LAB University of Applied Sciences

UNDERSTANDING COVID-19'S IMPACT ON SMALL FOOD RETAILERS IN FINLAND

Recommendations for coping with COVID-19 or other pandemics

LAB UNIVERSITY OF APPLIED SCIENCES LTD
Master's Degree Programme in International Business Development
Autumn 2020
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JAIME YSERN DE LA CALLE Master’s thesis / Autumn 2020

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74 pages

ABSTRACT

Small, independent food retailers in Finland are trying to adapt their business models to cope with the current COVID-19 crisis. This thesis aims to explore the topic in detail and present up-to-date evidence to aid these small businesses' decision-making process and help them pivot in the right direction.

A mixed methods research design was chosen to conduct the study and answer the main research question: *What business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?* Firstly, qualitative data were collected by interviewing ten business owners to understand their response to the COVID-19 crisis and explore how they modified their business models. Secondly, quantitative research was conducted by surveying 102 customers that typically buy from these businesses to evaluate their behavior and engagement during the pandemic.

From a business model standpoint, the findings showed that the pandemic has changed primarily how businesses reach and communicate with their customers. Digitalization drives the major changes and is responsible for the loss of importance of traditional channels like, for example, the brick-and-mortar store. Further, the pandemic and consequent shift to digitalization can also bring changes to the cost structure, provide new revenue streams, or even uncover a new customer base. The findings also revealed that entrepreneurs had some good ideas to tackle the crisis, but these were poorly executed in many cases. The results were also crucial to understanding the importance of adequate strategic planning in a fast-changing business landscape.

Based on the research findings, a series of recommendations are developed. As a whole, the recommendations provide a comprehensive look at the specific business model adjustments necessary to master the pivot and thrive during a pandemic, thus providing the real answer to the research question. Nonetheless, the essential business model changes are different for each company—each business owner must look at the recommendations and decide which ones fit better their situation, strategy, or goals.

Key words: COVID-19, food retail industry, business model pivots, strategic planning, digitalization

CONTENTS

LIST OF ABBREVIATIONS

COVID-19	Coronavirus Disease 2019
PTY	The Finnish Grocery Trade Association
LUKE	Natural Resources Institute of Finland
ETL	Finnish Food and Drink Industries' Federation
BMC	Business Model Canvas
SWOT	Strengths, Weaknesses, Opportunities and Threats
SEM	Search Engine Marketing
SEO	Search Engine Optimization

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1 INTRODUCTION

On 16 March 2020, the Finnish government, in cooperation with the President of the Republic, declared the state of emergency in Finland over coronavirus outbreak (Finnish government, 2020). During the time that the state of emergency lasted until 16 June, the government adopted a series of measures with enormous social and economic impact. These measures included the closure of schools, universities, restaurants, pubs, or limiting public gathering to no more than ten persons (YLE, 2020). While these actions were not as draconian as those taken in countries where stay-at-home order was enforced, their impact on Finnish society and economy was equally challenging.

This thesis aims to understand the impact of the COVID-19 crisis on the food retail industry in Finland, specifically on small independent retailers. The research examines how these companies coped with the pandemic during the state of emergency and how entrepreneurs pivoted their businesses to make it work. The study also explores the consumers' angle and how the response of small food retailers to the crisis and the different measures implemented resonated with them. By taking this dual approach, the final goal is to produce a series of recommendations for small retailers to improve their business performance in the event of a second wave of COVID-19 or during other pandemics that might require similar control measures.

History has proven that the companies most likely to emerge from a volatile market are those that embrace a willingness to adapt (Panebianco, 2020). However, it can be quite challenging to quickly adapt to an entirely new business environment without a clear fact-based strategy. At the time this thesis is produced, the lack of current studies on the topic makes it impossible for small retailers to adhere to or develop an evidence-based action plan to tackle pandemics like COVID-19. Consequently, this research strives to fill that evidence gap by collecting and analyzing pertinent data relevant to the issue at hand. The long-term socioeconomic costs of the coronavirus pandemic and their ultimate impact on the small food retailers are impossible to predict. It is also impossible to know how the consumers and economy will respond in the event of a second wave of infections; it is uncharted territory. However, it is possible to analyze what different strategies have been working and why and utilize the findings to help these small businesses be prepared should they face similar circumstances in the future.

Therefore, by creating recommendations, this thesis attempts to serve as a crisis handbook for small food retailers on business preparedness and response to pandemics like COVID-19. Additionally, it can also support business model innovation in what has been defined as the new normal in the post-COVID-19 world. Although it is unclear if the changes observed in consumer behavior will be permanent in the new normal, it is a fact that business as usual is not an option anymore. Small retailers need to pivot their business models, and this research aims to help them do it in the right direction.

1.1 Reasons for Choosing the Topic

The author of this thesis owns a small specialty store in the Old Market Hall in Helsinki, and his business has been directly affected by the COVID-19 crisis. To be an entrepreneur requires a special combination of boldness and humility (Greitens, 2015). Boldness to venture to try new things and humility to accept failure and learn from it. Also, there is no doubt that resilience is at the heart of every exceptional entrepreneur (Beckley, 2019). Now the pandemic is testing that resilience even further, pushing many entrepreneurs to manage change under unprecedented circumstances. Studying and making sense of how similar businesses are precisely managing these changes and tackling the crisis will help many entrepreneurs, the researcher himself, redirect their focus to head in the right direction.

Although it could be argued that the close involvement of the researcher with the topic can be a potential source of bias, the researcher's background and experience also pose a great advantage for interpreting the research data and uncovering hidden insights. The timing for conducting this research is also excellent as the crisis is still unfolding. Getting timely feedback on the topic and current data could prepare these businesses to jump head-first into work whether the current situation does not improve, or it repeats itself in the future.

1.2 Research Questions, Objectives and Scope

This thesis's main objective is to produce a series of recommendations for Finnish small food retailers to cope with COVID-19 if the situation does not improve or in the event of a second wave of infections. Similarly, these recommendations can be useful during other pandemics or under similar circumstances in which the population is under containment measures or lockdown.

The researcher will arrive at these recommendations by looking at how food retailers operated during the first COVID-19 wave, which took place between March and May 2020. The study also wants to determine whether these businesses are still doing something different today, despite the fact that pandemic activity appears to have decreased considerably. The research covers only small food retail businesses with a maximum of ten employees, which can also be referred to as micro-businesses or micro-enterprises (Statistics Finland, 2020). Small K-retailers, which are generally run by independent entrepreneurs, were left out of the study. The decision to leave out K-retailers was made because of consumers' likely biased perception toward the K-retailer group regardless of the store's size. Besides, although small K-retailers have certain freedom when operating their stores, they all need to adhere to several ground rules (Kesko, 2020). These rules eventually kill the entrepreneurial spirit and restrict the ability to cultivate innovative ideas, which is one of the main points of research in this thesis.

The competitive nature of entrepreneurs also makes studying their behavior and actions more challenging. Begley and Boyd (1987) defined the psychological characteristics associated with entrepreneurs as a need for achievement, locus of control, risk-taking propensity, tolerance of ambiguity, and Type A behavior. Type A individuals tend to be very competitive and self-critical and experience a constant sense of urgency (McLeod, 2017). The persistent need for success can make some entrepreneurs hide their failures, which could render the whole data collection effort fruitless. This thesis strives to elucidate what specific actions are working and how entrepreneurs are coping with the crisis, and the data collected needs to be a faithful reflection of that.

In order to tackle this issue and verify the findings and results, the research also includes data from consumers that normally grocery-shop at small food retailers and cross-checks it with the data obtained from entrepreneurs and business owners. The basic idea behind this or the rationale for using this approach is that one can be more confident and increase the credibility and validity of the findings when different methods yield the same results (Naeem, 2019). Looking at the same facts from a business owner's and a customer's perspective will shed light on the issue at hand, as the entrepreneur can explain what specific actions worked or are working. However, it is the consumer that can explain why they resonated with the target audience. Cross-checking these data will help eliminate threats to the validity of the research.

To achieve the objective of the thesis, the main research question and subquestions to be answered are:

Main research question:

What business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?

Sub questions:

1. *What are the short term implications of the COVID-19 pandemic on small food retailers in Finland?*
2. *What actions and measures, if any, small food retailers took during the first COVID-19 wave?*
3. *Did these actions increase consumer engagement in any way? And why?*

1.3 Research Approach

A mixed methods research design is therefore chosen to conduct the study, integrating qualitative data from business owners and quantitative data from their customers. The reason for choosing this approach was explained in the section above. Mixed methods should be used when one approach (quantitative or qualitative) is insufficient, and both approaches combined can lead to a better understanding of the research purpose (Plano Clark & V. Ivankova, 2016).

Firstly, qualitative data is collected in the form of interviews with entrepreneurs and business owners to determine how they responded to the COVID-19 crisis and whether they tried to modify their business models in any way due to the circumstances. The interviews also aim to clarify what actions and measures, if any, these micro-businesses implemented or are still implementing today to improve operational performance during this time. These interviews constitute the first source of data. The in-depth interviews are designed as semi-structured surveys with open questions that allow for a fluid conversation about the topic. The purpose is to understand the entrepreneurs' point of view and perspective of the situation, evaluate their response and assess how every aspect might play a role in the way they are pivoting their businesses and try to make it work.

