goal or any kind of plan for the future of one's business, it is clear that the business is more likely to be essentially rudderless, where daily activities are most likely to end being aimless and reactive. In a contrast, having a plan will not only help the start-up to understand the business itself and the market but also how to operate the business in a best way within this environment. (Wignall 13.4.2015.)

The author of this thesis has been inspired by the advantages and the potential of electronic commerce over time. When the idea for her new business came to her mind and the decision of moving into the Netherlands after her graduation, the most reasonable approach was to connect the idea and thesis writing into a concrete step towards her new business. After studying about entrepreneurship and start-ups, the author has learnt that a business in these days does not always start being in a classroom or having a MBA degree. Learning from words of wisdom of those who have been down the path before, it is becoming a more and more enjoyable approach for people with an entrepreneurial drive. Many of new starters also see writing of a formal business plan as an old-fashioned way of planning and starting a business. Additionally, in this start-up world writing a long formal business plan might be already out of date before the idea ever even comes to market. The quicker the company is being launched and the idea tested with real customers, the

better will the business learn whether the idea of a business is worth of pursuing and what can be done differently in order to success in the future.

### **1.1 The aim of the thesis**

The aim of this thesis is to get a better understanding about the process of starting a successful electronic commerce business from scratch. What does it take to build a sustainable electronic commerce model? What are the current trends in the electronic commerce market? How can an idea turn into a moneymaking business? What about starting a business in the Netherlands? The personal interest to understand the key factors of a successful e-commerce and the importance of planning were key factors in choosing the topic for this thesis. The author had a personal interest and an idea to start an electronic commerce business in the Netherlands in the near future and wanted to clarify her business idea by using Running Lean Method created by Ash Maurya. In the Running Lean Method the aim is to get the product in the market as soon as possible to test it out with real customers and to grow by the given feedback. In this method the formal business plan is replaced with the Lean Canvas which gives an outline of one's business model on one single page.

Researching about electronic commerce, business planning and setting up a business in the Netherlands were all natural topics of self-interest for the author. Without exception, the author of this thesis wants to study valuable information about how to plan and build a successful electronic commerce business. As a result of this project-based thesis there will be an initial plan created for her new online business concept. The secondary objective of this thesis is to give inspiration and guidance to those who are interested of setting up an online business in the future. Furthermore, this thesis should include insights of setting up a business in the Netherlands and determine if the author's business idea is something to go for.

### **1.2 The structure of the thesis**

This project-based thesis consist two parts: the theoretical framework and empirical part which is the process of starting an entrepreneurial path, where the outcome will be an initial plan for the author's future business. Furthermore, a guideline for setting up a private company in the Netherlands will be included to help the author to start a business in her new home country. The theoretical framework begins by covering the state of today's electronic commerce market and it developments. Since cross-border electronic com-

merce has become increasingly important for businesses also current global and European market will be studied. Moreover the Dutch electronic commerce market is also conducted in this study knowing that this market is significantly important for the author's new business. The second section is focused on finding current trends on the electronic commerce market including the subscription based commerce which is behind the author's future business idea. Briefly the subscription based commerce means that customers are signing up for a recurring payment and the company will provide products or sometimes services for them, example socks in a monthly basis. As the subscription based commerce is the key element of the author's future business, the third chapter is looking at the key factors of creating a successful subscription commerce business from the perspective of a starting entrepreneur. Finally, the process of the initial business planning for this thesis will be explained, so how the author's initial plan has been built-in and why these solutions have been chosen. In addition, a benchmark of three Australian subscription boxes and a pricing scenario for the author's initial planning will be added. These can be found from appendices of this thesis.

## 2 E-commerce today

Trading goods, also known as commerce, has been a major catalyst for humans' growth of quality of life throughout the history. Thanks to the growth of Internet and its mass adoption worldwide, it has made a significant shift in the way businesses are operating and how consumers are behaving today. This day Internet is the largest marketplace in the world gathering businesses and consumers into a virtual world of information, products and services. This being said, every interaction made over the Internet is a business opportunity. (Belew & Elad 2009, 9.) Electronic commerce is big and it is growing fast. However, it is important to define the term as it conjures up many different images depending on the perspective.

Typically, electronic commerce also known as e-commerce is defined as follows:

Using a computer mediated electronic network such as the Internet as a mechanism for transferring ownership of or rights to use goods or services. (Van Hoose 2011, 7.)

Efrain Turban et al. (2015,1.) say that the definition of e-commerce should be seen in a broader way than only as buying and selling transactions between businesses and a third party. In their newest edition, e-commerce is explained as a business model in which transactions take place mostly over the Internet or other electronic network including communication, collaboration and information discovery. Furthermore, electronic commerce is also happening over e-learning, social networks, customer service and the like. (Turban et al. 2015, 1.) Chaffey (2015, 13) recalls this mentioned definition of e-commerce by taking account the whole supply chain from all functions before and after sales including example communication between natural persons in social media. In addition, according to Investopedia's definition (2015.) e-commerce can also be defined in different categories in how the trade is conducted. It can be a trade between business and consumer (B2C), only between businesses (B2B), or from consumer to consumer (C2C) and consumer to business (C2B). (Investopedia 2015.) In this thesis, the term of electronic commerce is concentrating on business to consumers (B2C) approach.

Combination of technology innovations and evolution of Internet has made a major shift in the purchasing process and how companies operate today. McKinsey Global Institute (2011, 5) states that Internet has become a significant purchasing tool allowing today's shoppers to compare products and prices, find instant sales, share their experiences on

social media and much more. (Manyika & Roxburgh 2011, 5.) However according to Nicasio's (2014, 11 ) findings of Omnichannel Shopping Preferences Study, which surveyed 2,500 American consumers, consumers are still in favour of using face-to-face retailers over electronic commerce despite the fact that how much electronic commerce is hyping these days. When more and more street-side businesses are going online, contrariwise electronic commerce is extending into offline stores. Cross-channel selling has become an almost crucial part for all businesses since the modern consumer is no longer using only one channel during its shopping journey. Building an online presence in different channels and creating seamless shopping experiences around all channels is essential for today's business success. (Nicasio 2014, 11-13.)

Electronic commerce is not only growing but also changing itself and the business opportunities it creates. Since mobile devices became popular and a central part of people's life, consequently mobile commerce became its own market. (Arlin 2015.) Efraim Turban et al. (2015, 260.) explain mobile commerce as an electronic transaction conducted by using mobile devices over Internet or over other wireless networks. They see mobile commerce as a growing market in the future for e-commerce because of its limitlessness to provide new services to existing and new customers anytime and anywhere. Furthermore the strategic values of mobile systems are growing significantly. (Turban et al. 2015, 260.) In addition to mobile commerce also social media has its significant impact on electronic commerce. According to Paymill's blog post (26.3.2015.) companies based on e-commerce platform Spotify gain average of 85 percent of all orders from Facebook. (Papageorgio 26.3.2015.) As we can see the online purchasing process has become more complex and integrating business operations in mobile devices and social media can make a huge difference in customer's attitude toward the business. In addition to be present in many channels, an online business can make a significant difference to be noticed by consumer today. Mobile commerce will be still discussed later on in this thesis considering today's electronic commerce trends.

The electronic commerce has plenty of different advantages which can be briefly organized to conduct organizations, consumers and society (Table 1.). One of the significant benefits that e-commerce creates is the opportunity to start a business with little money and experience but still compete against big businesses as cross-border commerce has become more accessible by the enormous growth of World Wide Web and its adoption. Nowadays, consumers can shop in anytime from anywhere and they have access to larger product range to choose than ever before while possibilities to customizing products to meet personal preferences have become easier. Thanks to social media, which consist

of communication between or with consumers and brand creation, potential buyers have never been easier to reach. As outsourcing of business operations online, making business has become easier, companies can reduce their physical operation costs and concentrate on building relationships with customers. (Turban et al. 2015, 15-17.)

Table 1. Table 1. Benefits of e-commerce (Turban et al. 2015, 17.)

| Benefits of e-commerce |  |
|------------------------|--|
| <b>Organizations</b>   | <ul style="list-style-type: none"> <li>• Global reach</li> <li>• Cost reduction</li> <li>• Increased strategic marketing</li> <li>• Open 24/7</li> <li>• Closer interaction with customers</li> <li>• Innovations/New business models</li> <li>• Helps SME and start-ups to compete in global market</li> <li>• Supply chain improvements</li> </ul> |
| <b>Consumers</b>       | <ul style="list-style-type: none"> <li>• 24/7 service access</li> <li>• Product/service customization</li> <li>• Endless selection of products/services</li> <li>• Access for bargains</li> <li>• Social interactions</li> <li>• Real time delivery/More delivery options</li> <li>• Price transparency</li> </ul>                                   |
| <b>Society</b>         | <ul style="list-style-type: none"> <li>• Work-at-home potentiality</li> <li>• Increasing standard of living</li> <li>• Consumers in rural areas and developing countries has access for more products and services</li> <li>• Intensifies public services</li> </ul>   |

In next chapters the electronic commerce market in Europe and the Netherlands will be briefly studied as knowing these markets have significant impact on new business. With the knowledge what is happening around the world's market helps a new entrepreneur to find key factors for its business success as well to help with understanding the business itself.

## 2.1 E-commerce in Europe

European e-commerce is in continuous growth and customers are progressively turning into online shopping than ever before. All the signs supports that e-commerce is not going

to vanish and will continue growing in the future. A non-profit organization, The Ecommerce Foundation founded by Ecommerce Europe, reveals in their newest report (2015, 20.) considering European B2C e-commerce 2015, that Europe with a turnover of €424 billion holds the second place after Asia-Pacific (€581 billion) market leaving North America (€394 billion) a bit behind. Even Latin America, Middle East and North Africa (MENA) and Africa are still small markets from global aspect; these markets are expected to grow over the few years. In 2014 1,200 million people in total purchased goods or services online at least once which results in an average spending of 1,100 euros per online shopper globally. (Ecommerce Europe 2015, 20.) European B2C e-commerce 2015 report is executed by Ecommerce foundation in cooperation with Gfk, a market research expert company, gathering data from several countries and organizations. The illustration below shows how e-commerce sales have been divided globally in 2014. (Ecommerce Foundation 2015.)

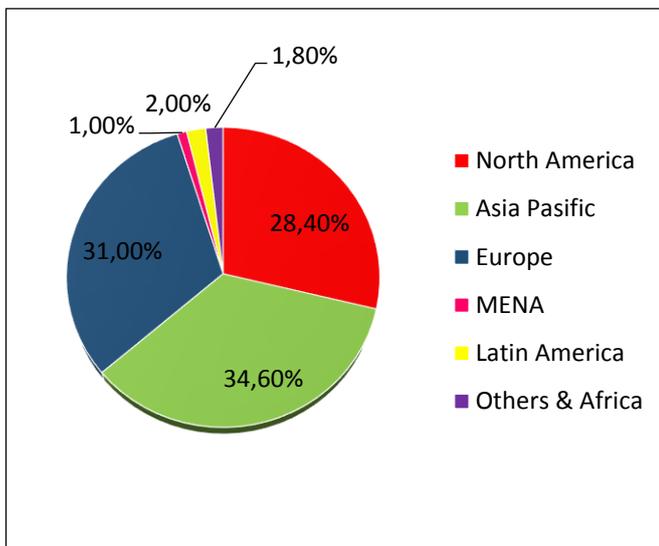


Image 1. Global B2C e-commerce sales by region in 2014 (Ecommerce Europe 2015, 20.)

As national borders have loosened up, e-commerce in Europe has taken more international direction considering commerce in and outside Europe. Emerging cross-border e-commerce, it is expected to be the major driver of e-commerce in Europe, but also all over the world in future. (Ecommerce Europe 2015, 13.) According to Postnord's (2015, 5) survey in 2014 response showed that 247 million consumers have shopped online within Europe and 159 million outside Europe. In total approximately 180 billion euros have been spent on online shopping in Europe by the end of 2014. (Postnord 2015, 5.) Postnord has carried out surveys since 2014 for the European e-commerce market under the title E-commerce in Europe. The information of the report is based on interviews in Belgium,

Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Spain, Sweden and United Kingdom, constituting a representative selection from all these countries. Interviews embody more than 11,000 consumers from age of 15 to 79. (Postnord 2015, 2-3.)

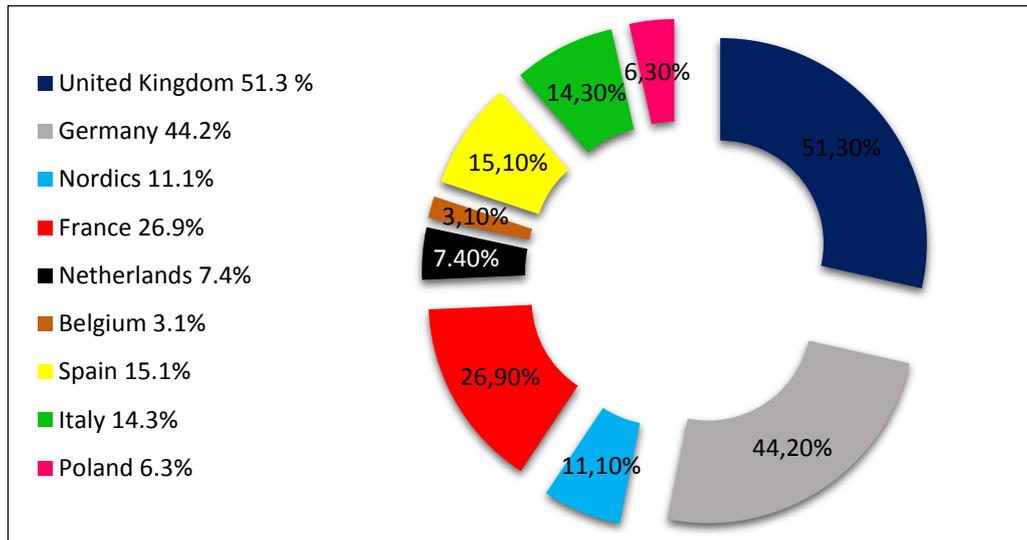


Image 2. E-commerce sales 2014 in EUR billions (Postnord 2015, 5.)

The graph above shows clearly how the United Kingdom, Germany and France dominate the e-commerce market in Europe accounting around 60 percent of the European B2C ecommerce market. (Postnord 2015, 5.) Also Henoech van Paesschen and Dirkjan Vis (8.4.2015.) states in their Ecommerce News' post, about the findings of yearly Global Ecommerce Index that the most attractive e-commerce countries due to survey numbers are the United States, Germany and France. However the study also reveals interesting factor about smaller countries and their growth potentials, such as Belgium that is expected to have the highest potential growth in e-commerce in Europe in near future as some regulation barriers will be changed due to night work and shipping. As for today, the Netherlands has owned a big part of Belgium's online spending. (Paesschen & Vis 8.4.2015.)

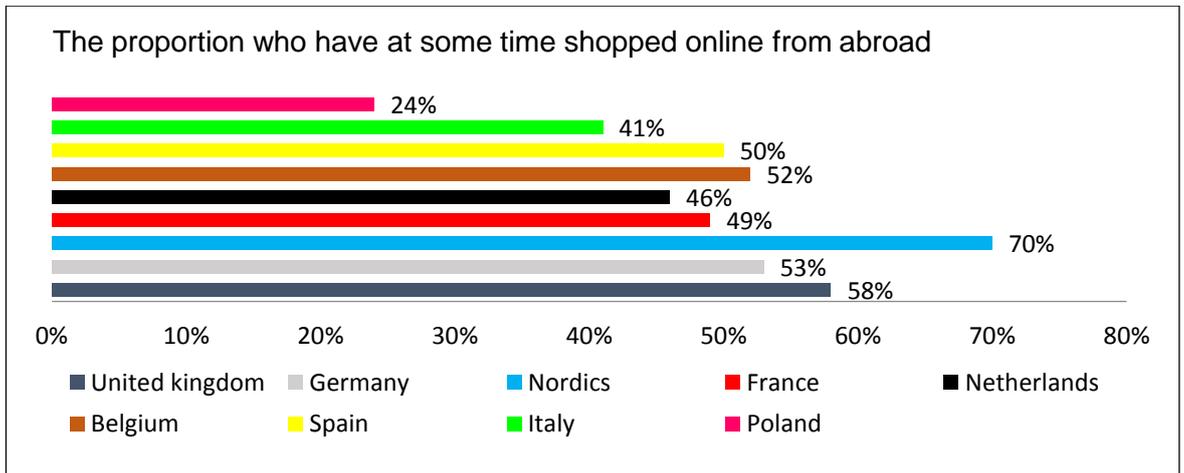


Image 3. E-commerce from abroad (Postnord 2015, 16.)

Like earlier stated not only consumers are shopping from domestic sellers but they are also increasingly shopping outside Europe. Compared to 2013, almost 11 million more European consumers shopped online abroad at least once. This can be explained largely by the fact that people are getting more natural with shopping online, some of us even think that it feels as natural as shopping in a physical store. Cross-border e-commerce has also made it possible for consumers to look for a wider range of products, more brands, better offers and prices. The Nordics are by far at the top of shopping from abroad, as no fewer than seven in ten consumers shopped at least once from abroad last year leaving biggest e-commerce countries Germany (53 percent) and United Kingdom (58 percent) behind. (Postnord 2015, 15-16.)

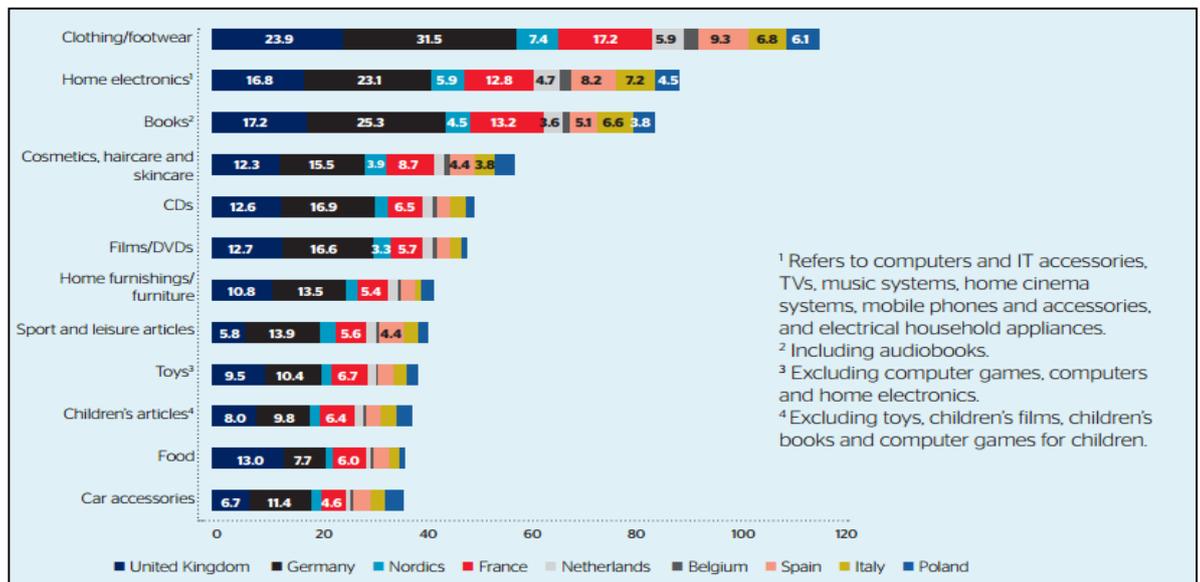


Image 4. Top products bought online in Europe. (Postnord 2015, 9.)