Secondly, quantitative research is conducted by surveying customers that normally buy from these businesses. These surveys comprise the second source of data. The purpose of the surveys is to look at the facts from the customers' viewpoint and clarify why some entrepreneurs are succeeding better than others at engaging with their customers. This second part of the research is mostly quantitative, although the survey also included an open question in the end.

In the final stages of the study, all data are scrutinized and cross-checked, seeking answers to the research questions. Based on the findings, which are presented in detail in chapter four, a series of recommendations are consequently developed.

2 FOOD RETAIL INDUSTRY IN FINLAND

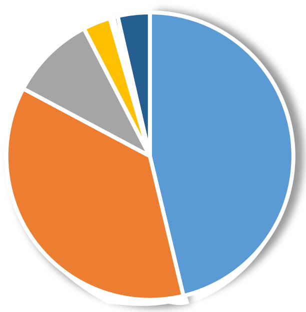
The following chapter provides a snapshot of the industry in the years previous to the COVID-19 crisis, showing the evolution of the grocery trade in Finland for the period 2015-2020. An analysis of the pre-pandemic situation of the grocery trade will help explain small food retailers' response to the crisis. Examining statistical data of how the industry has evolved in recent years will also provide context on entrepreneurs' state of mind and general business mood in the pre-pandemic world.

Therefore, this section aims to expose the realities of running a small, independent retail business in Finland. In the following pages, the oligopoly of the Finnish food industry is discussed in depth, together with the most relevant food trends dominating the business landscape. While small food retailers have nothing in common with big retail groups, it is essential to understand their dominance and influence on the industry and consumer behavior—only then can the following research and its findings make sense.

2.1 Industry Statistics and Facts

The grocery retail industry in Finland is characterized by an oligopolistic market operated by two retail groups: S Group and K Group (Statista, 2020). As of 2019, the S Group holds the largest market share, with 46,2 percent of Finnish grocery retail, followed by K Group with 36,5 percent and Lidl at 9,6 percent (Picture 1).

S GROUP	46,2 %	EUR 8 615 million
K GROUP	36,5 %	EUR 6 809 million
LIDL	9,6 %	EUR 1 797 million
TOKMANNI	3,1 %	EUR 579 million
MINIMANI	0,5 %	EUR 99 million
M-KETJU	0,4 %	EUR 75 million
OTHER PRIVATE	3,6%	EUR 672 million



Picture 1. Market share of the Finnish grocery trade groups in 2019

Source: The Finnish Grocery Trade Association (PTY)

By 2019, Lidl had acquired nearly one-tenth of the Finnish grocery retail space. In 2019 the retail of grocery sales amounted to approximately 18,6 billion euros, from which 17,2 billion euros, or 92,3 percent of the market, were shared between the three top market chains.

The Finnish grocery trade is characterized by the formation of chains and the centralization of procurement and logistics. The situation is similar in the other Nordic countries; without large volumes, it is impossible to be as efficient as necessary in vast, sparsely populated countries. (PTY, 2019.) In the case of smaller retailers, this lack of efficiency translates typically into higher consumer prices and more reduced product selections. This efficiency gap, which ultimately gives a competitive advantage to larger chain stores, has only been widened in recent years. New technologies and centralization of food production have made the management of larger chains easier, and mayor players have learned to optimize their resources even further. Moreover, the globalization of the food trade has facilitated for these chain stores to broaden their product selection and compete with smaller chains and privately-owned shops on every level.

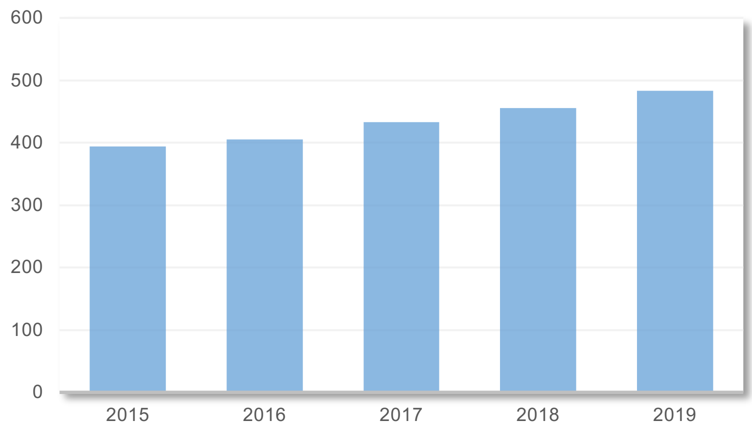


Figure 1. Number of small supermarkets (400-999 m2) in Finland 2015-2019

Source: The Finnish Grocery Trade Association (PTY)

An example of how large grocery store chains have learned to optimize resources and processes is that, in 25 years, the number of market-size stores has gone down from nearly 10,000 to approximately 3,000 stores, but selections have tripled in 20 years (PTY, 2019). However, even though the total number of market stores has decreased dramatically, the number of smaller supermarkets has increased (Figure 1). Large hypermarket-type stores are obviously more efficient than smaller ones, but smaller supermarkets in sparsely populated areas are crucial for maintaining the food supply. Through their chains K-supermarket (K Group) and S-market (S Group), the two main Finnish retail groups can now reach every part of the country, more efficiently, and with very competitive prices and selections.

The globalization of the food trade also played a significant role in the arrival of the German chain Lidl to Finland in 2002 (Statista, 2020). The arrival of Lidl has taken the competition to the next level and is changing the rules of the grocery trade game in Finland, making it a game of very few players. Helsingin Sanomat (2015) did a supermarket price analysis that uncovered Lidl as the cheapest grocery retailer. To analyze how competitors were coping with Lidl's entry in the Finnish grocery trade, LUKE, the Natural Resources Institute of Finland (2020), carried out another study and analyzed prices of 500 food products before and after Lidl's entry in different locations in Finland over 11 months. Even though the results were not as appalling as the researchers were expecting, the study did find some small strategic responses for the specific category of national brands and one of the incumbent retail chains.

As a result, for consumers, this increase in chain stores eventually translates to lower prices and wider selections available. For specialty grocery shops and small food retailers, these rapid changes in the marketplace are impossible for many to match. Consumers continue seeing a decline in commodity prices while product selection keeps growing, which distorts the way they value food, and the way food is produced. Consumers are also more demanding than ever before. Thanks to the internet and the increased global travel, they are more in control and more up to date on the latest and greatest ways to conduct business – sometimes even more so than the companies they are doing business with (Hyken, 2016).

In Finland, the consumer typically chooses where to grocery shop based on its product selection, the previous experience, and the location (Figure 2). However, when a different grocery store is visited, the role of the media in leading consumers to the store becomes significant. Discounts in general, direct marketing, and newspaper advertising entice consumers into a new store. When talking about groceries in general, Finnish consumers still tend to search for discounts (Laine, 2014.) Considering that product selection has tripled in the last 20 years and that the two leading retail groups have improved their retail location strategies, it is not a surprise that Finnish consumers tend to favor big retailers. Also, the K group and S group are well known for their successful customer loyalty programs. In Finland, the effectiveness of store loyalty programs is such that Lidl also launched its own customer loyalty app in 2020 in an attempt to challenge market leaders (YLE, 2020).

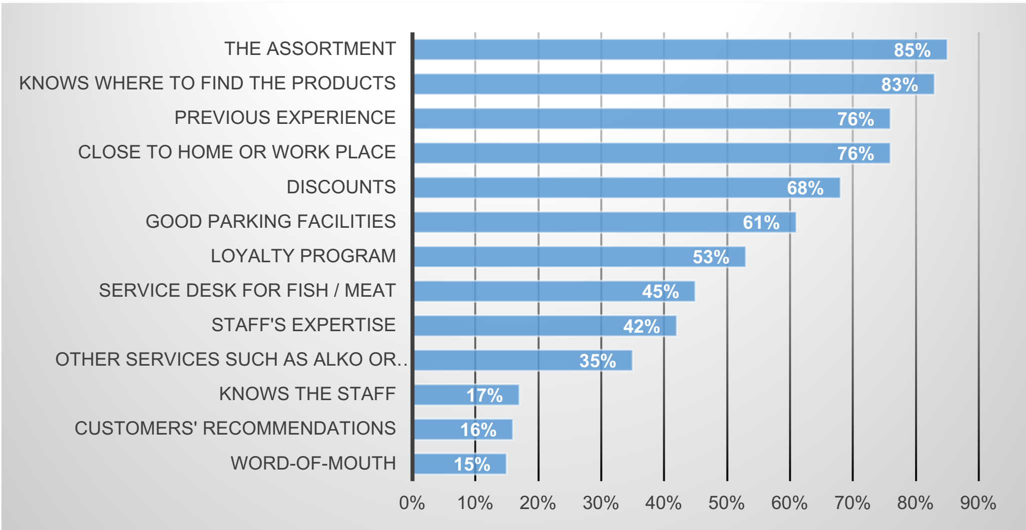


Figure 2. Factors influencing the choice of preferred grocery store

Source: Kirsi Laine. 2014. The Factors Influencing the Choice of Grocery Store among Finnish Consumers

Finnish consumers are also very interested in buying products from their own country. A recent economic study by Finland Eats shows that almost four out of five Finns, 78 percent, consider it important to eat domestic food. And the popularity of domestic foods is growing. In a similar study two years ago, the result was up to five percentage points lower (ETL, 2018.) Finns also consider that Finnish food products are safer than those produced abroad, even when EU standards for food safety are the same for all member states.

While the proliferation of retail chains is a global trend, it is particularly relevant in Finland and other Nordic countries. The reason for this could be explained by two factors: firstly, the already discussed challenge of operating in countries sparsely populated at low volumes that favors the formation of chains. And secondly, the food culture in these countries is relatively new and still developing. Only a small number of people are interested in the topics of diet and gastronomy. While food is at the center of life in countries like Spain or Italy, only 26 percent of Finns considered food a central part of their lifestyle in a recent study (Kesko, 2018). The same study found that a staggering 23 percent of Finns mainly consider food as a source of energy. With such a small percentage of the population interested in what they eat, big grocery retailers can compete easily by focusing only on selection, location, and price.

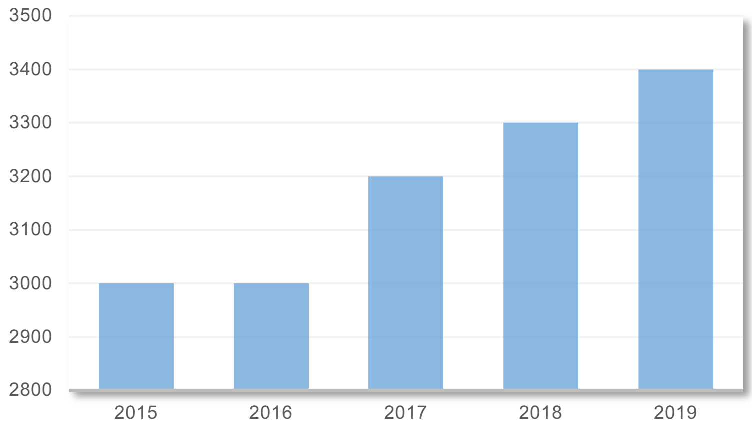


Figure 3. Annual grocery sales (€) per resident 2015-2019

Source: The Finnish Grocery Trade Association (PTY)

The statistical data confirms this migration of consumers toward big grocery retailers. The grocery sales per habitant increased in Finland from 3,000 euros in 2015 to 3,400 euros in 2019 (Figure 3). These 400 euros increase signifies a 13 percent bump in only five years, far more than the inflation rate for the same period. This discrepancy may be partly explained by the increase in purchases of non-food products being sold nowadays at grocery stores. A study by the Finnish business paper Kauppalehti (2019) found that every third Finn buys clothes from Prisma. The study also found that the purchase of clothes at large grocery stores was a growing trend being Prisma, Tokmanni, and Citymarket, the favorite clothing stores.

Large retail groups have realized that consumers tend to centralize their purchases and buy everything from the same place given the chance. This trend is global and not only limited to Finland. However, in such an oligopolistic market as the Finnish grocery industry, the incumbents' dominance continues to rise. Particularly S Group and K Group are exceptionally successful at understanding the consumers' needs and the Finnish grocery trade. Hypermarkets like Prisma or Citymarket sell everything at the lowest prices, making it easy for their customers to buy groceries and other non-food products at the same time. Studies like the one carried out by Kauppalehti in 2019 prove the strategy is working, as customers seem to be spending more in their stores.

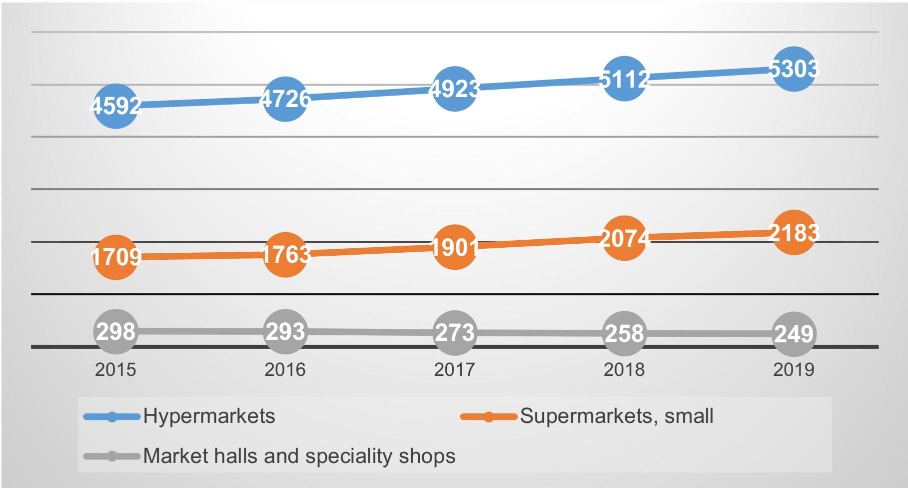


Figure 4. Comparation of sales of consumer goods (€ million) by store type 2015-2019

Source: The Finnish Grocery Trade Association (PTY)

The migration of consumers toward large retail stores can also be observed by looking at the sales of consumer goods by store type and how they have evolved over time (Figure 4). Hypermarkets like Prisma or Citymarket have seen steady growth over recent years. Small supermarkets like S-market or K-supermarket have also reported increased sales. In particular, Hypermarket sales grew 15,4 percent and small supermarket sales 27,7 percent between 2015 and 2019. In comparison, sales of smaller food retailers located in market halls and sales of specialist shops dropped 19,6 percent from 298 to 249 million euros for the same period.

Although this oligopolistic market structure has certain benefits for Finnish consumers, the risk of losing most of small, privately-owned businesses is dangerously rising. On the one hand, having only big retailers simplifies the grocery market for consumers, especially in rural, sparsely populated areas. Yet, fewer options is not always better. Companies in an oligopolistic market tend to maintain the status quo, and consumers may miss out on the positive effects of a competitive market. The lack of food culture in Finland and challenging food logistics in low populated areas are likely accelerating this transformation. So far, only the German supermarket chain Lidl has been able to steal market share from S Group and K Group. However, not even Lidl's aggressive pricing strategy seems to be enough to engage victoriously with Finnish consumers, which proves how challenging the Finnish food trade is.

2.2 Small Food Retailers

As of 1 January 2020, there were 4,507 retail grocery shops in Finland (Table 1), from which 745 were specialty stores, and 29 were market halls (PTY, 2019). Market halls and specialized retailers are the businesses object of this thesis. Small shops under 100 m2 refer to smaller shops from retail chains and are outside of the scope of this research, as explained in subchapter 1.2. In 2019 the retail sales of market halls and specialized retailers totaled 249 million euros, which equals 1,3 percent of the total revenue of the food trade.

Table 1. Number of shops by shop type and sales of consumer goods in 2019

SHOP TYPE	SALES AREA / DEFINITION	SHOPS	SALES (million €)
Hypermarkets	Citymarket, Prisma and Mini-	154	5,303
Department stores	≥ 1,000 m2 (share of consumer goods in all sales less than 2/3)	87	352
Supermarkets, large	≥ 1,000 m2 (share of consumer goods in all sales less than 2/3)	699	7,169
Supermarkets, small	400-999 m2	483	2,183
Markets, large	200-399 m2	836	2,126
Markets, small	100-199 m2	293	368
Small shops	<100 m2	237	172
Specialist shops		745	220

Market halls/direct sale		29	29
Low-shop costs, part of grocery trade		353	417
Service station shops		591	180
Mobile shops cars and boats		11	3
Discontinued		202	125
TOTAL 1 JANUARY		4,507	18,647

Source: The Finnish Grocery Trade Association (PTY)

The numbers show that the relevance of small food retailers in the Finnish grocery trade is rather small. Furthermore, and as discussed in the previous subchapter, independent, small retailers need to continually adjust to an increasingly competitive market. It is this new competitive environment, and the inability for many to adapt to it, that is slowly driving some of these companies out of business. Time-series data (PTY, 2019) show that sales of smaller food retailers in market halls and sales of specialist shops dropped 19,6 percent from 298 to 249 million euros between 2015 and 2019 (Figure 5). A similar decreasing trend is observed when looking at the total number of stores over time (Figure 6).