Europeans have definitely agreed on their favourite e-commerce products which stand for footwear and clothing, home electronics and books. Food shopping is on the rise, especially in the United Kingdom, Germany and France, from which the British are still at the top of the list. As consumers are becoming more and more accustomed to e-commerce, additional types of products online will be growing. Little increase can be seen also in online cosmetic sector where the United Kingdom once again tops the list. The sport is also following little increase in most countries, but mainly in the Netherlands, even Germany is still at the top of this list. (Postnord 2015, 9-11.)

Consumers' preferences vary by country for payments and delivery, where price is the most important in Italy (59 percent) and Spain (54 percent). Credit and debit cards as payment method are the most common way to pay online in most countries. Along debit and credit card payments, most of the countries excluding the Nordics and Belgium prefer payment services such as Paypal and similar payment solutions. When comes to delivery, the Dutch holds the highest expectations over the delivery time of 1-2 days as more than a third have stated wanting to receive their purchase within these days. In most countries consumers are prepared to wait from three to five days on their deliveries, excluding the Nordics and Spain where people are prepared to wait even six or more business days for their purchases. A very high percentage in every country regarding easy returns processing is being the important factor of choosing an online store. (Postnord 2015, 12-14.)

## **2.2 E-commerce in the Netherlands**

The Netherlands together with the Nordics holds the highest level of Internet penetration according to Postnord's survey (2015, 32-35). The top list of e-commerce products being purchased lays on footwear and clothes, home electronics and books. In 2014 11,6 million consumers shopped online at least once and 46 percent purchased online from abroad at some time. Most of the online shopping from abroad is from their neighbour country Germany followed by the United States and China. In addition, for the favour of the Dutch market, Belgians purchase most of their online products from the Netherlands. (Postnord 2015, 32-35.)

The latest Thuiswinkel Markt Monitor Q2 (2015.), a study about online consumers in the Netherlands, which is carried out by GfK, also known as Society for Consumer Research, on behalf of Thuiswinkel.org, reveals an unexpected strong growth on B2C e-commerce in the Netherlands during the first half of 2015 by 18.4 percent increase of online sales compared to the same period of time in 2014. A strong number of 7.96 billion euros has been

already spent on online products and services which will probably result in 16.5 billion euros at the end of 2015. (Thuiswinkel 2015.) According to Thuiswinkel Markt Monitor Q2 (2015.), the Dutch e-commerce focuses on sports and leisure which have together already increased 48 percent compared to the same period of time in 2014. According to press release (24.9.2015.) by Thuiswinkel a major explanatory factor for this increase probably can be found from big international sport events which took place in 2015 in the Netherlands, such as the Tour de France, the World Beach Volleyball and Women's Football World Cup. (Thuiswinkel 24.9.2015.) Not only made sport and leisure markets a remarkable increase in a first half of 2015, but also the food & local food market has made a strong growth by increasing 34 percent compared to same period in 2014. This growth is expected to increase as supermarkets are stepping towards meal box delivers. (Thuiswinkel 2015; Thuiswinkel 24.9.2015.)

The Dutch e-commerce market was worth of nearly 14 billion euros in 2014 and as earlier mentioned it is going to grow significantly by the end of 2015. What seems to be significant and interesting in the Dutch e-commerce market is that Dutch mainly buy online within the Netherlands as only 3 percent of total online spending in 2014 came from cross border sales. (Thuiswinkel 16.3.2015.).

Bol.com is the leading online retailer in the Netherlands serving over 5 million customers in the Netherlands and Belgium. It offers general merchandise products such as books, music, electronics, toys and everything from home decorations to personal care. Bol.com is known by its quickly and efficient customer service as well as fast and free delivery. Over last the years Bol.com has opened over 700 pick-up points in Albert Heijn stores, which is one of the biggest supermarket chains in the Netherlands and part of the Ahold family which owns Bol.com as well. (Ahold 2015.) What seems to be common in successful websites such as Bol.com is the understanding of customers' needs and wishes such as free, convenient and fast delivery. In terms of profit making as well as success rate, cross-border commerce plays crucial role. As earlier mentioned Bol.com has included cross-border commerce in its operations already from the beginning including Belgium in addition of own market in the Netherlands. A screenshot below (Image 5.) shows the front page of Bol.com.

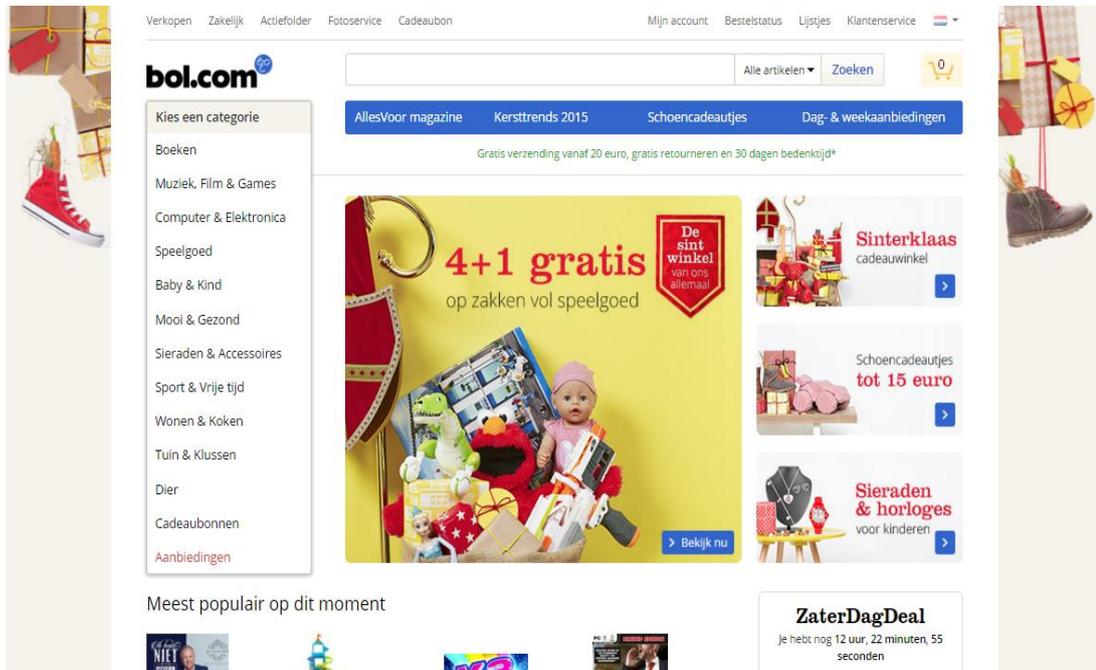


Image 5. Bol.com (www.bol.com 2015.)

When it comes to paying online, the Dutch really like to use iDEAL as a payment method which is a method of payment that enables consumers to pay online through their own bank. (iDEAL 2015.) According to Thuiswinkel's press release (2.4.2015.) iDEAL remains the most used payment method in the Netherlands, over 69 million online purchases paid by it in 2014. IDEAL is also the most common payment method when shopping via smartphone mostly due to its easy usage on the smartphone. This press release is based on the research conducted by Gfk with the Dutch Payments Association and the Dutch home shopping association also known as Thuiswinkel.org. The payment method iDEAL's market share was 54 percent of all electronic commerce transactions in the Netherlands followed by credit cards by 11 percent, direct debit by 7 percent (Machtiging) and credit transfer initiated by online payment slip (Acceptgiro) 6 percent. The rest 23 percent includes regular bank transfers (Overschrijving), PayPal, Maestro (Pintransactie), gift cards, cash on delivery and other types of payments. (iDEAL 2015; Thuiswinkel 2.4.2015.) A screenshot (Image 6.), the original figure of total payment method shares from January to December in the Netherlands in 2014 by Gfk, demonstrates how important iDEAL is as a payment method in Dutch market. Especially for international businesses this is a crucial factor to know in order to drive sales to online store in the Netherlands but also for online

businesses within a country.

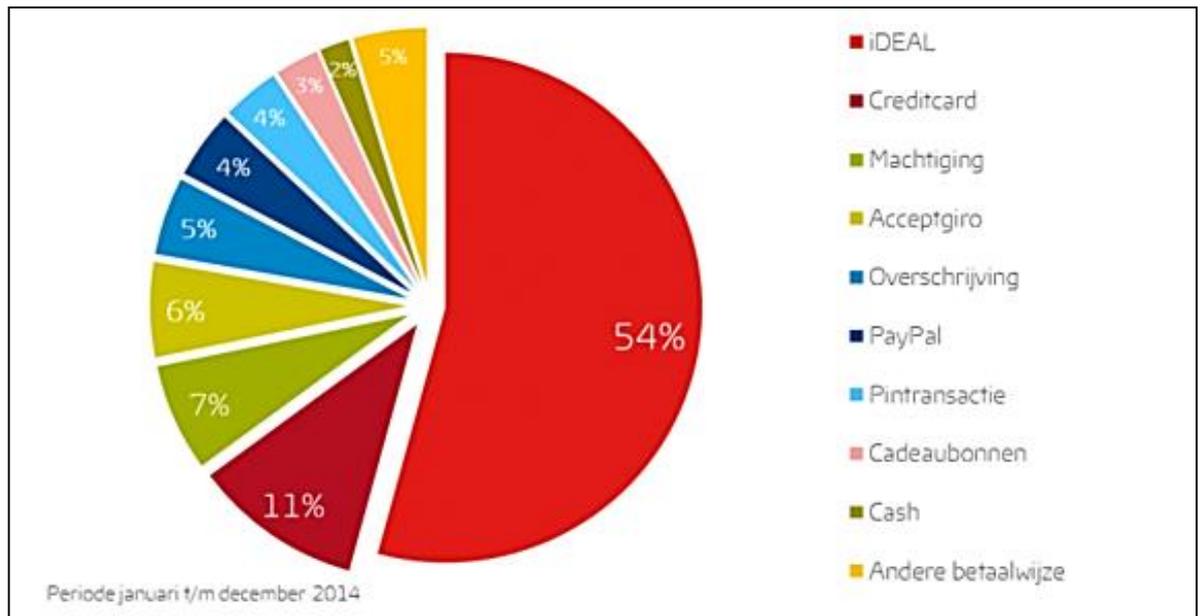


Image 6. What method are Dutch using when paying online? (Thuiswinkel 2.4.2015.)

In addition to payment methods, delivery plays a crucial role in online shopping in the Netherlands as Dutch shoppers are more likely to expect their purchase as fast as possible after ordering. The new study, *Delivering Consumer Choice: 2015 State of eCommerce Delivery survey (2015.)*, which is carried by Research Now on behalf of Metapack agrees with the importance of fast and good delivery experiences on online shopping in the Netherlands. This survey was conducted across the US, UK, Spain, France, Germany and the Netherlands with 3000 respondents. The survey (2015, 13.) found out that from Dutch shoppers 47 percent would never use an online retailer again after a bad delivery experience. Likely the bad delivery experience is a result from a slow delivery experience because while other survey's countries are worried of the cost of delivery, the fast delivery is proved to be more important for Dutch shoppers than the cost of it. (Metapack 2015.) The research shows the importance of convenient delivery and easy return policy in the Netherlands. These are important factors to understand for e-commerce companies when trying to achieve consumers' satisfaction and to succeed in the Dutch market.

Electronic commerce is a growing market in Europe and the Netherlands as well as all over the world. It offers huge opportunities for existing companies but also for new-comers. Today's consumer knows what he wants from his purchase where especially delivery choices play crucial role as well as the existence of the business in different channels. The potential of the Dutch electronic commerce market is great as the market seems to be developing rapidly and consumers are already getting used to online shopping. Not only

e-commerce business has potential within a country, but for example Belgium still shows a huge potential as a market for Dutch online stores since Belgians have their trust in Dutch e-commerce. Not to forget to mention as a port of Europe, the Netherlands own a perfect location for online deliveries across whole Europe.

### **3 Trends in e-commerce to look forward to**

“The only thing that is constant is change.” – Heraclitus

Throughout the history scientific development has been modifying people’s lifestyles and it seems to be enhancing our way of living every moment in the future. The world around us is constantly changing including mobile phones, shopping behaviour, social networking, style of business and more. All these factors obviously have effect on e-commerce and how it is changing its shape and concepts. New technologies and Internet penetration together have emerged e-commerce market significantly and in result it has become more and more attractive for consumers. However to keep on top in the fast-paced ecommerce, businesses must look at the latest trends in the market.

In this chapter three current trends in e-commerce will be studied as they have a significant effect on how the new business will be succeeding in the future market. These remarkable trends are mobile commerce, convenient shipping and subscription services. Today’s consumers know their needs when ordering online; they expect more convenience and faster methods to get their orders straight to their doors – preferably with one single click. Online stores which can provide convenient and fast purchasing processes including same level shipping as well as mobile friendly experiences are more likely to have competitive advantage in the market. Not only consumers are looking fast deliveries and mobile-friendly online stores but they want to be delivered experiences from the start of browsing the websites to opening a package at home. A new subscription commerce boom has answer for this need. These services encourage consumers to sign up for weekly/monthly subscriptions to get products delivered home at a regular basis. Not only is this a remarkable way for consumers to explore new interesting products, but this business model enables e-commerce businesses to make more guaranteed profit over off-peak seasons as well. In this thesis subscription commerce will be explained throughout a subscription box business.

#### **3.1 Mobile commerce**

When reading this you are more likely to have your smartphone close by, probably within reach of your eyes. This is an easy prediction as far as it is to trust on today’s numbers of smartphone users. According to eMarketers’ new figures (2014.) of smartphone users worldwide, there will be nearly 2 billion users by end of 2015 and the number is expected to grow steadily in coming years. (eMarketer, 11.12.2014.) Mobile devices have become

an extension of our daily lives as we tend to get more and more dependent on them. As access to networks is getting faster and easier as well as mobile devices getting smarter every day, consumers are more likely to use their devices also for online shopping. According to PwC's Total Retail Survey 2015 (2015), which covers over 19.000 respondents in 19 different countries covering six continents, it states that mobile commerce is still its early state phase in despite of its steady market growth. In fact, mobile devices seem to have more critical part as pre-payment activities in today's market than being a shopping place itself. (PwC 2015, 1-4.) From around 19.000 respondents, the majority uses mobile devices for product research, comparing prices and locating stores as well as a coupon in a physical store. (PwC 2015, 12.)

Even though we still cannot say mobile devices being the number one online shopping place, there is no denying that e-commerce businesses should concentrate developing mobile friendly shopping experiences. A recent PayPal Global Mobile Research (2014, 9.) addresses some most common barriers which stop consumers using mobile devices over other devices when shopping online. Maybe the most important and noticeable factor in which is revealed about mobile shopping is that consumers are still not finding their need or advantage over other ways to shop online. Reasons behind this is mostly behind in technical issues like too small screens but also in feeling of unsafety since security manners can still be low when using a mobile for purchasing. Interesting factor of those who have used mobile for online purchasing but are still not convinced of it, is mainly a result of lack of mobile-friendliness and too slow mobile Internet coverage. (PayPal 2014, 9.)

As earlier stated convenience, user friendliness and fastness are usually key factors for consumers when it comes to mobile commerce. Apps are in many cases the solution. Screenshots (Image 7.) below introduce an innovative mobile shopping app by Wanelo. This innovative app allows consumers discover products they love. App saves users interests for products and based on these it provides new styles every day from little boutiques to big brands. Consumer does not have to browse different sites for finding perfect styles anymore because via Wanelo it is possible to have all in one place. The app is not only for shopping but it is also about experience and entertainment. All products are used and posted by users. To make the app more personalized, users can even create their own wish list. Wanelo includes fashion, clothes and accessories for women, men and kids, but apart from these also home décor and furniture. (Google Play Store 2015.) This app emphasizes the importance of user friendliness of mobile shopping app. It is important to keep it simple and easy for browsing as well as to make purchasing possible also via app whenever user feels like it.

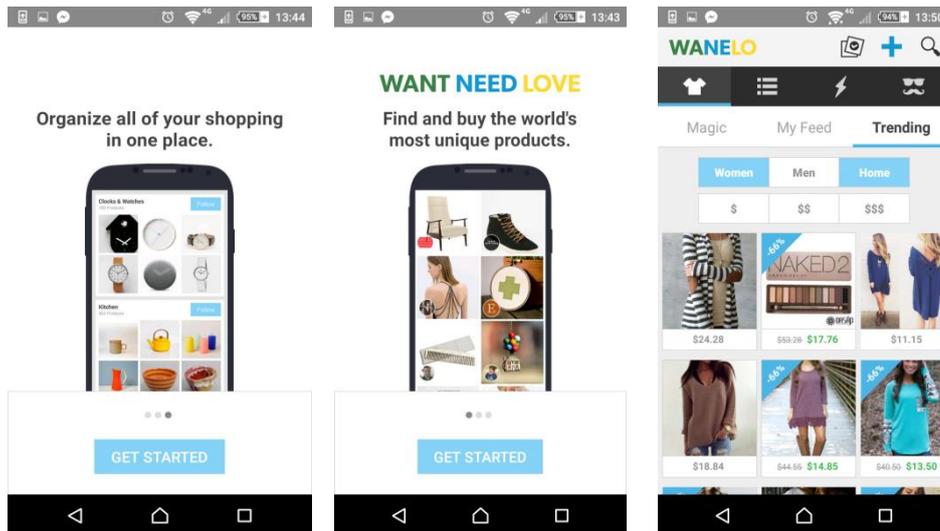


Image 7. Wanelo app (Google Play Store 2015.)