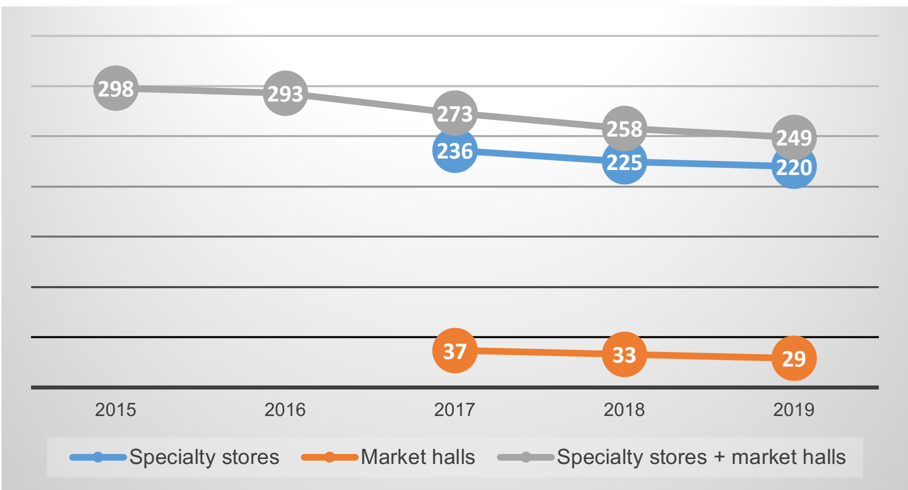


Figure 5. Consumer goods (€ million) by store type 2015-2019 (there is no separate data for specialty stores and market halls before 2017)

Source: The Finnish Grocery Trade Association (PTY)

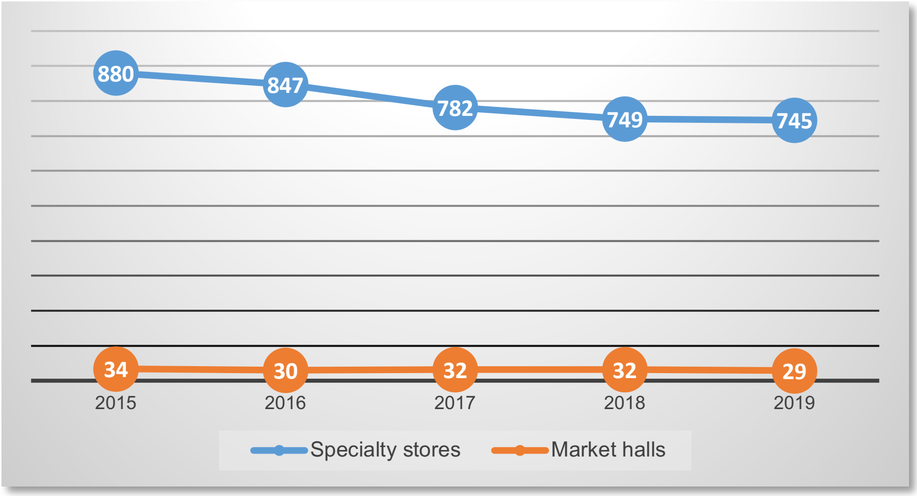
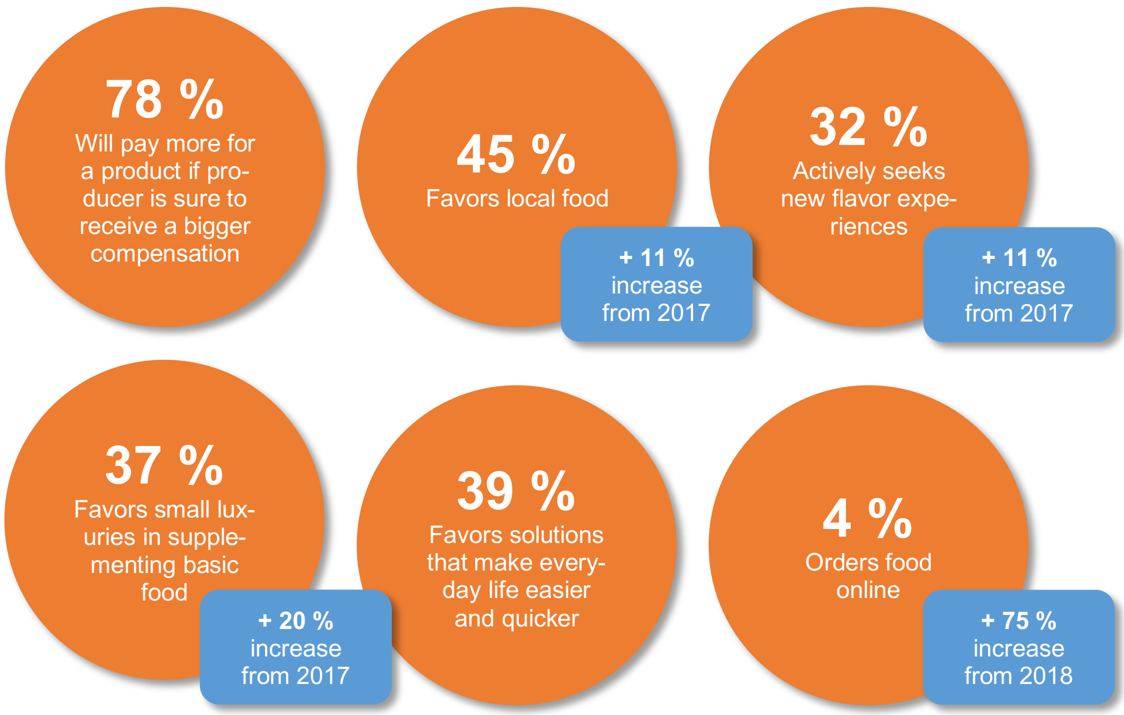


Figure 6. Total number of stores by store type 2015-2019

Source: The Finnish Grocery Trade Association (PTY)

Even though statistics paint a bleak picture for the future of these microbusinesses, it is not all bad news. Recent food trends (Kesko, 2019) show that the number of people interested in food and what they eat is growing in Finland. Consumers are also starting to be aware of the environmental and health implications of their food choices and are demanding more. Although supermarket chains are doing a fantastic job in meeting the needs of these increasingly demanding customers, it may not be enough to retain all of them. The trends toward sustainability and more conscious eating habits consequently create an opportunity for smaller retailers that customarily emphasize high-quality and small-scale producer products. The key to success lies in capturing those potential customers that are looking for something new and unique, an experience.

It is precisely the food trends based around experiences that were the most popular in Finland in 2019, being everyday well-being and conscious consumption the most influential for Finns. Conscious consumption has especially gained a strong position, and its impact on everyday food choices can be considered significant (Kesko, 2019.) Finnish consumers favor local products, care about food waste, and are ready to pay more for a product if the producer is sure to receive a bigger compensation (Picture 2).



Picture 2. Finnish food trends in 2019

Source: Kesko Food trends report 2019

From the Food trends 2019 report, it is also clear that trends that emphasize high-quality, locally produced products are on the rise. Many of these trends also lead to the smaller-is-better philosophy, giving small food retailers a window of opportunity to consolidate their position in the market. While the market share may be small, some of these small independent stores can thrive and be tremendously successful. Small stores may not be able to compete with large retail giants in terms of volume, price, or logistics, but they can provide their customers with a tailored customer service experience that no big-box retailer can match.

Consumers also seem to favor solutions that make their everyday lives easier and quicker, and this is where big retail groups have learned to thrive. In today's hectic world, busy consumers appreciate the most convenient arrangement to make the most out of their time. Supermarkets have been quick to add organic and eco-friendly products to their shelves, making an effort to evolve with the industry's trends. The same is happening with food trends that are related to new technologies, like online grocery shopping. Big retailers have the resources to launch fantastic e-commerce websites, offering the same prices and product selection as in retail locations, and providing top-notch solutions and customer service around the clock.

Therefore, already before the COVID-19 crisis, the industry is full of threats but also opportunities for small food retailers. These micro-businesses need to be aware of their strengths and weaknesses in order to adapt to the rapidly changing business environment. Specialty stores should exploit and take pride in being part of the growing trends. They might not have the most extensive product offer but are specialists in what they sell and can pass that knowledge to their customers. Navigating change is essential for survival, and finding the balance between the right selection, pricing, advertising, and the proper ways to reach potential customers is not easy, but it is necessary. Because sole entrepreneurs run many of these micro-businesses, each individual's ability to read and understand the market and act accordingly also plays a crucial role in the end.