Another interesting innovative example is app called Spring. This Instagram look and feel alike app is now available in U.S. and allows its users to follow their favourite brands and shop new arrivals. In despite of this users can also follow fashion influencers and fashion collections by different editors. What is interesting in this app, there is a really simple check out process, without a normal shopping card, where users first type their shipping and payment details and then only swipe beneath the product picture to pay. Within the app the user can also track and manage its orders. (Google Play Store 2015.)

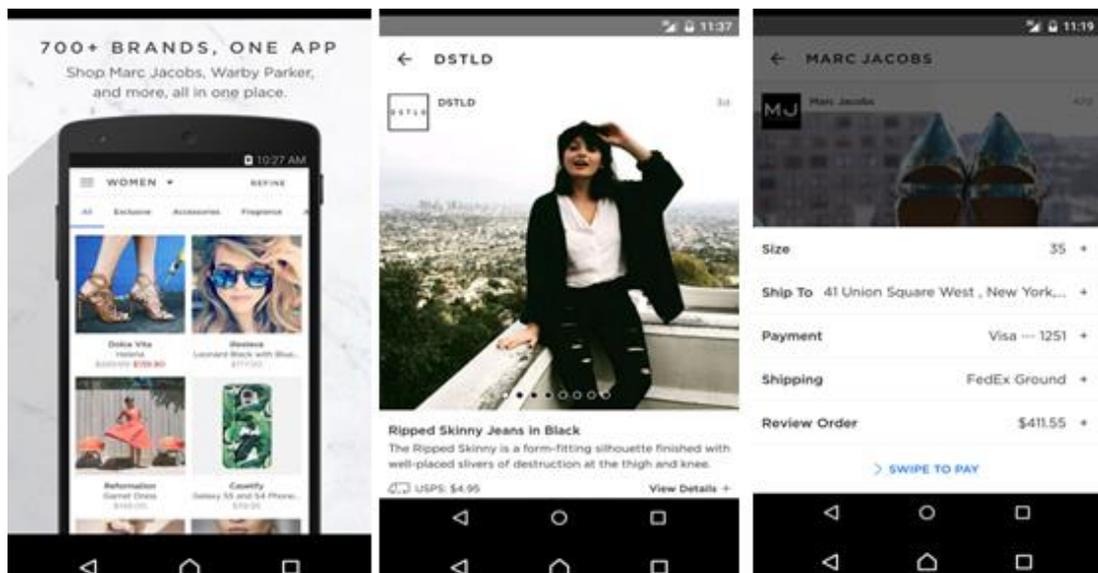


Image 8. Spring App (Google Play Store 2015.)

AlleyWatch's article (2015.) notes that even mobile commerce still seems to be a niche since it still is a fast growing market. The app not only will raise the awareness of the business, but it will also drive conversions. This simply means that consumers who have browsed for items through the mobile shopping app are more likely to complete their purchase. (Zack 2015.)

### 3.2 Convenient shipping

Consumers are not afraid anymore to abandon their online shopping cart if the delivery choice they desire is not available. Delivery plays a crucial role for the online shop consumer to deal with. Illustration below (Image 9.) demonstrates key factors why consumers have either rejected or chose an online store over another. Given figures are based on Metapack's new report (2015.), Delivering Consumer Choice: 2015 State of eCommerce Delivery, which surveyed 3000 respondents in the United States, United Kingdom, Netherlands, Germany, Spain and France on behalf of Research Now. (Metapack 2015.)

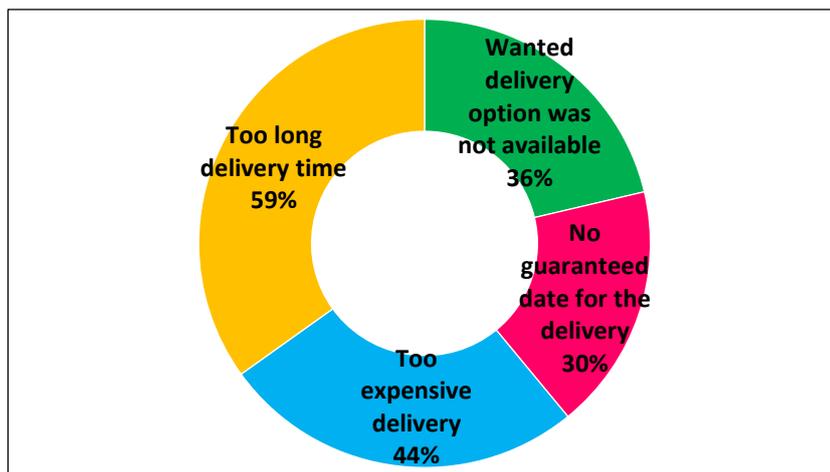


Image 9. Why consumers have abandoned their purchase online? (Metapack 2015.)

Despite the crucial role of fast delivery and a wide variety of delivery options, there is also agreement over the retailer's return options. It is not hard to fathom why return policies tend to affect strongly online store and often either disadvantageously or favourably. It all starts from stating clearly these return options on the website. Metapack's research (2015.) shows that from its all respondents, 76 percent have viewed return options before completing an order and that 51 percent have not shopped with an online retailer because they did not like these options. Consequently, consumers are willing to spend more (41 percent) for their online purchases if the return option seems to be more convenient. (Metapack 2015.)

The incremental innovative way of personalized and fast delivery has made its way also in logistic market in recent years. Even though home delivery still stands as being the most wanted delivery option, alternative options are increasingly standing out. Think of Click and collect and parcel lockers. Research findings (yStats 2015.) show that in the United Kingdom more than two thirds of online shoppers have already used click and collect services, which allows shoppers to pick up their online orders from physical locations instead of online orders delivered to home. In addition, in Germany online shoppers are starting to warm up for using designed delivery lockers which are mostly located at supermarkets, shopping malls, gas stations and suchlike in order to be available for pickups twenty-four hours a day. (yStats 2015.)

Maybe it is about Dutch consumers with their high online delivery expectations or maybe about the size of the country, but the Netherlands seems to adapt relatively fast to all new trends considering deliveries. In summer 2014 PostNL, a postal and parcel service in the Netherlands, put out an exciting new operation about starting trial Sunday parcel deliveries by partnering with the Dutch online store called Coolblue, which would be the first online store to offer this service and at the same time making PostNL a pioneer of providing parcel deliveries to consumers seven days per week in Europe. This new service is followed by two earlier additions by PostNL which are evening delivery and an extra early collection of online orders. (Volkskrant 30.7.2014.) In addition, in the end of 2014 also parcel lockers got expanded, making their way to nine main train stations, creating round-the-clock availability for Dutch customers to pick up their parcel in the future.(PostNL 29.10.2014.)



Image 10. Translation: Free Sunday delivery, because you do have time then. (Coolblue 2015.)

As earlier stated, the delivery market is growing and changing along with electronic commerce. Lately Uber, an American international transportation network company has launched their new delivery concept Uber Rush in the United States. Just like Uber allows

consumers to request a ride through their mobile app which is routed by an Uber driver who use their own cars, now the new Uber Rush will connect consumer with a courier to make a delivery. With a single click a courier will collect the delivered items and take them whenever they need to go. This app is expected to be operative in small businesses for home deliveries and in the way it works, consumer deliveries could happen even faster. (UberRush 2015.) Digital Trends' article (2015.) claims that this app will definitely scare off the big players like FedEx and UPS as in the market as Uber can pick up multiple packages from multiple businesses at one time, making it more efficient for small businesses. At the moment Uber Rush is only available in New York City Area, San Francisco and Chicago, but the writer is suspecting this app to happen next in London, Paris and Shenzhen. (Curry 2015.) Screenshots below demonstrate briefly how the app is working.

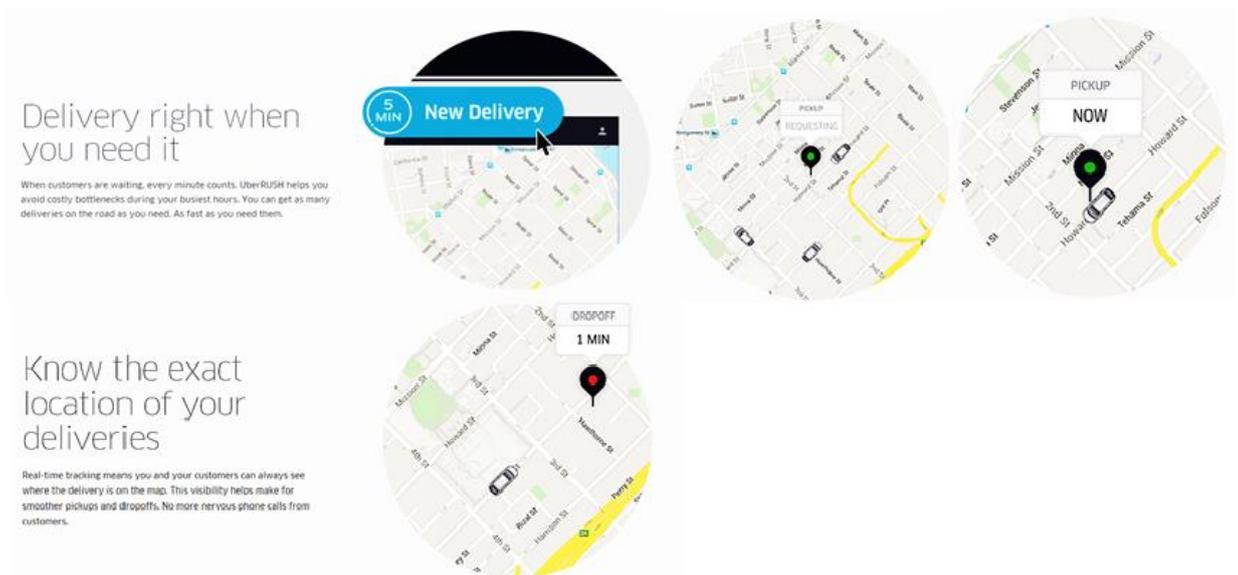


Image 11. Uber Rush demonstrated (www.rush.uber.com 2015.)

### 3.3 Subscription commerce

Electronic commerce has been facing an interesting phenomenon since new start-up companies are entering to the market by serving up monthly boxes of food, cosmetics, clothing and other products lately. The so called subscription commerce has been growing rapidly and especially in the United States it is considered to be booming. Forrester (2015, 63-74.) states that subscription as a business model is not new and it has been used for ages in many different industries such as magazine and socks subscriptions. These new start-ups allow customers to sign up for weekly and most commonly monthly deliveries of physical goods or products while each company focuses on a specific theme. The goal is usually to introduce customers to new range of products while making the service convenient and surprising at the same time. (Forrester 2015, 63-74.)

Earlier this year, The New York put out an article (2015.) called, “Want to Shop for a Surprise? Try a Subscription Box”, about how this new consumer craze, the subscription box service, is booming in the start-up world today. According to this article investors are showing increasing interest over these new subscription start-ups. Not long time ago example a three-year-old company called Blue Apron, based in New York, raised 135 million dollar in a deal which valued at 2 billion dollar. This subscription box start-up delivers weekly boxes of recipes and ingredients to make them and now after rapid growth it already delivers over three million meals in a month. (Cowley 2015.) The screenshot (Image 12.) below demonstrates about how to use Blue Apron’s subscription service.

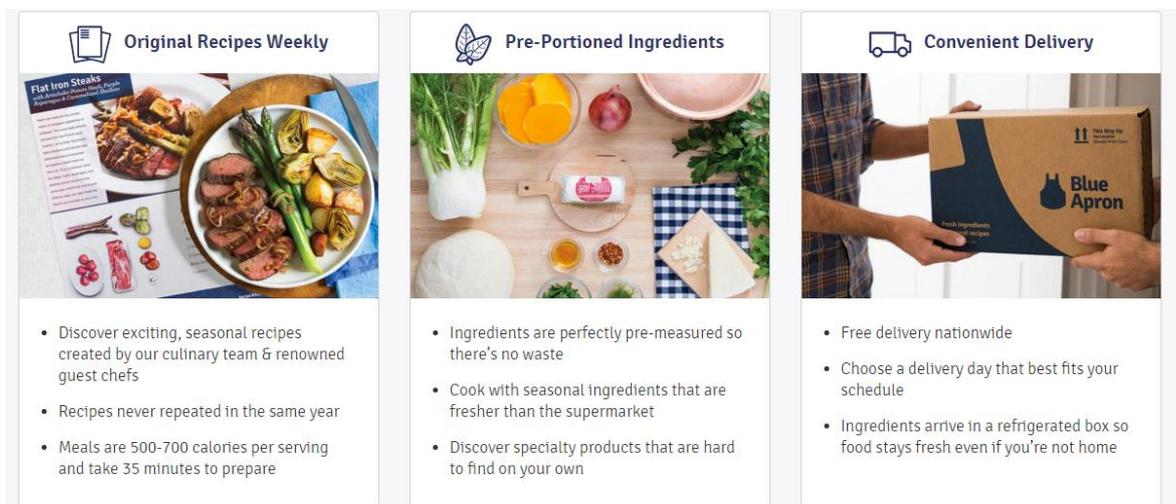


Image 12. Blue Apron's subscription service (Blue Apron 2015.)

Katia Beauchamp of Birchbox and Matt Meeker of BarkBox discussed on CNBC’s interview (13.8.2015.) about the boom of the subscription box industry and especially how it makes difference for consumers to explore a new range of products in an easy and efficient way in this overwhelming world. A subscription box allows consumers to sample different products in small batches and finding perfect products for themselves with help of an “expert” who has done product discovering on the customers behalf. Beauchamp highlights that especially in her and Meeker’s cases they didn’t establish their companies only because of the success rate of a business, but they really wanted to answer the consumer’s problem and add real value by giving something special and surprising every month while being supportive and informative in the product discovery process. Meeker completes this value based idea by telling that in most cases those successful companies in this subscription market are the ones who own expertise around a specific theme and can give their customer a feeling of being cared of. (CNBC 13.8.2015.)

Even the subscription based model in the e-commerce market seems to boom and with consumers getting more excited about these services; a lot of merchants are struggling with their businesses. The New York Times article (2015.) distinguishes whenever the subscription boom will turn out to be more like a bubble than a long lasting market since some of these early starters have already faded away, but mysteriously enough new-comers are constantly stepping into the game. What still seems to be the biggest question mark is how the companies in this certain market area will keep their subscribers interested in receiving boxes month after month and still receiving value for the monthly billing amount. (Cowley 2015.)

Looking at all these mentioned trends together it is clear that ecommerce market is constantly changing and developing as it is considered crucial to stay on top when these trends develop. Since sometimes trends seem to lack behind in European markets when for example comparing to the United States, the importance of following newest trends from the global aspect might give a remarkable advantage to the business and to react faster to new market demands. Fastness and convenience are in many cases today's status quo but also creating real value and being present by genuinely listening to those who have something to say about the business and its products or services.

## 4 Key concepts of a subscription box business

While subscription commerce seems to keep on booming and especially first-time entrepreneurs realizing the value and ease of setting up an own subscription box business, the old traditional question is: where to start? Since subscription commerce is still fresh in the ecommerce market, there are not that many theoretical sources for it. However, companies such as Subbly and Cratejoy are offering their help to those who are struggling with starting a subscription ecommerce business. Not only do these companies offer great information but they are also being platforms where entrepreneurs can easily run their subscription box business in a full way. The information provided by Cratejoy will be mainly used as an information tool for this thesis but also entrepreneurs' advices who have been down this path already. Considering the relative ease of running a subscription box business, a proper understanding of operations and positioning are important elements to run the business. In this chapter the main focus will be in finding key concepts that make up a sustainable subscription box business and should be considered as the most important factors when determining running this business.

Before diving into deeper matter for finding key concepts for creating a successful subscription box business, three types of subscription box models that have seen to gaining a major ground in the subscription box market will be clarified (Pickels 20.12.2014.):

1. Discovery commerce
2. Convenience commerce
3. Product demoing

The maybe most settled model in subscription box market is discovery commerce, also known as product discovery. In this model, customers are receiving in regular basis, most likely monthly, a box of different goodies that they might not have heard or tried before, at low price. The purpose of this model is to give an introduction to products in a hope that the customer will love these and purchase the full size product later on. These kinds of boxes usually include sample sizes but depending on the company, full size products might be added. One of the well-known subscription box companies which use this model is Birchbox who monthly provides its customers beauty samples from a variety of different brands. (Pickels 20.12.2014.) This model has many advantages as for example sample sized products from partners are low prized or whenever the business has enough visibility and paying customers, suppliers might even give these samples for free in a favour of

promotion. It is clear that margins will be huge on samples and also this way the subscription business can keep also the cost to consumer low. However, the big question is whenever this subscription model is providing enough value to its subscribers from their boxes, month after month. Consequently, to avoid pitfalls of the model, some subscription businesses have started opt for a white label solution. (Bayeler 22.9.2014.) Basically white labelling means that the products or services are purchased by one company but sold by another. That way, the reseller can sell products under their own brand by allowing customers to recognize their products as their own. (Gainor 2014.) In general, to succeed with this model, the business must have a strong acknowledgement about its customers and competitors. (Pickels 2014; Bayeler 2014.)

Convenience commerce is a subscription model which is based on providing commodity based essential products on an automatic basis to customers. These kind of subscriptions are in most cases underwear, shaving equipment, pampers and toilet paper. The main idea is to make the customers life a little bit easier, by providing either advantages on price or just simply save customers' time and effort to get these products themselves. (Pickels 2014; Bayeler 2014.)

The product demoing model is maybe the most un-known model as customers in this model are provided with goods to try such as clothes and jewellery on a monthly basis. This basically means that customers get a trial period to use these items before getting charged and simply return the items back whenever they don't please enough to keep them. In the United States some of the subscription companies are already running this model, such as Rocksbox. Rocksbox sends its customers a monthly set of jewellery for rent which customers can simply send back or purchase after using them. In this model it is crucial to fit the products to customer's specific style and needs as well as that these styles are fresh. (Bayeler 2014.)

Knowing these models will help an entrepreneur to choose which type of box would suit the best for the business idea although success will follow those who can differentiate themselves and create something special to customers in the end. To get started, the planning for sustaining revenue and branching out markets plays crucial roles for the success in business in the future. (Raz & Stark 2015, 54-61.) In order to plan a successful subscription business, some concepts need to be defined for the sake of understanding the business. The next sub chapters will discuss of some of these important concepts which can help with getting started.

## 4.1 Finding a niche

Running a subscription box can be an incredible experience and a way to connect someone's passion or hobby into a business. A good business however needs a great idea and in subscription commerce lucrative ideas compared to unprofitable ones depend on how niche the idea is usually.

Unlike the big mass business that targets everyone, niche companies are serving only a specific segment of consumers. Broadly-defined niches like musicians, food lovers or teenagers, which can be still be defined even more specific niches such as guitar players, people who love superfoods and much more to be made. (Gerber 2009.) Scott reminds in his article (2009.) for Entrepreneur.com that big markets are often overlooked, under-served and disenfranchised which offer perfect opportunities for niche businesses to jump in and find those consumers of specific needs and wants that big companies can't really serve. Not to forget to mention that today's unlimited resources to identify and reach a target audience have never been easier also for small businesses. (Gerber 2009.)

Jameson Morris, a pioneer of Subscription Commerce and a current Director of Consumer Marketing at Cratejoy, spots on his blog post (26.10.2015.): "If you don't know what your potential customer cares about, how are you supposed to create a product they'll care about"? (Morris 26.10.2015). He recommends to choose a niche or a category an entrepreneur is passionate or knowledge about as it will make the road to success much easier. But in order to find a perfect subscription box idea he puts out two key advices to help to getting started:

1. Don't overlook the category itself, find a culture
2. Find a need

By culture Morris means that the focus on finding a niche should be in cultural aspect not only in a category. Categories that people can identify themselves with should be the ones to look for. His given example of yoga neatly describes the importance of finding a culture instead of only a category. What seems to be common in yoga is that it appears to be more than just a form of fitness, it is a completely own lifestyle where most likely people can refer themselves such as "yogis". (Morris 26.10.2015.) Cratejoy's blogger Amir Elaguisy (17.4.2015.) describes these groups of consumers as a "community of enthusiasts" who constantly fall in the certain category and actively meet, talk, review, blog about a certain type of product or basically just show real interest. (Elaguisy 17.4.2015.)

After finding a category, creating a need can be the easier task to do. The product should complement, support or enhance this certain lifestyle of the group of consumers. It gets easier if the category which the subscription box serves already have a variety of different products that can be associated with the target group. Morris describes this subscription box for vegans as an example because there are vegan versions of almost all categories from beauty to clothing. (Morris 26.10.2015.) In addition, Amir Elaguisy gives a simple concrete advice for new entrepreneurs who are looking for these passionate groups by advising to search on google with words of <category> + way of life. Getting relevant and many results usually refers that the subscription box business is more likely to find its customer in the market. (Elaguisy 17.4.2015.) The example below is author's practice of this advice to give an insight how this can work as a research tool for a business idea creation.

WodBom (Image 13 & 14.), a subscription box for CrossFit freaks, is a great example of using this advice. By googling "crossfit way of life" the author of this thesis got 7,840,000 results.

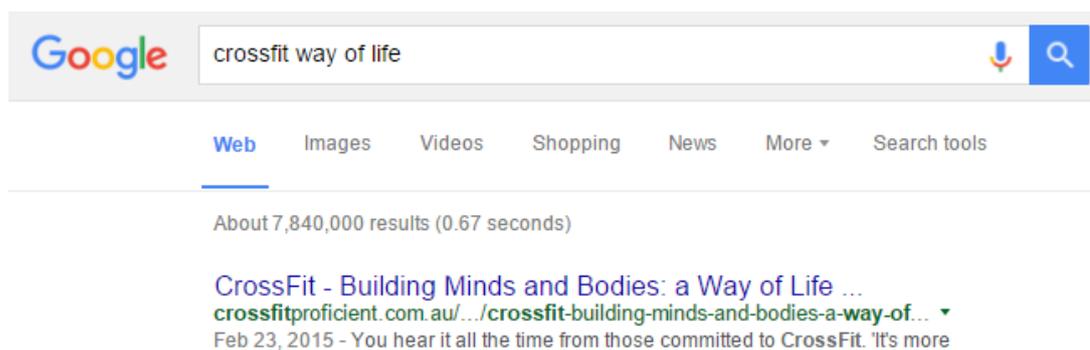


Image 13. Google result for "Crossfit way of life" (Google 19.11.2015.)



Image 14. WodBom frontpage (WodBom 19.11.2015.)

## 4.2 The customer

After reading plenty of different stories of subscription box entrepreneurs the conclusion is that the most successful subscription box business address real needs in addition to knowing who their actual customers are. Without a real customer the business will fail sooner or later. A relevant example is an Australian healthy food sampling service called GoodnessMe Box, founded in June 2014 by a young entrepreneur Peta Shulman (Russel 2015). After operating only for over one year, this start-up is already valued one million dollar with over 59,000 Instagram followers. In an interview Peta Shulman states the number one thing for creating a successful business is to know the target market by eliminating the idea of being everything to everyone. She also points out that showing the soul of the business on social media by interacting directly within its customers is essential and most likely the most cost effective way to market the business. GoodnessMe Box supplies its subscribers every month with five to ten health food products for only 25 dollars by promising at least 40 dollars value for the money. (Russel 2015; Instagram 18.11.2015.)

Launching a start-up to serve customers means that an entrepreneur cannot assume knowing what their customer wants or needs. Writer Bernard Schroeder notes (2015, 112.) that the customer should be the heart of any business because they are simply its biggest ally. From the marketing aspect getting connected with customers and providing promised products and services to them is crucial as a satisfied customer is most likely going to tell others about the experience they had with the business. (Schroeder 2015, 112- 113.) There is also a tool, called the Net Promoter Score (NPS) created by Fred Reichheld, Bain & Company and Satmetrix, which implies how likely the consumer is to recommend the business to his friends, if the valuation is between an 8 and 10, the experience is positive resulting in favourable worth of mouth. Contrary, the unsatisfied customer will make the business suffer. (Reichheld & Markey 2011, 4-7.) To determine who the right customer is there are some simple questions to help to start with:

- *What is your product or service?*
- *Who would buy your product or service?*
- *How old are they, what is the gender breakdown in your customer base and incomes?*
- *Where do they live?*
- *What do customers look like for other similar products or services?*
- *How do you find your customers?*
- *How do they use technology in their lives?*

The list could go on, but the main and crucial idea of this is to get a correct picture of who the customer is by asking relevant questions for your business. (Richardson & Subscription school 2015; Schroeder 2015,120-121.) Schroeder states that discovering the customers' truth, the trends of the marketplace become inevitably plain and entrepreneurs will be forced to relentlessly visit the customer environment ending with a result of transforming themselves into the customer. (Schroeder 2015, 119-120.)

### **4.3 Value proposition**

In every good product or service there is a reason why customers turn to purchasing from one business over another. This is called value proposition where the business solves a customer's problem or satisfies a need of a customer. Value propositions may appeal in different forms in a product or service and how it contributes value to the customer. (Osterwalder & Pigneur 2013, 34.) Jesse Richardson sums up (Richardson & Subscription School 2015.) value proposition around a subscription box and how certain ideas can turn also into a marketing aspect of a business. Following table (Table 2.) illustrates his examples to give an insight of how value proposition can work in a subscription business.

| Value proposition             | In a context of marketing                               |
|-------------------------------|---|
| <b>Guaranteed \$ value</b>    | Profitably/Saving money                                 |
| <b>Discover something new</b> | Gift feeling/discovery                                  |
| <b>Try before you buy</b>     | Avoid spending too much money/poor purchasing decisions |
| <b>Learn new ideas</b>        | Personal development                                    |
| <b>Set it and forget it</b>   | Ease  |

Table 2. Value proposition in a subscription business (Richardson & Subscription School 2015.)

Concluding the mentioned table shows there is a strong connection between value proposition and marketing. Understanding and knowing the market of the business and value proposition play a crucial part of a successful marketing strategy and meeting customers' expectations. (Richardson & Subscription School 2015.)

"We understood that the value proposition had to be deep for us to become a staple in consumers' lives," Beauchamp says. "It couldn't just be fun, because fun wears off. It couldn't just be pretty, because eventually you have enough pretty things." (Beauchamp 8.11.2015; Segran 2015.)

In an interview (Segran 2015), Katia Beauchamp, an owner of one of the most successful subscription boxes in the market called Birchbox, explains the meaning of value proposition in a subscription box business. After establishing Birchbox, other companies soaked in the market by copying their business model, offering not only beauty products but also other products you can only imagine. Yet, none of these businesses have reached similar growth and profitability. In fact, the secret to their success was not the box itself, but using it as a marketing tool by allowing their customers to learn about the latest beauty products that they could purchase later from the Birchbox online store. On top of that, consumers can customize each box to meet their personal references. Furthermore, this does not only provide value to the customer, but also getting feedback for their beauty brands to help them with their product development. Beauchamp thinks that consumers' demands are getting increasingly complicated and that being said, the success in the subscription business comes to those companies that can point out their value proposition deep enough to become an important part in consumers' lives. (Segran 2015.)

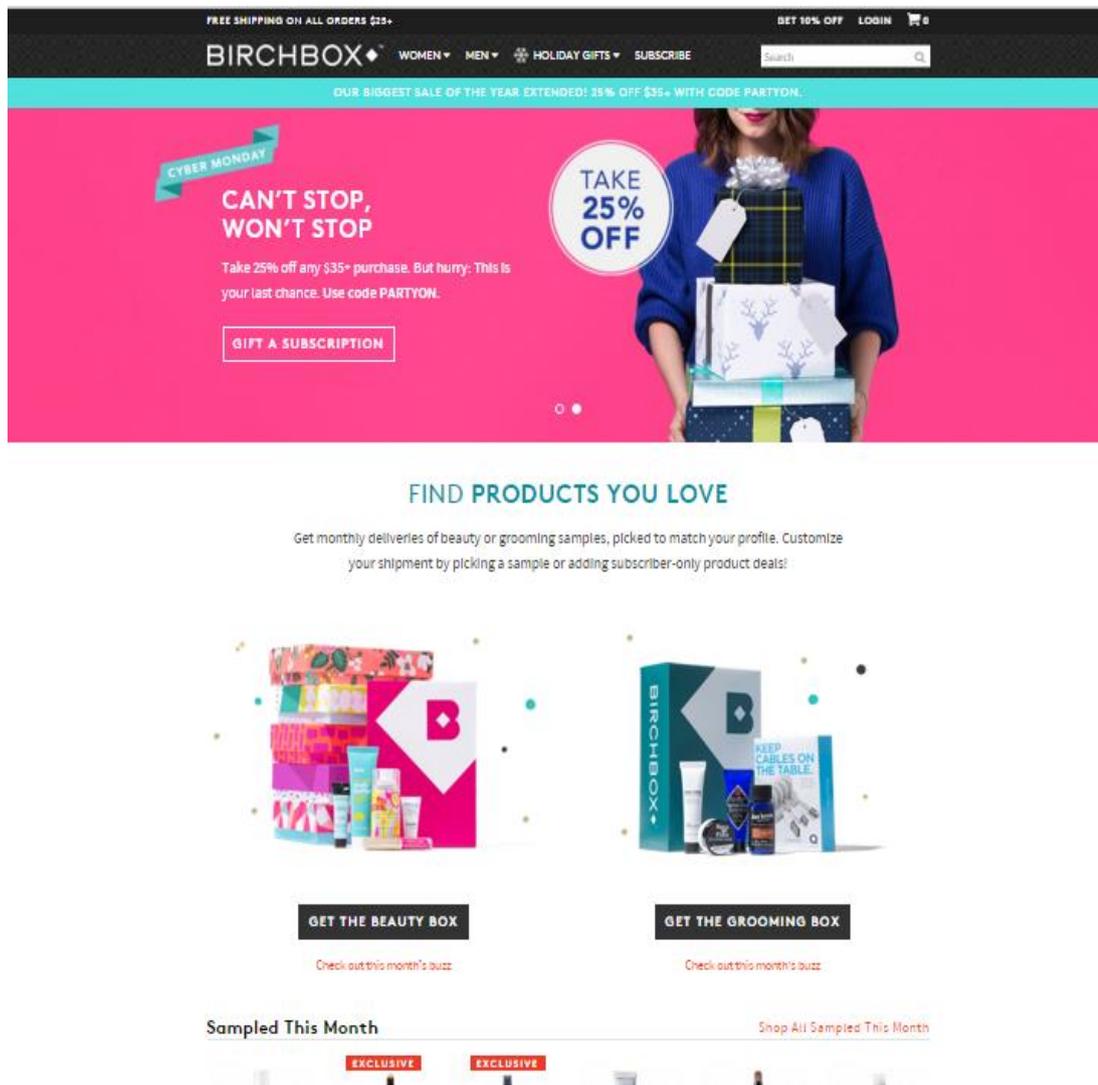


Image 15. The fronpage of Birchbox (Birchbox 1.12.2015.)

#### 4.4 Pricing

Pricing is an important indicator and aspect of a subscription business and its value proposition. In many cases it is the number one reason why a business has failed in this booming market. When receiving a box, customers should have a feeling that they got themselves a great deal, no matter if it is a cheap or pricy box. The price is related to perceived cost and this is something to keep in mind, especially in terms of reaching the potential revenue, enhancing the brand image and to keep subscribers in a system. (Morris & Subscription School 2015.) When determining the price of a box, three key metrics should be defined that make up a subscription box business. (Power Subscription Box Calculator 2015.) In the following table (Table 3.), the author lists these three metrics with the example calculations.

|   |   |   |
|---|---|---|
| <p style="text-align: center;"><b>Cost of Goods Sold</b><br/>(Total Product Cost + Fulfilment Cost)</p> <p style="text-align: center;">Total product Cost:<br/><u>The cost of products themselves + printed box cost + packaging inserts</u><br/>Example. €10.00 + €0.60 + €0.45 = €11.05</p> <p style="text-align: center;">Fulfilment Cost:<br/><u>Fee of packing the product into each shipment + postage</u><br/>Example. €1.00 + €6.50 = €7.50</p> <p style="text-align: center;"><b>Cost of Goods Sold is €18.55 per shipment</b><br/>(€11.05 + €7.50 = €18.55)</p> | <p style="text-align: center;"><b>Cost of Customer Acquisition</b><br/>(The actual euro or time cost to acquire a single customer)</p> <p style="text-align: center;">Example. 10 placed advertisements cost €1.00 each, believing that this will result in one paying customer. The total Cost of Customer Acquisition is <b>€10</b> because the business spends €10.00 to get one customer.</p> | <p style="text-align: center;"><b>Churn</b><br/>(What percentage of your customers cancel in each month?)<br/><u>Total subscribers in the beginning of certain month ÷ Total subscribers who were lost in this period</u></p> <p style="text-align: center;"><b>Customer Lifetime</b><br/>(How long subscriber will stay subscribed on average of each month?)<br/><u>Duration ÷ by an average customer churn rate that month</u></p> <p style="text-align: center;">Example. After one month, the business is retaining 92 % of subscribes, so average churn rate is 8 %.<br/>Customer Lifetime: <math>1 \div 8\% = 12,5</math> months</p> |
|---|---|---|

Table 3. Key metrics of a subscription box business (Subscription box calculator 2015.)

In addition to these three most common and important metrics, it is time to actually determine the profit margin which eventually navigates to the right price of a box. The following example is a result of instructions given by Katherine Raz (13.2.2015.), the author of the e-book “How to Start and Run a successful Subscription Box Company” and using the numbers that are given in table 3.

For example, if the total Cost of Goods Sold is €18.55/box and the business is charging €45.00/box per month, the profit margin is around 59 percent. If looking at these numbers from an aspect of a customer lifetime value, we will get an estimated profit of each customer, presuming that the customer lifetime is 12,5 months:

(Cost of Goods Sold) x (Profit Margin) x (Customer Lifetime/in months) = (Customer Lifetime Value)

$(€45.00 \times 0.59) \times 12.5 = \underline{€331.88}$  (Customer lifetime value in 12,5 months)

Concluding, the mentioned calculation shows that the business would profit an average of €331.88 with one customer in a period of 12,5 months. By using this format, a start-up can alter calculations by inserting different monthly costs, margins and estimating different customer lifetimes in each month. (Raz 13.2.2015.) Consequently, copying someone’s

model without doing any maths by own, is the road to failing. Attaining a sustainable business model and measuring the quality of performance of one's business, acknowledgment of mentioned metrics and profit margins is crucial. When it comes to planning the financial part of the business, there is no need to tackle alone as there are plenty of great tools and advices available to get started with. For an example Cratejoy have created a handy little budgeting tool called Power Subscription Box Calculator (Image 17.) which allows you to edit the numbers quickly in an easy way.

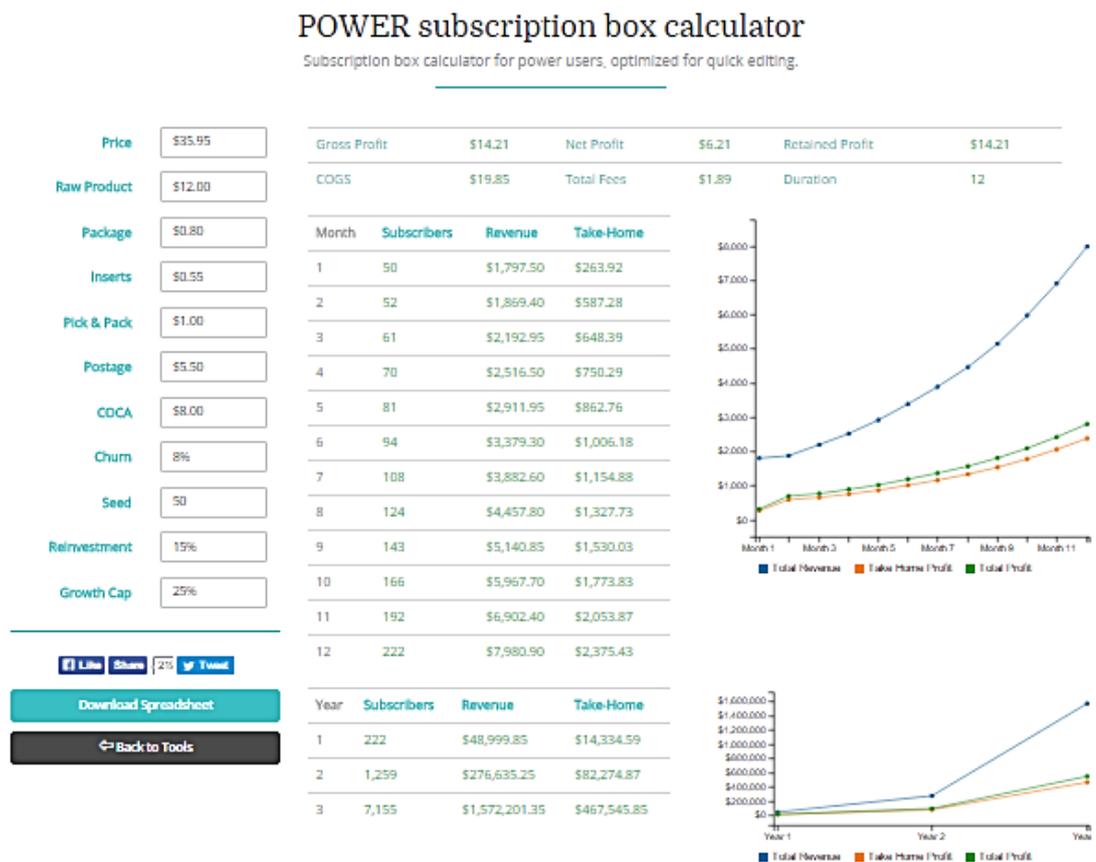


Image 16. The subscription box calculator created by Cratejoy. (Cratejoy 1.12.2015.)