2.2.1 Business Model Analysis

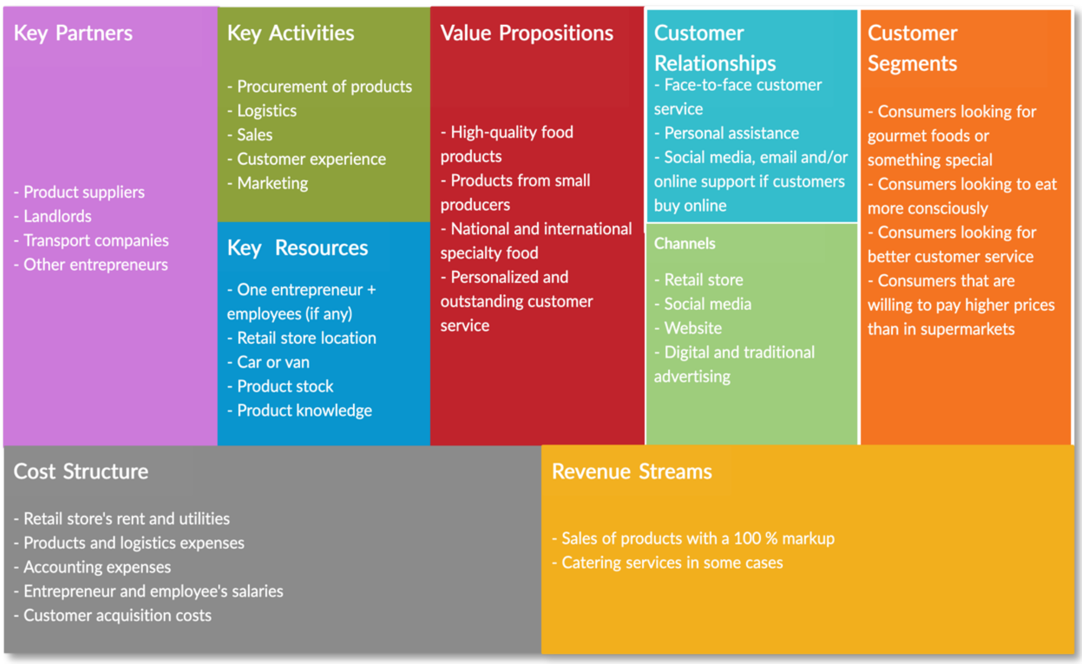
Once the business environment has been established, examining the business model for small food retailers will be helpful to understand better how these businesses operate and what makes them work. Although each business is different and has a unique business model, many share common similarities in terms of their key activities, target market, or cost structure. Generating a standard business model will also be useful for producing recommendations in the latter chapters of this study, as it will provide the base in which build upon.

The best tool to visualize how any business operates and how all the different parts are connected is the Business Model Canvas (BMC). The Business Model Canvas was initially proposed by Alexander Osterwalder that described it as the following (Osterwalder, 2014):

> *A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams.*

The BMC of specialist stores and small shops in market halls across Finland will shed light on the business logic of their operations in the pre-pandemic world. Moreover, The BMC provides a full snapshot of how well prepared these companies were for a crisis like COVID-19, and which segments the pandemic is affecting the most. The analysis of the separate business segments will also reveal where improvement is right now needed and how entrepreneurs and owners can pivot their organizations in the right direction.

Before looking at the common BMC, it should be mentioned that these businesses are usually entrepreneur-run firms, many of them registered as sole proprietorships. For micro-enterprises with a maximum number of ten employees, entrepreneurs are usually the founders and are in charge of most operational decisions. Therefore, even though the BMC communicates a business idea, which gives the impression of an organized enterprise of some sort, the entire business model is frequently tied to one person only, the entrepreneur. It is important to make the distinction because the reality in many cases is that the BMC will display the activities and business strategy of one particular individual and not an entity.



Picture 3. Business Model Canvas for small food retailers in Finland

The nine segments of the BMC for small independent food retailers show how these companies are generally organized (Picture 3). The structure is highly focused on profit, where all of the revenue or most of it comes from the retail sale of food products to customers. Some companies might also complement the primary revenue stream with income generated from catering events and similar services. As discussed in the earlier subchapter, emerging food trends in Finland are resulting in new potential customers looking for these products. As important as the products is the role of customer service. As a result of the previously mentioned one-person entrepreneur-dependency of these companies, the relationship with the customers becomes personal in many cases. Consumers seeking a different grocery shopping experience and better customer service also become prospective customers.

Hence, the value proposition involves both offering high-quality products that stand out and meet customers' expectations and also a personal shopping experience that makes the customer feel understood and valued. In a business model in which most transactions occur face-to-face, in many cases with the owners themselves, the relationship with the customers evolves and goes beyond being merely transactional. Consequently, these companies tend to be quite intimate, where the customer develops an emotional connection with the store, the products, and the entrepreneur.

All of these companies cultivate customer intimacy through face-to-face interactions with their customers at the retail shop. Some, the ones that are taking advantage of digitalization, also develop customer relationships via social media or a website. Unfortunately, there is no available data on the number of shops that have a website or use social media. However, data collected for this thesis indicate that although almost every business owner uses social media, not everyone has its own website.

From a strictly financial perspective, small retailers are mostly fixed costs companies. Rent, the purchase of products, and employees' salaries account for most of the expenses. In an entrepreneur survey carried out by Yle (2015), it was found that entrepreneurs try to avoid hiring employees at all costs because of how expensive this is. With average hourly labor costs of almost 35 € in Finland (Eurostat, 2019), entrepreneurs rather struggle alone than take the risk of hiring a worker. Employees are one of the key resources of these businesses. By reducing personnel, the company can indeed reduce costs considerably. On the other hand, having no employees also means a more significant workload for the entrepreneur, which can eventually affect the overall performance of the business.

As with their customers, relationships with product suppliers, landlords, and even neighbor entrepreneurs are important and can become quite intimate over time. For small-scale producers, these stores are the place to showcase and promote their products, and they will do their best to help the entrepreneur succeed, which leads to strong supplier-distributor relationships. Alliances between entrepreneurial firms can also be seen in market halls and other places where many entrepreneurs work together and have the same goals.

2.2.2 Pre-pandemic Strengths and Weaknesses

Taking into consideration what was learned from the simplified, shared Business Model Canvas and also considering the current situation and trends of the food retail industry in Finland, it is now possible to assess the weaknesses and strengths of the small food retailers more accurately (Picture 4).

Picture 4. SWOT analysis of small food retailers in Finland

Strengths, weaknesses, opportunities, and threats are, like the business model, shared. It is the way each entrepreneur runs the business and handles its different functional areas that eventually gives shape and character to each company individually. Most of the threats and weaknesses present in the SWOT analysis are linked to the nature and structure of the food retail industry in Finland. However, it is this entrepreneur or owner dependence that can affect most during a crisis like the COVID-19.

This entrepreneur dependence leads to a lack of organizational structure. This lack of organizational structure is an inherent risk in these companies and is part of the risky nature of small businesses. When there is a strong structure in place, the company runs efficiently and develops new ways to improve productivity (N. Root III, 2020). However, poor organizational structure leaves little room to shift gears, especially when something goes wrong as usually there is no strategy in place. Structures become even more important when dealing with innovation, as this activity differs in many ways from business-as-usual (Toma, 2019).

An example of how the lack of structure can slow down innovation for small food retailers is their unhurried shift to digitalization and new technologies. Well before the coronavirus crisis, the shift toward a more digitalized industry was already taking place. Some entrepreneurs understood and embraced this change by creating a company website or turning to digital marketing. However, many others continued operating in a business-as-usual mode, being entirely reliant on their brick-and-mortar retail stores and nothing else. Once the crisis hits, the ability to quickly change and adapt becomes even more critical.

Therefore, this total owner dependence plays even a more significant role when in situations that require risk management or damage control. It impacts how well businesses maneuver under pressure or in a rapidly changing industry. When most duties and responsibilities always fall upon the shoulders of the entrepreneur, the risk of missing out the big picture is gigantic. Larger organized companies can quickly resort to risk management specialists when crises like COVID-19 happen. Entrepreneurs, however, lacking counsel and resources are at risk of rushing to judgment and making quick decisions that can decide the fate of their companies.

The BMC and SWOT analysis will be beneficial in the following chapters to clarify how entrepreneurs pivoted their businesses and why. The biggest takeaways to remember are challenging industry but emerging opportunities. Also critical is the entrepreneur dependence and its effects on change management. Before diving into the research method and findings of this study, the last subchapter looks at the Finnish food industry in the context of the COVID-19 crisis.

2.3 Effects of COVID-19 on Finnish Retail Food Industry

On 16 March 2020, the Finnish government, in cooperation with the President of the Republic, declared the state of emergency in Finland over coronavirus outbreak (Finnish government, 2020). In an attempt to tackle the effects of the pandemic, the parliament approved a series of measures (Table 2). The measures were initially going to be in place until 13 April, but they were later extended to mid-May (Yle, 2020).

Table 2. Measures taken by the Finnish government to tackle the coronavirus pandemic

Measures	Period enforced
Closure of schools, except early education	16 March – 13 May
Closure of theatres, libraries, and museums	16 March – 13 May
Recommendation to close private hobby facilities, swimming pools, youth clubs, and other gathering points	16 March – 13 May
Ten person gathering limit	16 March – 13 May
Visitors not allowed in healthcare facilities and hospitals	16 March – 13 May
Closure of borders	16 March – 13 May
Increased healthcare capacity	16 March – 13 May
Closure of restaurants, cafes and bars	30 March – 31 May
Restaurants, cafes and bars open with restrictions	1 June – 13 July

Source: YLE uutiset

The measures taken by the Finnish government to curb the spread of the coronavirus affected many sectors during the state of emergency, but not directly the food retail industry. All retail shops were allowed to stay open and conduct business as usual. Nevertheless, even though the effects were not direct, there were numerous indirect and induced effects on the sector. Some still last today even though restrictions are already lifted.

An excellent example of an indirect effect is the shift in consumer behavior during the pandemic, especially how this changed during the first wave of COVID-19 when people were encouraged to stay at home. Some changes are not new but are happening faster than ever; for instance, the increase in online shopping. Others are new and are a consequence of the extraordinary circumstances of 2020; for example, being at home all the time has brought about significant transformations in consumer trends like home cooking.