#### 4.5 Idea validation

Once the idea, customer and product are all pretty clear, it is time to validate the idea and actually find out whether the product is something that customers would pay for. The importance of idea validation is probably one of the most prominent aspects of all when starting a new subscription business, owing to the fact that this will indicate in an early stage whenever there is enough demand in the market. In fact, with this step the business will most likely avoid a distressing start and actually increase the size of the prospective

customers by building a buzz around the product. In terms of testing an idea, the most common way is to launch a landing page. (Forrester 2015.)

A landing page, often referred as a pre-launch or a “coming soon” page, is a way of finding out the customers’ interest and collecting their data for an example email addresses. Primarily, a landing page is a one page website that gives just right amount information about the product to arouse excitement for this upcoming creation and get people to sign up before the actual launch. (Morris 9.9.2015.) According to Sacha Greif (2011.), a French user interface designer, and his trademarked the *Teaser Effectiveness Analysis Matrix*, the teaser page should score four features in order to be successful. These following elements are demonstrated in a following illustration (Image 18.):

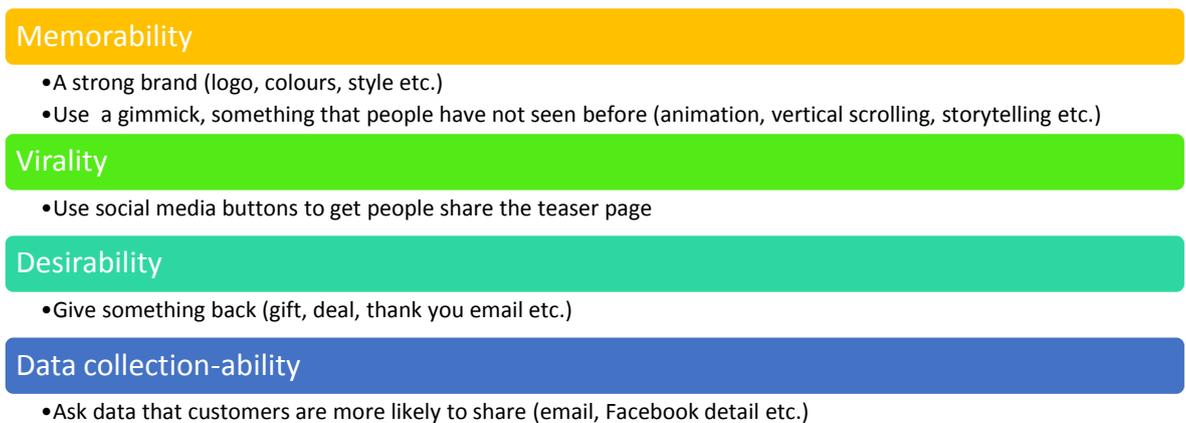


Image 17. Teaser Effectiveness Analysis Matrix. (Greif 2011.)

Greif (2011) thinks that the purpose of a landing page is much broader than just collecting customers’ information and raising awareness of one’s brand. Besides this, it should also be seen as a motivational tool to a starting entrepreneur. First of all, putting out a project will help an entrepreneur to stay motivated while secondly pre-subscribers flowing into the system show an entrepreneur that there is an actual interest and demand over the product which is still in progress. (Greif 2011.)

After reading through many different advices, setting up a launch page with a dedicated launch page service seems to be the wisest option for a person who is not familiar with coding or technical issues. However, a platform like Wordpress also has a lot of different beautiful templates that can work as a landing page. Not to forget to mention this can be done for free, however the site will still suggest that is a Wordpress site, for an example [mysubscriptionbeautybox.wordpress.com](http://mysubscriptionbeautybox.wordpress.com), if not purchasing a specific domain name. The following table lists some of the most common platforms that are giving out their help for

start-ups launch. Given membership charges in the table are based on basic memberships that are excluding all the special features, for an example full custom code editing and unlimited testing. (Richardson & Subscription School 2015.)

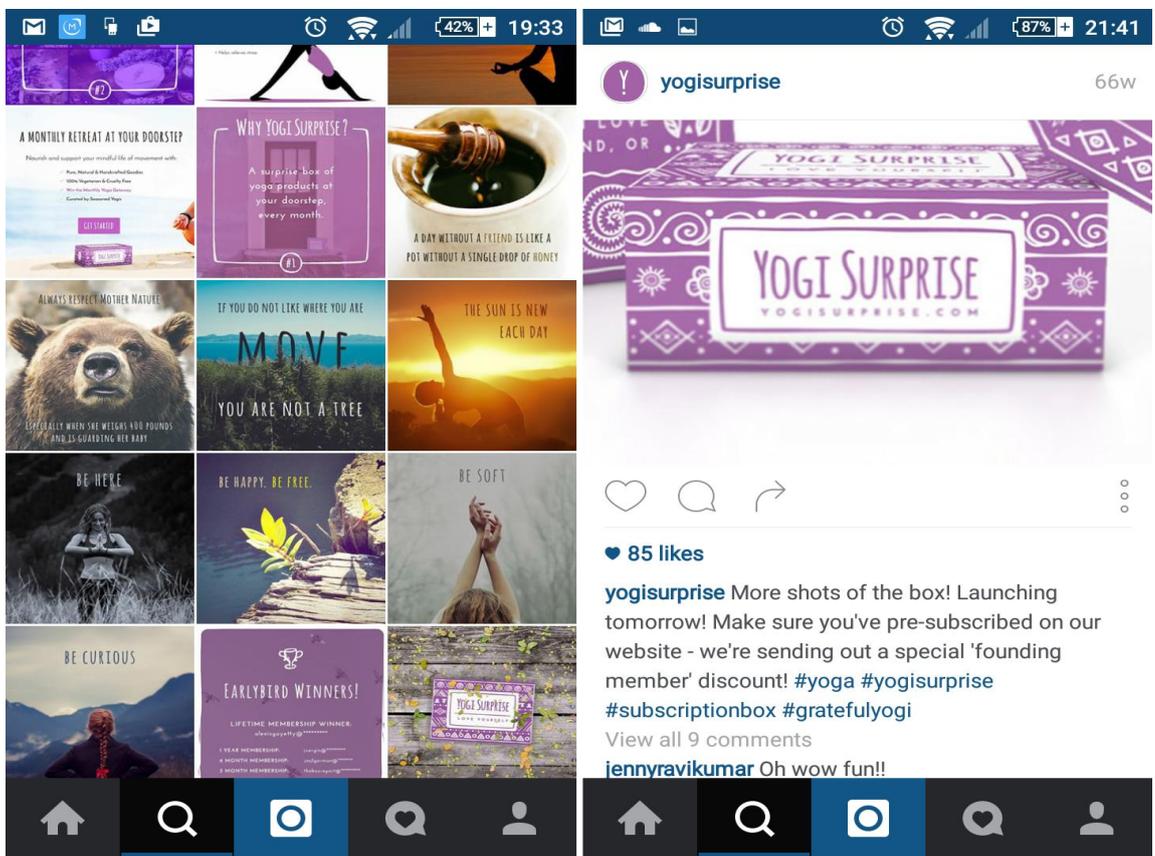
|                        |   |
|------------------------|---|
| <b>Launchrock.com</b>  | Free  |
| <b>Kickofflabs.com</b> | 30-day free trial, Basic-member<br>\$27/month |
| <b>Unbounce.com</b>    | 30-day free trial, Basic-member<br>\$49/month |
| <b>Instapage.com</b>   | 45-day free trial, Basic-member<br>\$29/month |

Table 4. Dedicated launch page services

Getting a perfect landing page live is only a step forward when pre-launching the new subscription business. In compliance with the Subscription School's guide (Richardson; Subscription School 2015.) about the pre-launching, building out social channels for one's business, for example Facebook, Instagram and Twitter, can create value in a matter of getting traffic back to the landing page as well as building a social community around the business. What really matters in all these social channels is the created content which should fit the target audience as well as outline the subscription itself. (Richardson; Subscription School 2015.) In addition to social channels, Morris (9.9.2015.) recommends to contact bloggers and other influencers with one's niche and brand. In a favor of the brand and to ensure offering a fair trade with bloggers, Morris suggests an entrepreneur to be acknowledged about the values of different bloggers and influencers as well as being transparent before arranging the deal with them. (Morris 9.9.2015.) After building social circles around the future business and getting pre-subscribers flowing into the system, it is critical to engage with them by regularly contacting them by for example pushing a weekly letter by mail, throwing a contest or giving sneak peeks about the products that will be in an upcoming box. Little matters how this part will be done, but the main point is to keep pre-subscribers excited about the upcoming launch. (Morris 9.9.2015.) The screenshots below (Image 19 & 20.) are taken from Yogi Surprise's Instagram account to exemplify how social channel can complement the pre-launch process and drive free traffic to the landing page.



Image 18. A pre-launch page of Yogi Surprise Box. (Morris 9.9.2015.)



77 likes

**yogisurprise** Our first Yogi Surprise shipment is going to be AMAZING! If you haven't joined yet, don't wait! Use code LOVEYOURSELF for 20% off! YogiSurprise.com #gratefullyyogi #yoga #yogamaster #yogagear

Image 19. Yogi Surprise's Instagram account during their pre-launch time. (Instagram; Yogisurprise 2.12.2015.)

## **5 A summary of starting a subscription box business by using the Running Lean-method**

An increasing number of companies have started creating their ways to make money by providing a box of everything from beauty samples to toys and food. Although, this phenomenon is still mainly happening in the United States, United Kingdom and Australia. While subscription box businesses often seem to be simple on the surface and consequently relatively easy to start for people who have not run any business before, behind the scenes there are much more odds and ends to take into account than many have thought about. To succeed and to be profitable, one must understand that this business model is much more than only filling boxes and shipping them.

As earlier stated, jumping in a subscription box business might sound relatively easy but a good planning is the key for a profitable pricing model and growing the business. However, as fast as this booming market is growing, it is clear that there is no time for spending years to plan and perfecting the product itself without showing the upcoming product to the prospective customers. In fact, the more niche the idea of one's subscription box business is and the more the business can reach the prospective customers before the real sales, the more likely it will gain better start than those businesses who held their idea and product behind the scenes.

By now the author has concluded some of the key concepts that were discussed on chapter 4, and should be taken into account while thinking about the business itself and whenever it is something to go for or not. To sum up how to actually start with the planning and running the business, Jesse Richardson (Richardson 21.5.2015.) from Cratejoy has given an outline of eight steps process which is listed below:

1. Start with a great idea.
2. Research your potential customer.
3. Put together a prototype box.
4. Begin the pre-launch phase.
5. Begin your pre-sale campaign.
6. Ship your first boxes.
7. Success.
8. Grow your subscriber base.

After reading through these steps and studying about electronic commerce and subscription box business, the author of this thesis still had a need to create a clearer roadmap to kick start her idea into a sustainable business model. However, since the electronic commerce, setting up a business in the Netherlands and the subscription box business itself were all getting clear on the author's mind, she did not have an urge to start writing a formal business plan. And this was the point where she noticed the connection between starting a subscription box business and Running Lean method created by Ash Maurya. In fact the subscription box business is a perfect example of how one can use the Running Lean method to create a sustainable business model which is based on testing a company's visions with minimal costs and constantly grow from the given feedback.

"Running Lean is a systematic process for iterating from Plan A to a plan that works, before running out of resources." (Ash Maurya 2012, XXI.)

So what is this Running Lean? Running Lean is a method, mainly based on the principles of Eric Ries and Steve Blank, the "founders" of Lean Startup labels and terms, to help companies with the struggles of how to start and grow the business. It is about learning, focusing, testing a vision by measuring it with real customers and their behaviour, engaging customers throughout the whole development process and validating the problem and solution along the way. (Ash Maurya 2012, XXII - XXIII.) The principles of running lean can be summarized as following way according to Ash Maurya (2012, 3.):

Step 1: Write an initial plan by using Lean Canvas.

Step 2: Identify your risks.

Step 3: Test your plan.

In this thesis only Step 1. will be covered in detail in chapter 6, "Project description". by explaining the usage of the Lean Canvas and how one can use it as an initial business planning and determining whenever the idea is something to go or not. In this thesis further validation process has been left out as this will require additional time and financial resources that cannot be done due to the author's current circumstances.

## 6 Project description

In this chapter the process of developing and validating the author's business idea by following the Running Lean method, which has been introduced briefly in the summary of starting a subscription box business, will be discussed. The main point is to develop a sustainable business model from the idea which was still a very wide before starting this process. In the Running Lean method the formal business plan will be redressed with the Lean Canvas Method which is the first step of the Running Lean method itself. Simplifying the biggest steps that will be taken in this chapter are:

1. Description of the starting point
2. Description of the Lean Canvas process
3. Summary of the initial plan of my business

As the author is still in the planning phase of her future business, she did not want to write a long formal business plan around the idea which probably will still change its form along the way. Not to forget to mention, it is important to her that the plan is on one page and should be easily reformed when needed. After researching about the subscription box business and electronic commerce, the author came to the conclusion that a step-by-step method of determining whether her future business is going to have sustainable success in the future, would be the most convenient way of planning. This was also a reason to use the Running Lean method and the Lean Canvas as her initial business plan.

In this chapter the author will be using a zipper model, where theory will be applied together with her process. By doing so, the author does not only help herself to follow better the Running Lean method, but also to give an example of how one can use this method for the business idea planning and validation. The theoretical guidelines of chapter 3 and findings about the concepts of a subscription box business will be used to fill sections on the author's Lean Canvas which is working as her initial business plan. A complete initial plan of author's business will be attained after this chapter and can be found on one page in Appendix 1. Also a pricing scenario (Appendix 2.), a benchmark of three Australian subscription boxes (Appendix 3.) and guide of starting up a business in the Netherlands (Appendix 4.) as part of the plan will be attained.

## 6.1 Starting point

The first idea of starting up an own online business came to the author's mind in fall 2014 while she was living in the Netherlands. After attending her exchange studies, Minor Innovation & Creativity, in the Netherlands, the author began to be more interested into developing an own concept around health and beauty. However almost a year went only visioning and brainstorming the idea and she did not manage to really make some concrete steps towards her own entrepreneurial path. Over the last five years the author has been really passionate about health food and natural cosmetics which have led her to discover new brands and products in the market. However, while being a student, the budget for testing these products can turn into an extremely expensive hobby so she wanted to start discovering affordable beauty and health products which still fulfil the requirements of being mostly organic and pure by their ingredients.

In July 2015 the author moved to Australia for a half year which was a great opportunity to discover products which might not exist yet in the European market. In that time she was still holding an idea to establish an online store around natural cosmetic brands and wanted to explore as much brands as possible. However, while living in Australia she noticed an interesting phenomenon which is a subscription box. And suddenly all started to come together. The author wanted to start planning her own subscription box business around the passion of her towards natural cosmetics and organic health products. Now her strength would not be only in products which she knew back in Europe but also finding potential products in Australia and test this business idea by testing other companies' boxes.

The subscription box business was something completely new to the author and in order to kick start her planning and she started going through Youtube reviews about different subscription boxes, reading other entrepreneurs' stories like Jameson Morris who has founded multiple subscription box businesses, and following Cratejoy's Subscription School's posts about the business and its challenges. Not to forget to mention sites such as My Subscription Addiction which is dedicated to reviewing different subscription boxes. To get a better idea and overview for what is already in the market the author also ordered a few boxes from different companies to test out and this way also to discover brands which could possibly be her future suppliers or at least to find out what kind of companies would be interested in collaboration with a subscription box business. These tested boxes are listed in appendices (Appendix 3.). With more information about these boxes as well. All these together gave the author a better understanding of the current subscription box

market but most importantly a better picture of her own idea and how her box could differ from others. The author has listed below some of the sources which helped me to develop her idea in the real beginning:

|   |  |  |   |  |
|---|--|--|---|--|
|    |   |  <p>The Simple Way to Set Up a Subscription Commerce Service.</p> |  <p>inspiration, business, subscription commerce</p> |   |
| <p><b>My Subscription Addiction</b></p> <ul style="list-style-type: none"> <li>• Reviews</li> <li>• Interviews</li> <li>• Forum &amp; Blog</li> </ul> | <p><b>Cratejoy &amp; Subscription School</b></p> <ul style="list-style-type: none"> <li>• Platform for running a subscription box business</li> <li>• Blog</li> <li>• Marketplace</li> <li>• Guides &amp; Tools</li> </ul> | <p><b>Subbly</b></p> <ul style="list-style-type: none"> <li>• Platform for running a subscription box business</li> <li>• Blog</li> </ul>          | <p><b>Jameson Morris</b></p> <ul style="list-style-type: none"> <li>• Blog</li> </ul>   | <p><b>Katherine Raz</b></p> <ul style="list-style-type: none"> <li>• Book about starting a subscription box company</li> </ul> |

Image 20. Great sources that helped me to discover the current market and getting inspired with my own idea.

## 6.2 The Lean Canvas

Since the author thought that writing a formal business plan would not help her with determining her idea and developing it, when the main point was also still narrowing down a quite wide business idea, she wanted to use Lean Canvas to test out her business model. The Lean Canvas is developed by Ash Maurya who has modified it from the Business Model Canvas by Alex Osterwalder. Maurya (2012, 19.) describes this canvas as a perfect brainstorming and validation tool to help entrepreneurs to document their business models, measure their progress as well as communicating their learning with internal and external stakeholders. (Maurya 2012, 19.)