With restaurants and most hobby facilities being closed, and recommendations from the authorities to stay at home and practice social distancing, it is not surprising that some new trends emerged during the spring months. Twenty-one percent of Finns declared having used online services more than before during the state of emergency, particularly home-delivery services. The same number, 21 percent, also admitted buying more gourmet food products than usual (MTV, 2020). Home cooking and gourmet cooking seem to have been a favorite amid lockdown. Both retail groups S Group and K Group revealed their food sales grew considerably during the spring months, mainly thanks to their hypermarkets that saw their sales grow 14,1 percent compared to last year (Yle, 2020). Alko, the national alcoholic beverage retailing monopoly in Finland, also reported a 9,3 percent sales increase in March, 22,4 percent in April and 19 percent in May (Alko, 2020).

But certainly, the biggest impact of the coronavirus pandemic has been on online grocery shopping. Going to buy food was allowed during the state of emergency, but many turned to online shopping to avoid big crowds. As a result, online grocery sales and home delivery services sky-rocketed during the worst times of the pandemic. Both the S Group and K group reported an increase in online sales of several hundred percent (MTV, 2020). Big retailers were also quick to adapt their already existing online stores, customer experience, and logistics to the circumstances, including recruiting lots of new employees. For example, K Group reported having up to 50 workers per shop handling online orders during March and April (Kesko, 2020). Nevertheless, and despite the effort, even big retailers struggled to meet the spike in demand.

In the case of small food retailers, it is harder to analyze what happened during the first months of the pandemic and how they coped with this pandemic food revolution. As discussed in previous chapters, each small shop and business is unique, making it difficult to carry out general statistical analysis that could clarify what these companies did and how. Moreover, with K Group and S Group holding together more than 80 percent of the Finnish grocery retail market, most studies tend to examine only the two big retailers extrapolating the result to the totality of the industry. Therefore, at the time this thesis is written, there is no available data concerning small shops, being this research one of the first ones on the topic.

In any case, it is safe to assume that the same trends affected small privately-owned businesses in the same way and that these needed to adapt to the best of their knowledge and ability. The most significant difference between big grocery groups and small retailers, however, lies in the resources available. The precarious situation of many of these companies already before the COVID-19 crisis could have affected how they are managing to navigate the pandemic. Equally, the already discussed owner dependence of these micro-businesses leaves the fate of the entire business in one person's hand, and their capability to identify and evolve with the industry trends.

A series of financial assistance measures were quickly implemented by the Finnish government to aid businesses affected by the coronavirus outbreak (Table 3). The amount of financial aid is determined by the size of the business and the number of employees. At the time this thesis is written, companies can still apply for it provided they meet the conditions required.

Table 3. Finnish government financial assistance measures in the context of COVID-19

Applicable measures	Beneficiary	Maximum amount
Business Finland Grants	SMEs and midcaps with maximum turnover (company or group level) of EUR 300 million operating in Finland	• Preliminary funding: up to EUR 10,000 for 80% of the relevant project’s total costs; and • Development funding: up to EUR 100,000 for 80% of the relevant project’s total costs
Financial Aid from ELY-Centres	Companies in Finland that employ a maximum of five employees (including any entrepreneurs) that do not operate in the following industries: agriculture, forestry, fishing and the secondary production of agricultural products	• Preliminary funding: up to EUR 10,000 for 80% of the relevant project’s total costs

Grants for Sole Entrepreneurs	Sole entrepreneurs	• Up to EUR 2,000 • Conditions: A sole entrepreneur must show a significantly worsened financial situation and drop in turnover due to COVID-19. The support may not be issued if the company was in financial difficulties before the financial crisis or to companies with tax debts.
Finnish Industry Investment	SMEs and midcaps employing more than 50 people and annual revenue of at least EUR 10 million	• EUR 1 to 10 million per investment • Conditions: N/A. Case-by-case evaluation

Source: White & Case, 2020

As defined in the scope of this study, this thesis only examines businesses with a maximum of ten employees. Therefore, the maximum amount of aid these companies could apply for, provided they hire more than five people, is 100,000 euros. However, and as discussed in previous chapters, many of these micro-businesses are sole proprietorships and one-person run operations. In this case, the maximum amount that can be applied for is only 2,000 euros. Sole entrepreneurs who applied quickly for financial aid right at the beginning of the crisis in early March could nevertheless have received up to 10,000 euros. The reason for this is that Business Finland handled all grants when the crisis hit, and the funding was initially set at 10,000 euros. However, competencies were later transferred to the municipalities, which limited the aid to 2,000 euros for companies were the entrepreneur was the only worker (Yle, 2020).

Given the uncertain situation many entrepreneur-run firms faced already before the pandemic and taking into account that these are fixed-cost companies, it is evident that the 2,000 euros help is nowhere near enough to cope financially during a long-lasting crisis. For companies with a maximum of five employees, including the entrepreneur, financial assistance could be up to 10,000 euros; but this is not enough either considering labor and employee costs. As will be presented in the following chapters, this study did not come across any company that hired more than two or three workers. Hence, the thought of a business of this type receiving a 100,000 euros grant is unrealistic.

Therefore, specialty shops and other small food retailers could have applied for grants that eased the initial financial shock of the crisis, but the support would have only satisfied one or two months of expenses. After that, each entrepreneur alone would have needed to find ways to cope with the challenges, for example renegotiating commercial lease agreements with landlords or laying off employees. At the same time, entrepreneurs would have needed to understand the rapid changes happening in the industry and keep up with them to retain customers. Besides, if they wanted to implement new services like an online shop or new delivery services, this could have required an additional investment that not all could have afforded.

On top of that, when visiting stores during the coronavirus pandemic, shoppers seem to feel safer in supermarkets than in other retail venues, according to a survey by digital marketing firm First Insight (SN, 2020). Why consumers feel safer in supermarkets is not completely clear but could be explained by the measures taken by the big retailers to safely grocery-shop, and how they resonated with consumers. The findings of the mentioned survey do explain the previously discussed increase in sales in the K Group's and S Group's stores.

Because the crisis is ongoing and far from over, there are still many factors that are continuously changing and influence consumer behavior. It is not clear how consumers would react in the event of a second wave of infections, and whether small businesses would have the energy and resources to survive. It is also unclear whether the Finnish government could issue further financial assistance measures. Other parts of the world are seeing a surge in coronavirus infections after the initial lockdown, with businesses having to close its doors again. By looking at how the pandemic affects different businesses across the world, small businesses can already anticipate and brace for what very well could be the situation in Finland soon. A good example is the USA, where more owners are permanently shutting their doors after new lockdown orders, realizing that there may be no end in sight to the crisis (Flitter, 2020).

Beyond the obvious emerging pandemic trends covered in this chapter like online shopping, this study strives to understand what other less-obvious phenomenas might be playing a role in the survival of small food retailers. The strategy of big grocers is clear: improve safety at the stores and go digital. Many small privately-owned stores are adopting a different strategy either because they cannot afford to do anything else or because they consider that doing something different fits better their business model. The research approach, method, and findings of the study are presented in the following chapters.

3 RESEARCH APPROACH AND METHOD

This thesis aims to produce a series of recommendations for Finnish small food retailers to cope with COVID-19 or under similar circumstances in which the population is under containment measures or lockdown. To achieve this, the study needs to answer the main research question: *What business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?* The methodology, process and approach when conducting the research are explained in detail in this chapter.

3.1 Research Approach

Research is the process of collecting, analyzing, and interpreting data in order to understand a phenomenon (Leedy & Ormrod). The research process is systematic in that defining the objective, managing the data, and communicating the findings occur within established frameworks and in accordance with existing guidelines. The frameworks and guidelines provide researchers with an indication of what to include in the research, how to perform the research, and what types of inferences are probable based on the data collected (Williams, 2007.)

The three methods currently accepted for conducting research are quantitative, qualitative and mixed. Quantitative research produces numerical data and is useful when dealing with a phenomenon that can be explained or organized in numbers. Qualitative research is descriptive and generates textual data that has then to be analyzed and categorized. Based on the objective of the study and the established framework, the researcher has to determine which method better suits the research and answers the research question.

The main subjects of this research are entrepreneurs and business owners of small food retail shops, and they comprise the main source of data. The aim is to understand their response to the COVID-19 crisis, and whether or not the way they pivoted their businesses worked. In order to verify the research findings and eliminate threats to the validity of the research, the study also examines how these businesses connected with their customers during the pandemic by surveying them. These two different data sources are then cross-checked to find similarities or clues as to what specific actions worked better than others and why.