According to Ash Maurya (2012, 26.) sketching a canvas should not take more than 15 minutes and the point is to use as pithy words as possible in order to fit the canvas on a single page and modify it easily in later stages if needed. The Lean Canvas consists of nine sections, which are suggested to fill out in an order that is illustrated on a following picture (Maurya 2012, 27.):



Image 21. The original Lean Canvas (Maurya 2012, 27.)

### 6.2.1 Problem

According to Maurya (2012, 27.) describing the problems which need to be solved should be described first from the canvas, as these will most likely drive the rest of the canvas away. Not to forget to mention, that this is the easiest way to turn ideas into products as well. In this sector understanding the problem and listing existing alternatives or competitors is essential. The problems should be addressed from an aspect of early adopters where narrowing down the customer segment will help to define more specific problems. (Maurya 2012, 27-28.)

As the first step was to ask whether the problem is worth solving and whether the author's idea would be the solution for her customer segment she listed three problems, which are 1) troublesome to find quality products for specific needs in the overwhelming electronic commerce market, for example natural beauty products, 2) ignorant about natural beauty and health & wellness products, but would like to give them a try if it would be easier, 3) tired of nasty chemicals and ingredients in everyday products.

Finding out which could be her solution to these problems she needed to list of existing alternatives of how these problems are solved today by her planned customer segment:

- HelloFresh Box: Subscription based weekly food box filled with fresh ingredients, concentrated only in food not in cosmetics or other daily products.
- Vegan Cuts Beauty/Snack Boxes: Subscription box which provides pure and natural products in sample size, however the shipping cost for international orders is 15 dollars which makes it overpriced for European customers.
- Health and natural beauty shops/salons: advices in a store and instant access for products, however this most likely would not provide samples for every product.
- Buys random full size products in a hope that it will work out well, asks help from an expert.

### **6.2.2 Customer segment**

Customer segment- and problem sectors can be seen as a pair since they serve each other. Without the customer you do not simply sell your solution and without a real problem no one will ever buy the solution. When describing and thinking of the typical customer it is important to narrow down his characteristics as much as possible because in the beginning the start-up should try to test the product with early adopters instead of with the mass market. In fact, by testing and developing the product with early adopters, one can perfect it before targeting the main stream customer group. (Maurya 2012, 28)

The prototypical customer of the author's is a woman who is aware of the nasty ingredients of everyday products, especially in cosmetics, and would like to get a better understanding and more hand at pure products. These women prefer genuine ingredients and they are interested in how different ingredients can affect a person. The target group has most likely went through some health problems which have lead them finding sources for better life and health. Not to forget to mention that in general people are getting more and more aware of all the nasty things behind huge corporative companies and how everyday products and food can actually have a huge impact on our overall health and environment. The target group is worried about how much side ingredients are added in everyday products and how much this can effect on us in a long run.

The target group prefers in most cases gluten and GMO free food. They prefer organic or natural cosmetics over mass market products. As the every market today, an overwhelming health and wellness market can be annoyingly confusing as there are so many products available and because of this, the target group is following authorities such as health bloggers and their reviews about products to find what they might purchase next. Social

media is the main search and review engine for them and they like to share a lot with each other. Instagram and blogs both seem to mainly be the inspirational and educating sources for them. The author's planned target group is foremost present in the Netherlands, but expanding to the rest of Europe could be done relatively easily as the health trend is booming all over the world. After the initial market has been penetrated in the Netherlands, the author is planning to expand in Germany, Belgium and Finland. However, these can be still seen as long term goals for the author's business. A further research will be carried out about the planned customer segment in the Netherlands in 2016.

### **6.2.3 Unique value proposition**

In this sector the problem and solution need to be addressed in a way that awakens your customers' attention by stating how you are different from the others and how you are going to satisfy their needs. When thinking about the unique value proposition (UVP) one should think about the questions; why should your product get attention over another product, what is it and who are going to benefit from it?

It is essential that this statement should be squeezed up to a few words since it should fit in the headline of the future landing page. At this point the aim is to build the story which attracts early adopters. A good UVP goes inside the customers head by translating the upcoming product using the words and other ways that are common in this target groups' culture. To get into the flow of finding the unique value proposition it might be wise to study other brands and their unique value propositions. (Maurya 2012, 29-31.)

Finding the author's unique value proposition she studied her competitors and inspiring brands in the health industry. She also wanted to be a customer for three different subscription businesses while she lived in Australia to find out whether they could fulfil their stated UVP's. These tested boxes can be found in appendices (Appendix 3.). By means of showing an example the author has listed GoodnessMe Box's value proposition statement to give an insight how one's UVP can be for instance:

"The latest and greatest health foods delivered monthly – always natural and GMO-free"  
(GoodnessMe Box 2015.)

According to Maurya (2012, 30.) this statement should include the product feature and benefit. In GoodnessMe Box the feature would be "the greatest health foods" while the benefit would be that not only these products are healthy, but they are always "natural and

GMO-free” which is the need of their target group. To illustrate more one’s UVP the author has taken two screenshots of current statements of GoodnessMe Box that appears on their homepage and on Google Search.

The author thinks that not only the statement should appear well on the landing page or one’s website but also on Google search.

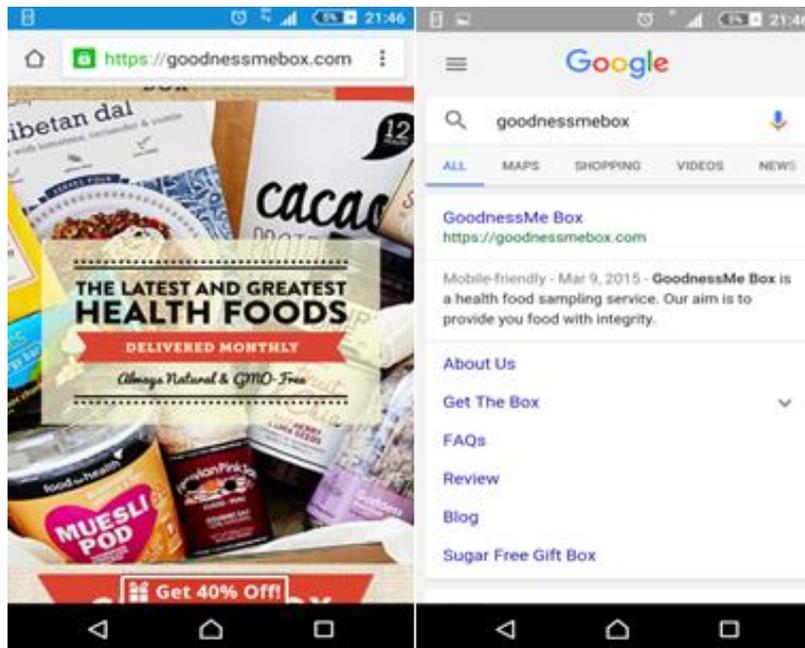


Image 22. The unique value proposition of GoodnessMe Box (Goodnessmebox 2015; Google 17.12.2015.)

Inspired by the other brands and her own ideas the author created her own UVP, which stands for treating yourself with high quality and well researched products from both small and bigger brands. I want to offer convenience for someone who is not only looking for healthier foods and snacks but also interested in cosmetics that are used in daily life. The author’s subscription box would be integrated with her upcoming online store where customers could buy full size products after trying samples first. Not only would the author’s business offer samples and an online store but her offer would also educate and give information about the products through a blog, forum and professional e-guides. All together will bring customers closer to their “healthier me” goal by still taking small steps and providing in this way easier process of sticking with these new habits.

The unique value proposition statement for my subscription business would be: “Retreat yourself = Box for exploring better products for healthier you.” Delivering a box of beautiful healthy habits to you in every month.

#### **6.2.4 Solution**

As the problem has been defined together with the customer segment and the unique value proposition, it is time to sketch the simplest things to address each of these problems. In the beginning the purpose is to go with as simple solutions as possible because the problem and solution are most likely going to change after getting in touch with the customers by for example interviewing them. With these words in mind, finding the real solution can be left until a later stage of the starting up the business. (Maurya 2012, 32.)

Because of the fact that a real solution should be written down after testing the assumptions, and my business testing will be left in later stage of my journey, I have listed my simplest solutions for the problems that have been addressed in the section of listing the top three problems. My early assumptions are:

1. Troublesome to find proper products from the overwhelming market → A box filled with high quality wellness products from food to natural cosmetics that can replace everyday products.
2. Ignorant about health and wellness products → Health tips, guides, facts about food and beauty.
3. Tired of all the nasties in everyday products → Only natural and GMO-free products, which are sourced by my company.

#### **6.2.5 Channels**

The aim of the start-up is to learn and not only to grow by the numbers. This being said, the main goal in the beginning should be creating a path to one's prospective customer as well as communicating the value proposition. Maurya (2012, 34-35.) thinks that the best way to communicate with customers about the product is to get it to them as soon as possible. However, this cannot always be done at the real early stage of the business. While it might be fine for start-ups to try hitting every possible channel in the beginning, it is better to plan these channels out as some might appear more applicable for the one's company than other. Not to forget to mention, the start-up should know which channel their customers mainly use and which channel could be considered to be a selling tool which allows follow ups with the customers (Maurya 2012, 33-35.) Below are some of the examples of different channels, given by Maurya (2012, 34.):

- Blogs
- Search engine marketing
- E-books

- Webinars
- Social media (Facebook, Instagram etc.)
- Tradeshows
- Print/TV ads

The author's future subscription box business will mainly focus on social channels in the very early stage. The following channels are:

- Blog
- Social media – mainly focusing on Instagram and Facebook
- Email/newsletter
- Launching page (Launchrock.com, a free platform)

With all these channels the main goal is to get followers by creating content that fits with the future business so the early launching could be more successful and starting up quicker. As in subscription business communication is everything, it is important to be active in every social channel by communicating with customers constantly. Not to forget to mention, these social channels are also channels where possible partners might contact the author. After launching her landing page and getting first pre-subscribers in, she will follow up with these by sending newsletter by email and throwing a competition where one could win a subscription for one year. This would not only give more value and content for the newsletters but it would also increase the chances that one will continue of following the upcoming launch.

As the author's business is a start-up, the goal is to use so called "free channels" and her plan is not to do any paid advertising online in the very beginning. The word-to-mouth marketing from customer to customer is crucial for a small subscription business and that is why she will be in contacting wellness bloggers and influencers in a later stage of her business to get more views for her business and subscribers to sign in. This can be done after getting decent exposure and positive attitude for the business since not all bloggers and influencers are interested dealing with small companies.

#### **6.2.6 Revenue streams**

When thinking about revenue streams and cost structure of one's business, the lean startup method suggests that a more ground up approach will be taken rather than thinking about three or four year's forecasts. The ground-up method basically means building the minimal viable products but still something worth of purchasing. According to Maurya

(2012, 36.) too many times start-ups build embarrassing minimal viable products what is not the purpose as in the beginning the company should concentrate on how their minimal product can deliver enough value to charge for. The revenue streams should be aligned with the rest of company's activities, because the price is part of the product and it defines its target group as well. Since the price is part of the product, the importance of planning should be implemented from day one. Getting the customer to pay for the product is already the first form of validation and a sign of continuing with the product idea and business. (Maurya 2012, 37-38.)

The author's company's revenue comes from a subscription fee that is charged monthly from the customer who has signed for the box service. This charge will be around €40-50 including preferably the shipping costs as she thinks this will be a great advantage over other companies and especially in the Netherlands where delivery convenience is an important competitive advantage. The price of the monthly box in this phase is still estimation due to the fact that the author does not have clear picture yet how much she will use paid products over free products. It is important in the beginning to be more realistic than optimistic when comes to getting free products from partners since as a starter the author probably does not have a lot of subscribes to convince them to give free samples for the box. The revenue stream is basically coming mainly from subscription fee and it is coming for the author's business as she does not deal with affiliates in the first stage of her business. Her ideal gross profit margin in the beginning would be around 30 percent.

### **6.2.7 Cost structure**

In this section, one should think about all the costs of getting the first product in the market. Since it is hard calculate all these numbers far into the future, it is better to look at them from the aspects of how much time, money and effort will it take to get to the first sales. (Maurya 2012, 38.)

The author's subscription box business will focus on value creation instead of focusing on low costs. The aim is to provide interesting and high quality products to gain a good reputation in the subscription box market and building trust with her customers. The products will be ordered directly from suppliers from European countries and Australia. The first product orders will be done by the estimation of expected subscribers in first months. For storing the products and boxes, the author will use a home office to keep inventory costs as low as possible. Beside this, no costs will be used in marketing in first months as she will be using free channels and her own working effort. Below the author has listed the

most two important costs for the first actual operating month which is calculated by the amount of fifty subscribers:

- Inventory costs including packaging and delivery: € 1415/month
- Cratejoy account: € 38/month

As the financial planning is important, a pricing scenario is draft for the first year of my future business by using estimated numbers. This pricing scenario can be found in the appendices (Appendix 2.) of this thesis. In this pricing scenario I have used Cratejoy's Power subscription box calculator tool which is really good tool to get started. By using their complete spreadsheet, I have a ready living document which can be easily modified by the time the business will grow. The pricing scenario in the appendices is a screenshot of the most important numbers for my business.

### **6.2.8 Key metrics**

As in every business there are always numbers which indicate how the business is performing. This is crucial in order to track whether it is going bad or well in specific operations of the business. (Maruya 2012, 40.) In subscription business these key metrics are:

- Churn and churn rate
- Customer lifetime/in months
- Customer lifetime value
- Cost of Customer Acquisition

These given key metrics are explained in detail in chapter 4. The chosen key metrics should give enough insight to help one to grow. In fact, even not being in the business yet, to guess at the values of these metrics will ensure that the author has accurate financial planning and can already forecast what he future business should rely on. This is important especially when dealing with partners and negotiating the prices.

### **6.2.9 Unfair advantage**

This section is most likely the hardest one and this why it is the last section to fill in. This should explain why your business model is unique and not only a copy of someone else's business. According to Maurya (2012, 43.) these unfair advantages can be for example a dream team, insider information, personal authority, existing customers and community. This box can be left blank but it is in the lean canvas to remind how one can make the business different from the others and make this difference matter. (Maurya 2012, 43.)

What will most likely set the author's company's offer apart from the others is the inside information of her. The purpose is to concentrate on brands that are high quality but in cheaper range that still fill the qualifications of her planned target group. She wants good healthy habits to also reach those who have been thinking that living healthy is expensive. The author wants to prove that this statement is false and you can easily find alternatives in an affordable way. To create awareness around all these health topics she wants her business to be a more health enthusiastic community than money making machine. To create this community, a lot of activity on social channels such as on Instagram will be done. Since subscription boxes have not yet landed as booming way as in the United States, Australia and United Kingdom, the author thinks she also has the advantage of being early on the market.

### **6.2.10 Summary of the initial plan**

The author's company will offer healthy habits by selecting only high quality natural products from food, snacks all the way to cosmetics to its customer. As the health market is growing, it is getting harder and harder to find proper and convenient products for the person who is up to find alternatives for everyday products. Not to forget to mention, testing out full size products will eventually get expensive and might not be the product which was actually needed. As for herself, the author has been struggling with acne skin and some hormonal problems and, she knows how frustrating it can be not to find good products but also how relieving it can be when you find the perfect product. We are what we eat says Hippocrates and the author thinks this is something to follow up when changing from mass production products to wholesome foods. However, even some nutritionist say that only food matters in a matter of example to better the condition of your skin, the author thinks there is a strong relation with what you put on your skin daily since there are not enough regulations behind cosmetic companies and what they actually use as ingredients.

The author's company will focus on filling a monthly box with quality samples and full size products and sending it in every month to her subscribers with the cost of 45 euros. This fee will be charged every month if the customer wants to keep on subscribing. The author's business' main channels in the beginning to get subscribers are Instagram and most likely other social media channels and her upcoming personal blog. A landing page will be created to awake interest in prospective customers and to continue communicating with them. This landing page will be created by using Launchrock.com and this landing page is going to be the author's first minimal viable product to test the idea whether it is

something that the planned target group would purchase. The operational costs are planned to keep as low as possible without cutting the quality of the products that will be in boxes.

## 7 Discussion

These days people might think that establishing an online store is one-click job and getting profit from it does not require too much effort. The Internet aims to cater for new entrepreneurs of all services you could ever imagine from free online store platforms to all the way to social media accounts. However, the electronic commerce world is not that glamorous as many of us might think and this is the reason why in this thesis the importance of planning has been emphasized strongly. The success will not come alone. Doing business online and to succeed requires from a person a good idea, dedication, motivation, hard work and entrepreneurial attitude that go into building, managing, running, maintaining and growing the business. This being said, the author wants to clarify that the process of starting an online business can be wide-ranging and time-consuming whenever a person wants to do it properly but with a good planning and knowledge about electronic commerce and competences of oneself, this path will be easier and rewarding.

The objective of this thesis was to kick start the author's entrepreneurial path by drafting an initial plan for her business idea which was an early stage and needed clarifying and research. The objective was reached during the project. The initial plan on one single page has been drafted and the process of making it has been described in this thesis. The complete one page plan can be found in Appendix 1. Reaching the objective of this thesis is a result from the deep research about electronic commerce, its trends and a subscription box business. Not to forget to mention that the author's own personal excitement and passion of researching electronic commerce and setting up her own business encouraged her to continue with this topic.

The secondary objective of the author's thesis was to give an inspiration and guidance throughout the research which was made about today's electronic commerce and how one can turn an idea into a sustainable business model without writing a long formal business plan. This secondary objective was also reached. Even the theoretical framework and its guidance is mainly built to solely support author's own entrepreneurial path and the planning of her business model. It can be experienced as very useful to those who are interested in starting an online business but do not really know where to start. The building blocks of a subscription box business that have been carried out in this thesis can easily be utilized in any kind of electronic commerce business. Not to forget to mention, the trends and markets in Europe that have been discussed in this thesis can bring one's mind new ideas and knowledge of electronic commerce in general. All research that has

been made for the theoretical framework of this thesis is supposed to be based on the newest data which was available.