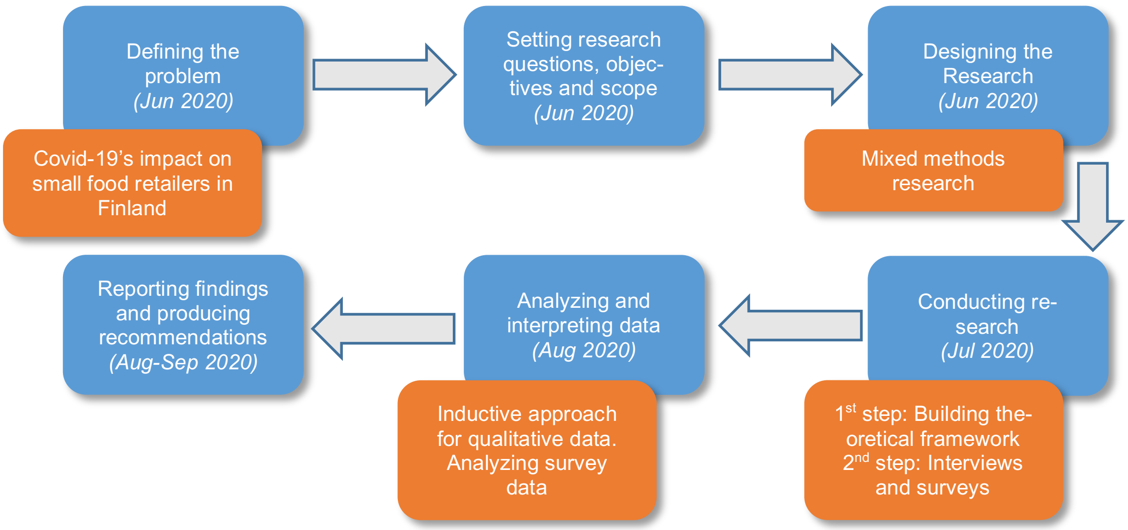
In the initial stage, qualitative research was conducted to obtain data from entrepreneurs and business owners. Given that each entrepreneur is different, and each situation requires individual analysis, qualitative research in the form of interviews was considered would provide valuable insight into the topic and render the best results. Besides, the complexity of the issue at hand and the lack of previous studies on the subject also made conducting qualitative research necessary in order to answer the main research question. But it is the description by Cresswell (2002) on when to use qualitative research that best explains why the chosen methodology is appropriate:

> *We conduct qualitative research because a problem or issue needs to be explored. This exploration is needed, in turn, because of a need to study a group or population, identify variables that can then be measured or hear silenced voices. These are all good reasons to explore a problem rather than to use predetermined information from the literature or rely on results from other research studies. We also conduct qualitative research because we need a complex, detailed understanding of the issue. This detail can only be established by talking directly with people, going to their homes or places of work, and allowing them to tell the stories unencumbered by what we expect to find or what we have read in the literature. We conduct qualitative research when we want to empower individuals to share their stories, hear their voices, and minimize the power relationships that often exist between a researcher and the participants in a study.*

However, for obtaining data from consumers, quantitative methodology in the form of survey research was conducted. Although the method is quantitative, the survey included an open question in the end. While the goal of this thesis is not to learn how consumers are coping with the COVID-19 crisis, keeping customers engaged is indispensable for small food retailers to endure the crisis. In this sense, surveying customers that normally grocery-shop at these stores can produce valuable quantitative data to support or contradict the findings from interviews with business owners.

The methodology of the research is consequently mixed, being the reason for integrating quantitative and qualitative methods to answer the research question twofold: First, combining them delivers significant benefits, enabling the researcher to compare and contrast results and gain much deeper insights (Osbaldeston, 2018). And second, cross-checking the data helps reduce bias and other disadvantages presented in studies that are only qualitative.

The COVID-19 crisis is ongoing and getting timely feedback on the topic is crucial for the research to produce useful results. Moreover, with the threat of a second wave of infections in the Autumn, the research had to be completed on time. Consequently, the research process and timeline were followed strictly from start to finish (Picture 5). Data from business owners and their customers were collected during the summer of 2020 in the months of June and July. Data were processed and interpreted during the month of August.



Picture 5. Research process and timeline

3.2 Data Collection and Quality

In the early stages of the research study, secondary data was examined to build a theoretical framework that could provide the reader with a general understanding of the food retail industry in Finland in the years before the pandemic. Additional more recent secondary data about the impact of the COVID-19 crisis on the sector were also presented to explain and define the research space and consequent research questions. This contextualization aims to answer the following questions for the reader:

1. How is the food retail industry in Finland, and what are the biggest challenges for small food retailers?
2. How do Finnish consumers behave? What do they want?
3. How do small food retailers normally operate? What is their business model?
4. How is COVID-19 affecting the industry, and what implications this might have for small food retailers?

Next, mixed methods research was conducted for collecting data from business owners and their customers. Firstly, qualitative research was conducted in the form of interviews with entrepreneurs and business owners to determine how they responded to the COVID-19 crisis. The in-depth interviews were designed as semi-structured surveys that allowed for a fluid conversation about the topic (Appendix 1). Conducted conversationally with one respondent at a time, the semi-structured interview (SSI) employs a blend of closed- and open-ended questions, often accompanied by follow-up why or how questions (Adams, 2015).

The purpose of these interviews is to understand how business owners are pivoting their businesses to cope with the crisis and uncover the rationale behind their actions and why they decided to implement specific measures. The researcher interviewed a total of ten business owners during July 2020 (Table 4). Most interviews were conducted at the interviewee's place of business and lasted between 30 minutes and one hour. Answers and notes were typed and saved on the researcher's computer.

Table 4. Interviewees by shop type and size

Shop type	Size	Number
Inside market hall	1-2 workers	6
Independent shop	1-2 workers	3
Inside market hall	3-5 workers	1

Seven of the interviewees had their stores inside a market hall, and three had a storefront at street level. All of these micro-businesses were located in Helsinki. In order to gather insightful data, as many different types of food retailers as possible were chosen for the interviews, from shops selling international food products to others selling vegan food or sweet and baked goods. The intention was to collect data from as many different sources as possible to find patterns common to all of them regardless of location, product offer, or store size.

Research demands skepticism, commitment and detachment (Norris, 1997), but qualitative research always suffers from researcher bias to some extent. Attempting to eliminate bias is artificial, as the nature of reality and the social construction of knowledge means that biases shape every stage of research. However, for a project to be trustworthy, it must ensure that the participants' views are the ones that drive the findings. Researchers need to name and understand their biases to see how their beliefs may affect the study design (M. Given, 2015.) While the risk of bias during the interview process was exceptionally high due to the researcher's background, accepting that bias could be present was the first step to mitigating its effects. Besides, the intention was not to remain completely unbiased, as the researcher's close involvement with the topic also helped dramatically to uncover hidden insights and topics.

Measures taken to mitigate bias during the qualitative research part of the study included participant review of the results and peer review. After each interview, the participant was asked to review all answers to make sure they were a faithful reflection of their thoughts. A couple of industry colleagues were also consulted during the research process to discuss findings and provide feedback on the quality and validity of the results.

In the second stage of the research, quantitative data from consumers that normally grocery-shop at these small businesses were collected. Survey research was the method selected to collect the data, as this approach provides an inexpensive and useful solution to study larger populations. The collection of quantitative and qualitative data occurred at the same time, during July 2020, despite the fact that qualitative research was presented first in this section.

The survey was designed principally to answer the research sub-question: *Did the actions taken by small food retailers increase consumer engagement? And why?* And also, partially: *What are the short-term implications of the COVID-19 pandemic on small food retailers in Finland?* While business owners can speak specifically to the impact of the COVID-19 pandemic on their business model and operations, their customers can shed light on how the actions taken by these businesses to tackle the crisis resonate with them. Moreover, they can also clarify what is working and why, which will be essential for producing useful and applicable recommendations.

Accordingly, the survey questionnaire was made (Appendix 2). The questionnaire consisted of seven questions: two checkboxes, two multiple answer questions, two 5-point Likert scale questions, and one final open question. The survey was created and hosted using Google Forms. The following best practices were followed when designing the questionnaire as described in the Handbook of Research on Electronic Surveys and Measurements (Reynolds, Woods & Baker, 2006):

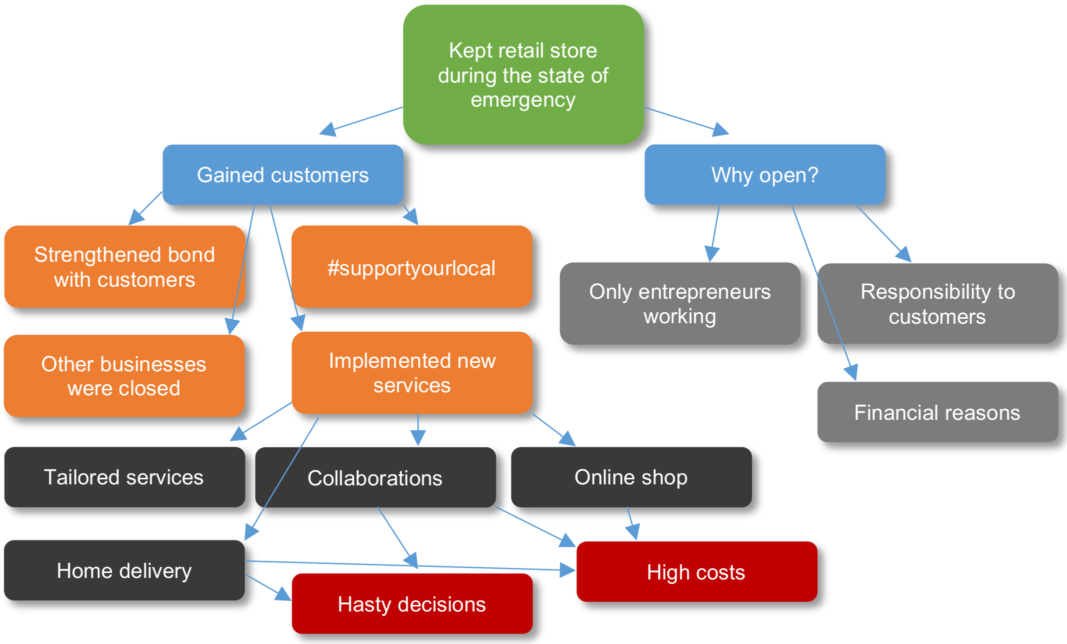
1. Research question is clear.
2. Question and answering process is easy to complete, and questionnaire is not too long.
3. Different types of questions are used depending on what is intended to find out.
4. Questions are very clear and direct.