Because the planned business will be established in the Netherlands, it was author's personal need and aim to find information of the process of starting in this country in addition to the research about the electronic commerce market in the Netherlands. This aim was reached and has been draft to help her kick-starting her business in spring 2016. Because this part of the project was not planned to be in the theoretical framework as it is meant to be the author's personal guide, it can be found in the appendices of this work (Appendix 4.). However, this guide can serve those who are possibly interested in setting up a business in the Netherlands but also to show that whenever establishing a business in another European country there are always policies which can differ from the rules and regulations of Finland.

In a chapter 3 some of the latest trends of electronic commerce were introduced which are; mobile commerce, convenient shipping and subscription commerce. It is essential to know trends in the electronic commerce market since this market is changing and growing rapidly and along these changes consumer behaviour changes similarly which means that you cannot try the same tricks that were working ten years ago. What stood out many times from all these trends was that today's consumers are begging for convenience and fast deliveries. Not to forget to mention that the website should look good not only on laptop screen but also on other devices such as smartphones. By taking the newest trends account you are ahead of building competitive advantages and sustainable growth of the business. Not only are trends important when planning one's business but also realizing the importance of cross-border electronic commerce. As in chapter 2 was discussed to grow the business online, more and more businesses are entering outside their own home market. In order to sell outside your own country, a lot of knowledge of international electronic commerce and trends must be gained.

During the process of planning the business operations, the author came across some tips which are worth noting before running into electronic commerce business:

The author's top three advices for a starting online entrepreneur:

1. Start small
2. Know your customer and keep them at the centre of your business
3. Get a free marketing

An online business requires a lot of motivation and dedication, so do not try in vain to write a long formal business plan with a finish line already on your mind. The better approach is to take smaller steps, learn and grow and then, take another smaller step. This incremental approach will teach you along the way how to get things right, because you will be making a lot of mistakes even you would have a million euros' business plan in your hands. Even though, in this thesis the planning has been emphasized strongly, this should be seen as a starting point and to show that the success will follow along the way of listening your customers and adjusting things. Not to forget to mention, do not use in the very beginning money on expensive business advisors. Why? Because there is a whole range of free education available for anyone who is needy for that. If you want to go for a subscription box business for an example, use Cratejoy. They have plenty of free material and tools available. Or simply, use Google.

The second point, which I already mentioned earlier is your customer. The meaning of the customer cannot be emphasized enough. If you genuinely care about your work and what you are doing, your customers will tell it to you. If you are only trying to sell, you will lose. Find your customers and listen what they have to say to you. When you care about them, they will care about you. Keep your promises and give them always something to share. For an example, in the author's planned business this would be the box and its content. As the author has seen during her research about subscription boxes, people on Instagram and Facebook love to show what they got from their monthly box. Social media is meant to be for sharing, so use it. The last tip but not the least is to the usage of free marketing. The free marketing basically means by doing your job good. As simple as that. If you get devastated, check your motivation, find the reason why you started, check your plan, brainstorm and especially go and ask your customers what they want, like and demand. When you give your customers something you have promised, they will not only become loyal to you but they will be your free marketers. Trust on the power of word of mouth marketing and social media, create a community where hashtags are free to use. Share the photos of your customers on your social media whenever they share something about your business and they will do the same. And remember, there is no such a day on which you would not learn something new.

### **7.1 Further development and future objectives**

As now the initial planning has been made and the knowledge about starting a business in the electronic commerce market is gained, the actual work will start. The author's future business will have plenty of further developments in the near future since she will be starting from scratch. These developments are: content creation for the future social media

channels, blog creation for the business, market research in the Netherlands and the creation of a partner management system. Furthermore, a lot of references will be needed in the beginning so creation of contact list must be done and the people from it reached. This whole list could still be expanded as some of these developments will be done in the future in order to secure the sustainable growth of the author's future start-up. Not to forget to mention, the initial plan will be tested by creating a launching page in spring 2016.

Not all developments are considering the author's future business itself but one could also go further with by example developing a complete guide of how to start a subscription box business or how to start an online business by using the Running Lean Method. When the author started her production part for this project she noticed that the Lean Start-up Method could have been highlighted even more. However, the aim of the research was to gain knowledge about electronic commerce and a subscription box business in order to plan out her future business in a way that it would be profitable in the future and this being said, something had to be left aside.

As earlier stated, starting small is the way to the success according to the author of this thesis and what she has been studied along the way of this project. So even though some long term dreams and goals started to become apparent due to her future business, the first goal now is to start implementing step by step the initial business plan which is now draft. The near future objective for the author's business is identifying the risks of the business and to find out whenever the planned target group really exist in the Netherlands. And if not, what needs to be done differently then.

## **7.2 Assessment of the process and learning outcomes**

When I started the project of planning my new online business concept, I did not have a clear vision of how my idea would end up being a profitable business model or something that I would actually be passionate about to really start. The whole process of my thesis has been created to find out about the possibilities in the electronic commerce market and how one can actually succeed by doing business online as well as to kick start my entrepreneurial path which has been my dream for a long time right after I would graduate. On the start of this thesis I actually did not know that my theoretical framework would end up telling about a subscription box business since this idea came on my mind throughout my very early research about electronic commerce, while I was living in Australia, where these boxes have already found their way into the market. As soon as I found out about this interesting new phenomenon in the electronic commerce market and got enthusiastic about starting my own subscription box business, it was clear to me to amend my thesis

topic and do more research about this business model. I think that this change did not only help myself but it also brought my thesis on a very new level as there are no theses yet about subscription boxes. Not to forget to mention a subscription box business do not exist yet in Finland so one could easily find out more possibilities with this business model in this country.

The road to plan my business and working on my thesis has been really interesting and rewarding. The project itself has been really personal to me because of the topic itself. I am the commissioner of this thesis which was already in the beginning clear to me when I started planning the topic on its own. Thanks to my professional specialisation studies of Entrepreneurship at the Haaga-Helia, I was able to work on this project and make use of my gained knowledge of my degree and the knowledge which was gained during my exchange time in the Netherlands.

Despite this project has been really rewarding and I am more than happy with the end results, I also had my stumbling blocks along the way. Framing the amount of data for this thesis turned out hard sometimes. I got really interested in some topics and writing about these in a slightly superficial way felt shallow. However, the goal of ending with an initial plan for my very wide idea kept me going as I knew that all these information would already bring me closer and closer to my own future business and starting as an entrepreneur.

A subscription box business as a subject and business field to research was very new to me. Not only it is new to me but it is still very new phenomenon which made finding sources about it sometimes difficult since there is no real literature created about this business. However, using a lot of different experts' information it was possible to draft a coherent package of information and especially for me to guide me in the future. As earlier stated in this chapter, one could easily make a further research on this topic as it is a growing trend and interesting business model itself.

### **7.3 Suggested future steps**

After this project I am convinced to continue with the initial plan mainly with the idea of starting up a subscription based online business. The following actions are planned to be taken in 2016:

- Registration of my new business in the Netherlands
- Starting to plan out the prototype box
- Planning out the pre-launch and starting to gather pre-subscribers

- Partnership agreements with planned suppliers
- Building the actual website during the pre-launch

Some of these steps can be taken after the first pre-launch phase as the pre-launch will show me whenever there is enough demand or if something should be done in a different way. A financial resources will be required which means that further planning will be needed in the future. Neither to say, now time has come to start carrying out this planned business of mine and moving on towards my dream of being an owner of a business.

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# Appendices

## Appendix 1. The Lean Canvas

|  |   |  |  |  |
|--|---|--|--|--|
| <p><b>PROBLEM</b></p> <p>Troublesome to find quality products from the overwhelming electronic commerce market</p> <p>Ignorant about natural beauty and health&amp;wellness products</p> <p>Tired of nasty chemicals and ingredients in daily products</p> | <p><b>SOLUTION</b></p> <p>A box filled with high quality wellness products from food to natural cosmetics that can replace everyday products</p> <p>Health tips, guides, facts about food and beauty</p> <p>Only natural and GMO-free products, which are sourced by my company</p> | <p><b>UNIQUE VALUE PROPOSITION</b></p> <p>Delivering a box of beautiful healthy habits to you in every month for only € 45/month. Try, enjoy and purchase full size products from Beautifulfull Online Shop.</p> <p>We take care that the quality of our products will match your preferences.</p> | <p><b>UNFAIR ADVANTAGE</b></p> <p>Personal knowledge</p> <p>Community</p>  | <p><b>CUSTOMER SEGMENTS</b></p> <p>Readers/followers of health blogs (women)</p>   |
| <p><b>EXISTING ALTERNATIVES</b></p> <p>HelloFresh Box</p> <p>Vegan Cuts Beauty/Snack Boxes</p> <p>Health and natural beauty shops/salons</p>   | <p><b>KEY METRICS</b></p> <p>Churn and churn rate</p> <p>Customer lifetime/in months</p> <p>Customer lifetime value</p> <p>Cost of Customer Acquisition</p>   | <p><b>HIGH-LEVEL CONCEPT</b></p> <p>Sign up, discover, retreat yourself and buy the full size product when you fall in love with your new healthier products.</p>  | <p><b>CHANNELS</b></p> <p>Word of mouth</p> <p>Blog</p> <p>Instagram</p> <p>Facebook</p> <p>Newsletter</p> <p>Landing page</p> | <p><b>EARLY ADOPTERS</b></p> <p>Aware of nasty chemicals and ingredients in daily products</p> <p>Might have or had health /skin problems</p> <p>Prefer organic and GMO free products/food</p> |
| <p><b>COST STRUCTURE</b></p> <p>Hosting website: € 38/month</p> <p>Inventory costs including packaging and delivery: € 1415/ first month</p>   |   | <p><b>REVENUE STREAMS</b></p> <p>Subscription fee (preferably around 45 euros)</p>   |  |  |

## **Appendix 2. Pricing Scenario**

### **Pricing scenario**

Jenny Saari  
2015

## List of abbreviations

|                          |   |
|--------------------------|---|
| <b>Price Point</b>       | Market price  |
| <b>COCA</b>              | Cost of Customer Acquisition  |
| <b>Churn</b>             | The percentage of cancelled subscribers in a month  |
| <b>Seed</b>              | The first customers in a first month  |
| <b>Reinvestment Rate</b> | The percentage of net profits which is re-invested into customer acquisition each month                                       |
| <b>COGS</b>              | Cost of goods sold. Costs of products in a box including shipment and packaging.  |
| <b>Duration</b>          | The average number of periods where subscriber stays subscribed to the business.  |
| <b>Total fees</b>        | Includes all the estimated transaction fees (Credit card) including the fees that are charged by the used platform, Cratejoy. |

## Pricing Scenario for the first year

|  |         |
|--|---------|
| <b>Price Point</b>                         | € 45.00 |
| <b>Total Product Cost</b>                  | € 21.80 |
| <b>Total Fulfilment Cost</b>               | € 6.50  |
| <b>COCA (Cost of Customer Acquisition)</b> | € 6.00  |
| <b>Churn</b>                               | 10 %    |
| <b>Reinvestment Rate</b>                   | 15 %    |
| <b>Seed</b>                                | 50      |

|                     |         |                   |         |                        |         |
|---------------------|---------|-------------------|---------|------------------------|---------|
| <b>Gross profit</b> | € 14.43 | <b>Net Profit</b> | € 8.43  | <b>Retained Profit</b> | € 14.43 |
| <b>COGS</b>         | € 28.30 | <b>Total fees</b> | € 14.43 | <b>Duration</b>        | 10      |

| <b>Month</b> | <b>Subscribers</b> | <b>Revenue</b> | <b>Take-Home</b> |
|--------------|--------------------|----------------|------------------|
| 1            | 50                 | € 2,250.00     | € 358.38         |
| 2            | 56                 | € 2,520.00     | € 630.89         |
| 3            | 64                 | € 2,880.00     | € 713.73         |
| 4            | 74                 | € 3,330.00     | € 826.20         |
| 5            | 86                 | € 3,870.00     | € 958.12         |
| 6            | 99                 | € 4,455.00     | € 1,102.29       |
| 7            | 114                | € 5,130.00     | € 1,271.01       |
| 8            | 132                | € 5,940.00     | € 1,471.43       |
| 9            | 152                | € 6,840.00     | € 1,696.38       |
| 10           | 175                | € 7,875.00     | € 1,953.03       |
| 11           | 202                | € 9,090.00     | € 2,253.66       |
| 12           | 233                | € 10,485.00    | € 2,598.26       |

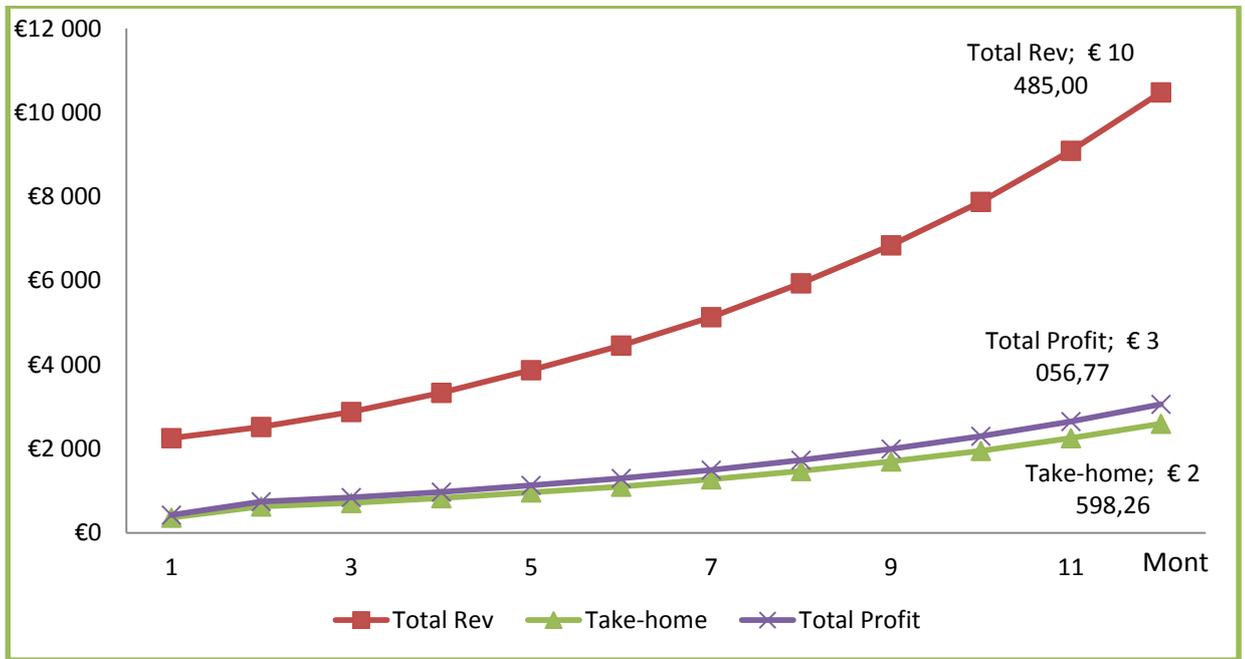
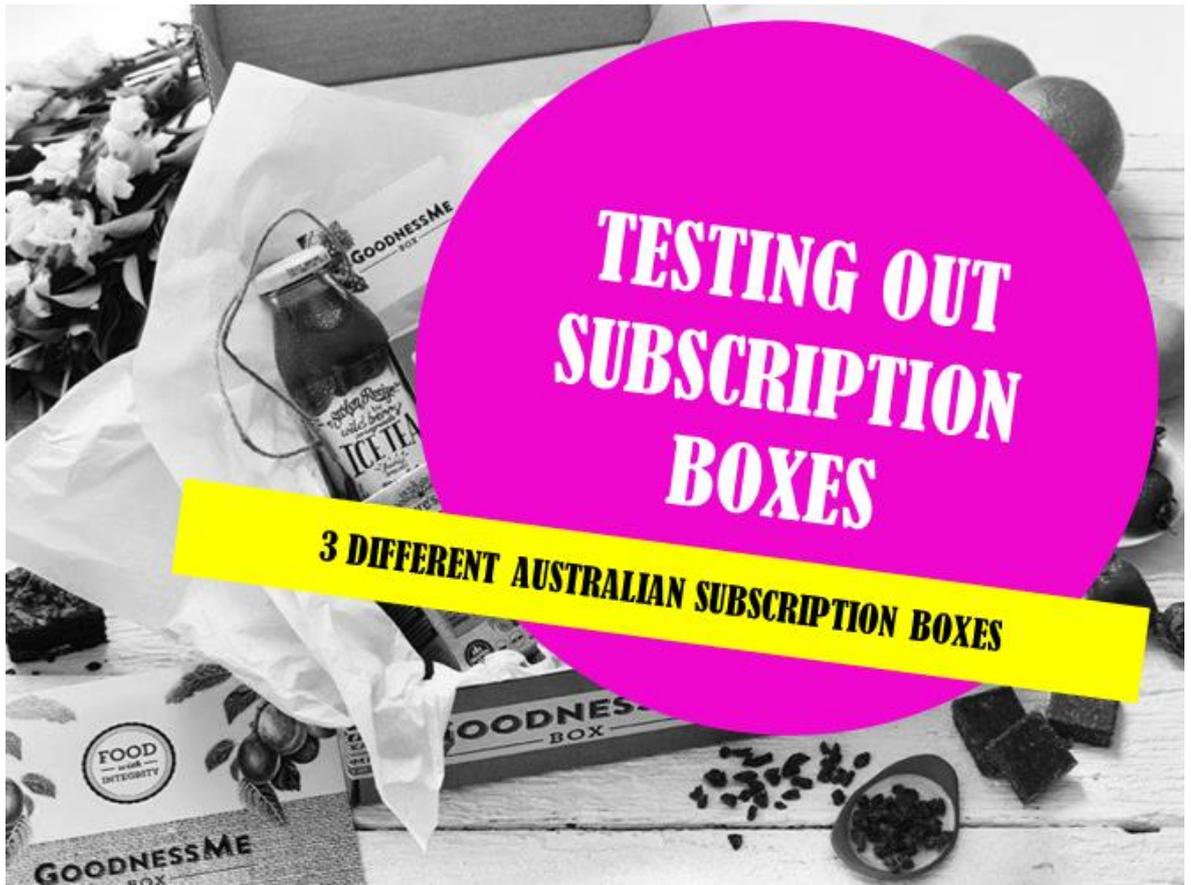


Image 23. Forecast of the first year.

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### Appendix 3. Testing out subscription boxes



**1.**  
**GoodnessMe**  
**Box**



**2.**  
**Bellabox**



**3.**  
**Flora & Fauna**  
**Beauty Box**



**GOODNESSME**  
BOX

- **“Food with integrity” – GoodnessMe Box 2015.**
- **“The latest and greatest health foods delivered monthly” – GoodnessMe Box 2015.**
- **“Always natural and GMO free” – GoodnessMe Box 2015.**

| Monthly subscription  | 3 month subscription  | 6 months subscription  | Annual subscription   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>• \$25 (AU)</li> <li>• Billed monthly</li> <li>• Delivered every month</li> <li>• Free shipping</li> <li>• Cancellation anytime</li> </ul> | <ul style="list-style-type: none"> <li>• \$70 (AU) upfront</li> <li>• Free shipping</li> <li>• Billed quarterly</li> <li>• Delivered every month</li> <li>• Cancellation anytime</li> </ul> | <ul style="list-style-type: none"> <li>• \$135 (AU) upfront</li> <li>• Free shipping</li> <li>• Billed after every 6 months period</li> <li>• Delivered every month</li> </ul> | <ul style="list-style-type: none"> <li>• \$265 (AU) upfront</li> <li>• Free shipping</li> <li>• Delivered every month</li> <li>• Billed annually</li> </ul> |



**jennysaari**

20 likes 12w

jennysaari Postman brought some goodness for me this morning 🙌🏻 Thanks @goodnessmebox - I love this box! #goodnessmebox #gogreen #natural #myhippylife #slowliving #goodnessmepickme #loveit #instafoodie #instafood #australia

wellnaturallyau Enjoy 🙌🏻

jennysaari @wellnaturallyau thank you, I definitely will! 🙌🏻

- What did I receive in September box 2015?**
- ❖ BLK mineral water
  - ❖ Dedicated coconut flakes
  - ❖ Super Greens blend sample
  - ❖ Organic beetroot chips 75g
  - ❖ Camomile tea 2 bags
  - ❖ Good Banter Muesli sample
  - ❖ No added sugar cereal bar
  - ❖ Organic lip balm
  - ❖ Slow living - magazine



| Monthly subscription   | Annually subscription  | Other options  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• \$15 (AU) + \$2.95 postage &amp; handling</li> <li>• Billed monthly</li> <li>• Delivered every month</li> <li>• Cancellation anytime</li> </ul> | <ul style="list-style-type: none"> <li>• \$13.75 (AU) + \$2.91 postage &amp; handling</li> <li>• Billed yearly</li> <li>• Delivered every month</li> </ul> | <ul style="list-style-type: none"> <li>• Give a gift (3, 6 or 12 month subscription plan)</li> <li>• <u>Bellobox for men</u></li> <li>• <u>Ballababy for babies</u></li> </ul> |

• “Spoil yourself with a monthly beauty box” –Bellobox 2015.  
 • “Discover the latest in beauty and be reintroduced to some all time classic brands” – Bellobox 2015.

evo **bellabox**

**What did I receive in October box 2015?**

- ❖ Eyelash curler
- ❖ Lip gloss
- ❖ Hair oil sample
- ❖ Hand cream sample
- ❖ Avena face cream sample
- ❖ Eye shadow sample

evo



WHAT'S IN

# THE BOX?

*Flora & Fauna*  
THE NATURAL BOUTIQUE

WELCOME TO YOUR BEAUTY BOX

THE NATURAL BOUTIQUE

Exclusive Offer  
10% off the brands in this box until Feb 28th 2015  
www.floraandfauna.com.au

- “Natural, cruelty-free beauty boxes delivered seasonally to your door” – Flora & Fauna 2015.
- “All our products are free of parabens, SLS’s and not tested on animals. We love the planet so want to make sure we introduce as many brands as possible that are good to you and earth” – Flora & Fauna 2015.
- “At \$29.99 cost the value is always well over double the cost. With at least one full size product in each box and 6-10 products this is a great way to try new brands and new products.” – Flora & Fauna 2015.

| Four Seasons subscription  | Seasonal Beauty boxes  |
|--|--|
| <ul style="list-style-type: none"> <li>• \$129.99 upfront + postage</li> <li>• Delivered four times in a year</li> </ul> | <ul style="list-style-type: none"> <li>• No signing in subscription</li> <li>• Winter, autumn, spring and summer beauty boxes</li> <li>• \$29.99 + shipping</li> </ul> |

*Hi there,  
Thank you for stopping at H&M and getting a summer beauty box. We hope you love it. Any feedback most appreciated. Thanks H&M*



What did I receive in Autum box 2015?

- ❖ Full size deodorant from Eco Sonya
- ❖ Full size face cream
- ❖ Organic Shampoo & Conditioner samples
- ❖ Perfume sample

❖ Bamboo body buff



| COMPANY                  | SHIPPING AREAS   | CONCEPT  | BOX PRICE   | BOX TYPES   | DELIVERY   | MARKETING  | OTHER NOTES   |
|--------------------------|--|--|---|---|--|--|---|
| <b>GOODNESSME BOX</b>    | Only within Australia  | Health food box delivery, intention to educate people about wholesome food. Products in a box are always GMO-free and some of these following: organic, raw, gluten-free, sustainable, dairy free, sugar free or vegan.                      | \$25/month<br>\$70/3 months<br>\$135/6 months<br>\$265/one year               | Health food box<br>Sugar free gift box (changeable)   | Free shipping  | Facebook-page (19,670 followers active account with a lot of pictures and posts), Instagram-account (60,100 followers, with a lot of campaigns, post almost every day), Pinterest (569 followers), Twitter (1336 tweets, 631 followers) (11.12.2015.)  | The company has invested a lot of money and time in social media which have resulted in enormous growth by operating only one year. Boxes includes always campaigns to involve and recipes etc. |
| <b>BELLABOX</b>          | Only within Australia, a branch in Singapore ships only within a country | +5 beauty samples in a box. These boxes can be customized to match your preferences. The company has own online store that allows customers to purchase full size products.  | \$15 + 2.95/month<br>\$13.75 + 2.91/ a year                                   | Bellabox for women<br>Bellabox for men<br>Bellababy for babies  | Shipping and handling fee is added in each box           | Facebook-page (127,891 followers, a lot of posts and pictures), Instagram-account (31,200 followers, a lot of posts, mainly shares customers pictures), Pinterest (3900 followers), Twitter (5498 tweets, 3401 followers). (11.12.2015.)   | Beauty guides, tutorials and reviews from the company's own beauty experts. Also extremely active on social media.  |
| <b>FLORA &amp; FAUNA</b> | Worldwide shipping   | Seasonal beauty boxes crafted by Flora & Fauna. The aim is to introduce consumers to different natural products that are seasonally relevant. This is not a subscription to pay monthly, seasonally or annually but it is a one off payment. | \$29,99 + possible shipping cost<br>4 boxes \$129.99 + possible shipping cost | Winter box<br>Spring box<br>Summer box<br>Autumn box<br>Four seasons boxes (delivered in each season) | Shipping added. Within Australia orders over \$100 free. | Facebook-page (4384 followers, active with posting, concentration in product introductions), Instagram-account (2117 followers, almost same post as on their Facebook page), Pinterest (8 followers, not active account), Twitter (514 tweets, 40 followers), Google+ -account (8 followers, 8495 views) (11.12.2015.) | The company is highly concentrated in quality. This box really gave back the value. However the box system is a little bit messy and the company itself hard to find.                           |

#### Comments

**Flora & Fauna's beauty box was definitely my favourite as it really fulfilled its promises and all the products in a box were high quality and relevant.**

**Goodnessme box was a little bit disappointment as it was so hyped on social media but the September box included in my opinion too much samples. However, social media engages you to follow the company and actually persuaded me in the end to still subscribe another box which was more value for me.**

**Bellabox was a big disappointment. Even the money you give is not a lot, getting only samples which were not nicely presented in a box neither, made me feel that I am not respected as being their customer. I also had problems with unsubscribing the box as I was still charged after unsubscribing the box. Not to forget to mention they delivered one month later this extra charged and unwanted box to me.**

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# Guide

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Setting up a  
business in the  
Netherlands

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Jenny Saari

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## **Setting up a business in the Netherlands**

This guide describes what should be taken into consideration when starting a private company (BV) in the Netherlands. When starting a business in the Netherlands, there are some rules and regulations which are important to observe as they can differ from the rules which we have in Finland. Nevertheless, it is not strenuous starting a new business in the Netherlands.

In the end of this guide some rules about a home-based business will also be explained as it will most likely be the case in the beginning of the author's own business. This guideline is created to support author's start-up process in the Netherlands.

### **First of all**

Citizens of the EU Member States, the European Economic Area, or Swizz citizen, are free to live and work on a self-employed basis in the Netherlands without residence permit or an entry visa. On the other hand, it is recommended to register with IND which stands for Immigration and Naturalisation Service, because most of the authorities will ask for a proof of registration when requesting example for a Dutch public healthcare insurance or a mortgage. IND registration is free of charge. (KvK 2015, 4.) Another useful proof for authorities is getting a Citizen Service Number (BSN) which will be issued after registering at local municipality. A person, who intends to stay over four months in the Netherlands, is obligated to this registration. This registration is free. (Government 2015.)

### **A private company with limited liability (BV)**

The most common legal form doing a business in the Netherlands is a BV. Rules for starting a BV are the same for an international entrepreneur as for a Dutch citizen. A limited company or Besloten Vennootschap (BV) is a legal person, with identical rights and obligations as a natural person. The BV itself is seen as an entrepreneur, which in principle means that creditors can only make claims on the assets of the BV because the appointed director (or shareholders) of a private company cannot be held personally liable for his acts. The capital of a BV is divided in shares and the liability of each shareholder is limited to the amount of an investment. There is no minimum amount of a start-up capital required to register a BV. However, start-up costs can range between 1,500 – 2,500 euros, naturally, depending on the structure and size of the business. (Iamsterdam 2015.)

## Chamber of Commerce

The Dutch Chamber of Commerce, Kamer van Koophandel or often referred as KvK, is the official trade register of businesses in the Netherlands. As far as it provides a comprehensive database of all businesses in the Netherlands, it is also an organization to help new entrepreneurs, both foreign and resident ones, to start in a country. To register a new company or to update the legal status of one's business, the office of the Chamber of Commerce works on a drop-in basis or alternatively by arranging an appointment in advance. This office is located in Amsterdam. (Iamsterdam 2015.)

## Procedure of setting up a Dutch BV

Establishing a Dutch BV is a relatively clear procedure and can be concluded generally within two weeks. In fact, the Netherlands offers one of the most efficient procedures for setting up a private limited liability company in Europe and the process can be easily outsourced to a third party, which will ensure that all the steps will be taken for starting a business in a country. (Iamsterdam 2015, 3.) In the following figure the requirements of setting up a BV will briefly be explained.

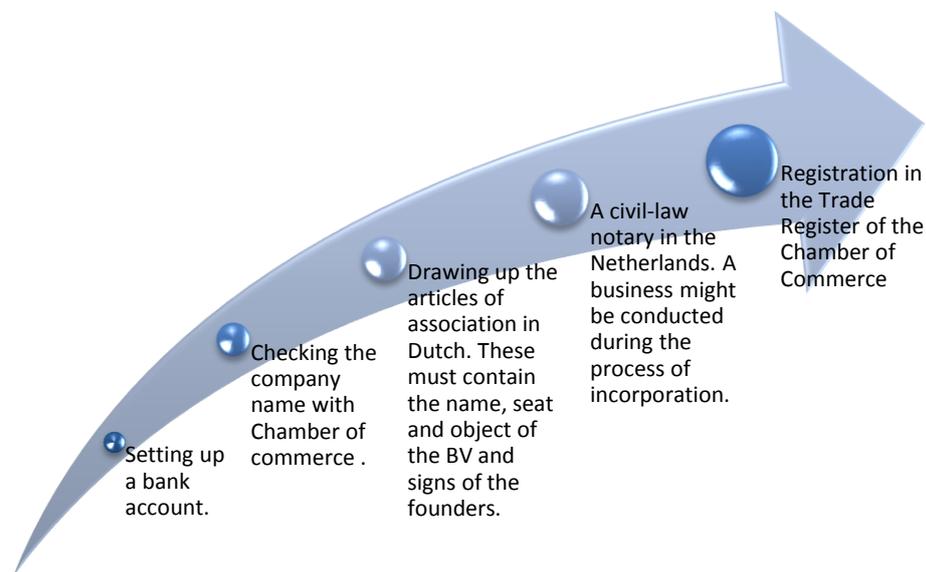


Figure 1. Summary of the procedure of setting up a Dutch BV. (Iamsterdam 2015, 3.)

When these steps have been accomplished, the Chamber of Commerce will forward the business registration details to the tax authorities. After the registration is completed, the responsibility of keeping the information of the business up-to-date relies on the owner(s) or partner(s). (PwC 2014, 12 – 13.)

## **Registration**

EU citizens have right to set up their own business in any EU country by avoiding for example visa permit procedures and the like. Requirements for a start vary by country but the EU has determined some certain targets which are meant to be guidelines for each member country to follow. First of all, setting up should not take more than three working days and the cost should not be more than 100 euros. Secondly, an entrepreneur should be able to complete all procedures through a single administrative body and all the registration formalities online. (Your Europe 2015.)

In the Netherlands the registration takes usually only one day and the one-time registration fee of 50 euros must be paid then. The registration forms which can be downloaded online from the Chamber of Commerce website are in Dutch and have to be also completed in Dutch. However, English versions of these forms are available to assist while filling out in the Dutch forms. (KvK 2015, 24 – 25.)

While the one-time registration fee is 50 euros, some business activities need permits and licences which can increase the starting costs significantly. In the Netherlands the start-up costs were approximately 350-400 euros in 2014. (Your Europe 2015.) Even, most business activities can be performed without permits and licenses; this is a part which should be taken account when starting in the Netherlands.

## **Taxes**

When operating a business in the Netherlands, a person is naturally liable for Dutch taxes. Most common taxes to pay are corporate income tax, value added tax, payroll tax and personal income tax as well as dividend tax. When the registration with the Chamber of Commerce is completed, the details of a business will automatically be forwarded to the tax office. (KvK 2015, 27-31.)

## **Insurances**

Entrepreneurs, just like everyone else in the Netherlands, are obliged to take out health care insurance. However it is entrepreneurs' own responsibility to take out insurances to

cover risks that they run as a result of having a business because no regulations are obligating to be insured from business relating risks. (Answerforbusiness 2015.) It is recommended that an entrepreneur evaluates the possible risks in particular lines of the business and speak to a financial advisor about which cover would be the suitable or the business' activities and costs. (KvK 2015, 35-36.)

## **Healthcare**

Every person who lives in the Netherlands is legally obliged to take out a standard health insurance, which costs approximately 1,300 euros per year. This nominal premium is paid straight to the health insurance company of own choice. However, not all health care is covered by the standard package which means that a person should choose additional insurance to cover, for example: dental care. The additional insurance is not obligatory and there are no rules to say that insurances must be taken out with the same insurance company. If someone's income is below the standard, it is possible to receive a healthcare benefit from the government, which can be applied for at the Tax Administration. (KvK 2015, 32.)

## **A Home-based webshop**

If intending to start a home-based webshop in the Netherlands, there are some various government rules and regulations to cope with. The registration process with the Chamber and Commerce is same as with every other starting businesses and needs to be done before continuing in a process. (Answerforbusiness 2015.) When starting a home-based business, an entrepreneur usually needs to report the intention of it to local municipal authority. Entrepreneurs living on a rented premise should take the provisions of the tenancy agreement into account as well as asking permission from the landlord.

The following figure illustrates steps of setting up a webshop in the Netherlands where the rules and regulations from a Dutch government are involved and must be contend with. The registration process with the Chamber of Commerce and local municipality have been left off from these steps as they should be done anyway.



Figure 2. Steps of setting up a webshop where Dutch government rules and regulations are involved (Answerforbusiness 2015.)

When starting a webshop in the Netherlands, the chosen domain name cannot be already in use and the name must respect the trademark rights and trade name rights of other companies. The Foundation for Internet Domain Registration in the Netherlands, SIDN is responsible for the stable and secure operation of the .nl domain and because of its' operations, .nl domain is considered to be one of the safest domain in the world. The website of the SIDN has the Whois-search, which can easily show existing and non-existing domain names and other extensions. (SIDN 2015.) A chosen available domain name can be applied to SIDN register through a domain name service provider. The website of SIDN provides information about choosing a registrar and the cost of registering a domain name. After choosing a registrar and registering a domain name, this chosen registrar will submit a request to the organisation that administers domain names. In the Netherlands, this top level organisation is, of course, SIDN. (Answerbusiness 2015.)

If an entrepreneur will choose to hire a professional to design and code the webshop, it is important to keep copyrights in mind. An entrepreneur can have permission to modify the website on himself only if he is holding the copyrights or the designer of the website has waved his personal rights to the entrepreneur. Another way to go around this is a licence for use of the website. (Anwerforbusiness 2015.)

To run a successful e-commercialism, the general terms and conditions state the rules that apply to the business and the buyer of its service or product. The general terms and conditions are part of the purchase agreement and they also show the transparency and honesty of one's business. However, an entrepreneur is not compelled to draw up the general conditions. In the Netherlands, there are several organisations which have drawn

up their own general terms and conditions often together with consumer organisations. These sector customized rules can be used by the businesses after being advised by the sector organisation. (Answerforbusiness 2015.) Even businesses are not compelled to draw up general terms and conditions; they are still obliged to provide full information about a company's identity. Customers need to be also informed about the price and features of the product or service, the method of the payment and the delivery details. Because a business is not obliged to provide its VAT-number on a website, this must be referred in another way on the website. Customers who buy over the Internet, have a cancellation period of at least 14 calendar days, starting from the moment after receiving the product. Businesses don't need to pay the dispatch costs of returns. (Answerforbusiness 2015.)

There are several matters related to customers' permission and safety. First of all, if a website uses cookies, permission for this must be asked first. A cookie is a small file that saves Internet settings on customer's computer. Cookies allow companies to follow their customers surfing behaviour and to place targeted advertisements. Consequently the permission to place cookies must be asked. Customers' safety is important and companies must comply with the Dutch Data Protection Act, which means that the personal data of customers and employees must be handled carefully. For example, customers' personal details must be secured against loss or theft. When setting up a webshop it is important to be advised with the Internet hosting provider on available security options. (Answerforbusiness 2015.)

After customer has made a purchase, an order confirmation must be followed enclosing the general terms and conditions, guarantee conditions and the companies' contact details. Confirmation must be completed at the latest when the product is delivered or the service has been provided.(Answerbusiness 2015.)

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