Respondents were initially approached at the researcher's place of business and invited to complete the survey using an Ipad. As mentioned during the Introduction chapter, the researcher is himself an entrepreneur and owns a small shop in the Old Market Hall in Helsinki. The Old Market Hall was considered a good place to approach respondents as consumers grocery shopping at the hall have a habit of buying from small retailers, hence representing the survey target audience. However, it was observed that some respondents felt pressure to give positive responses, probably assuming that the researcher would read the answers once they completed the survey. In consequence, the method to approach survey respondents was changed to avoid biased responses. The survey was posted on the researcher's business website, and an incentive was offered to encourage participation in the study.

Measures taken to avoid biased responses included precisely only seeking relevant respondents, avoiding misleading questions, and shuffling survey answers. One could argue that by reaching out to participants via the researcher's website, the population sample would be insufficient, as most of the participants themselves are already, for instance, website users. While this is partly true, it was made very clear in the survey instructions and questions that these concerned all small food retailers, not just the researcher. Furthermore, customers purchasing at the researcher's website are also very likely buying from other entrepreneurs, thus falling into the survey target audience. In the end, bias from surveying at the market hall was deemed more significant than bias from surveying online, where customers could answer anonymously, and hence more truthfully and accurately.

3.3 Data Analysis and Interpretation

Qualitative data collected from business owners required categorization, and coding was chosen as categorizing strategy. In coding, the data segments are labeled and grouped by category; they are then examined and compared, both within and between categories (Maxwell, 2008.) Quantitative data collected from customer surveys were easier to analyze and are presented graphically through charts and graphs.



Picture 6. Hierarchical coding structure for stores that stayed open during the first COVID-19 wave

Manual coding of qualitative data was laborious and required revising the transcripts from the interviews several times. Because there are no prior studies about the topic, and the researcher is attempting to discover new common patterns and themes, inductive coding was chosen to form the codes and categories. The codes were then grouped in hierarchical frames, depending on whether the interviewed entrepreneur had kept the shop open or closed during the state of emergency (Pictures 6 and 7).

Picture 7. Hierarchical coding structure for stores that stayed closed during the pandemic

Interviews with entrepreneurs that kept their businesses open during the first wave of COVID-19 provided much more information than interviews with owners that kept their stores closed. However, learning what drove some owners to close their businesses was as constructive for the research as learning what inspired others to do the opposite.

Quantitative data from customer surveys was easier to process and analyze. For the six initial questions of the survey, which consisted of numerical data, the data were exported to excel and presented and explained using charts and graphs—the open question in the survey needed to be manually coded. A detailed account of the findings from the qualitative and quantitative data is presented in the following chapter.

4 FINDINGS

In this chapter, all data collected from entrepreneurs and their customers are presented and reviewed in detail. Firstly, qualitative data collected from interviews with business owners are discussed, highlighting the themes and key points relevant for addressing the research questions. Secondly, qualitative data collected from customers are presented and evaluated using charts and graphs. Qualitative and quantitative data aim to answer the main research question; however, the way each contributes to the research is different (Table 5).

Table 5. Findings structure and objectives

Findings	Objective	Sub-questions	Research question
Qualitative data	Understand small food retailers' response to the COVID-19 crisis and the rationale behind their actions	*1. What are the short-term implications of the COVID-19 pandemic on small food retailers in Finland?* *2. What actions and measures, if any, small food retailers took during the first COVID-19 wave?*	***What business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?***
Quantitative data	Understand how small food retailers' response to the crisis resonated with their customers	*3. Did these actions increase consumer engagement in any way? And why?*	

Qualitative data provide information on how small food retailers responded to the COVID-19 crisis from the standpoint of the business owners. The researcher identified patterns during the interview process that clarify the entrepreneurs' response to the COVID-19 crisis and the rationale behind their actions. Customer surveys gather data about how shoppers experienced the crisis and whether small food retailers managed to meet their needs during that period. Quantitative data are also useful to support, or challenge hypotheses drawn by the researcher after coding and analyzing the interviews.

4.1 Qualitative Data Findings

Inductive coding was used to process qualitative data as per described in section 3.3. The first thing observed during the data analysis process was the clear distinction between entrepreneurs that kept their stores open and others that decided to close during the state of emergency. It must be noted that keeping the retail store closed does not mean being completely inactive. Some of the entrepreneurs that shut down the shop continued to operate online. However, it was noticed that keeping the retail location closed during the state of emergency ended up affecting overall business performance and customer satisfaction. New codes and patterns emerged when further processing the interviews, depending precisely on whether the business had stayed open or closed during that period. In this regard, the theme "keeping retail store open/closed" was deemed a good starting point for the category framework.

Seven of the ten interviewees declared having kept their stores open during the state of emergency (Table 6). Not all of them were fully operational, but the stores were open at least at 50% capacity in terms of business hours. Three of the interviewees kept their doors shut, but two of them continued to operate online. Only one reported having been completely inactive.

Table 6. Interviewees that stayed open and closed during the state of emergency

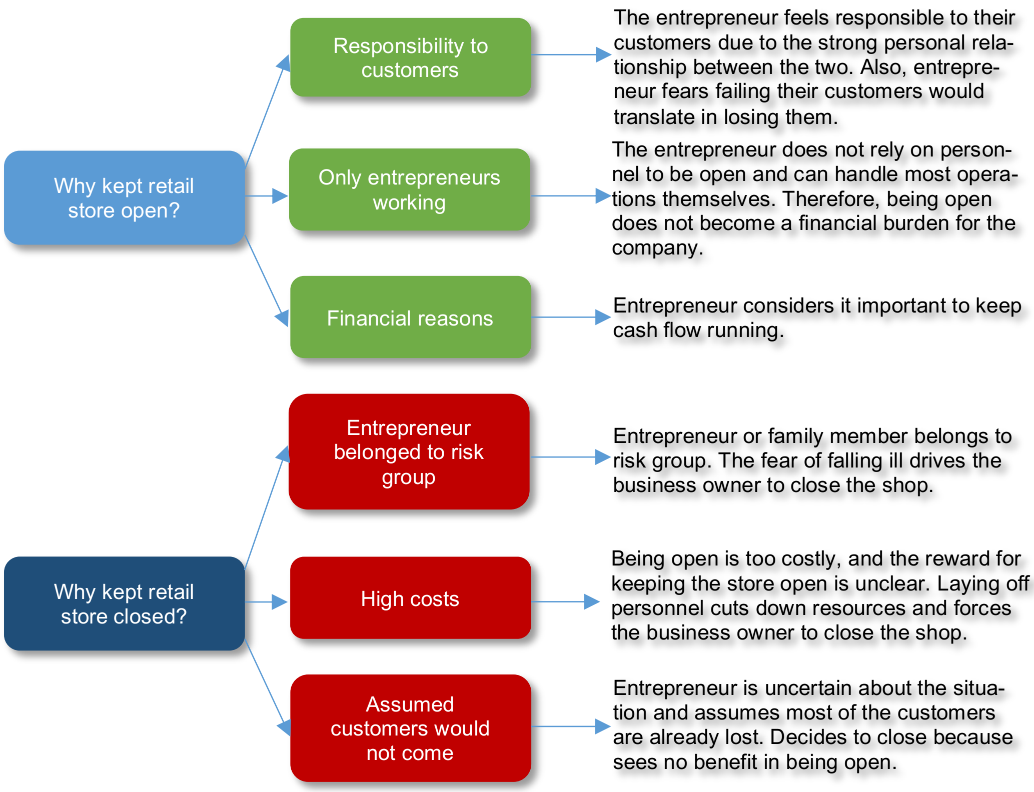
Number of businesses that kept retail store open	7
Number of businesses that kept retail store closed but continued operations using different channels	2
Number of businesses that were inactive	1

The reasons for being open or closed are various and are discussed in more detail in the following subchapters. It was also observed that factors such as age or having a foreign background affected decision making and entrepreneurs' attitudes towards the crisis. For instance, younger and foreign entrepreneurs had a more positive attitude towards dealing with the crisis in general than older business owners who felt it was out of their control. However, these issues fall outside the scope of this research and, although they are worth mentioning, they are not pursued nor discussed further in this paper.

4.1.1 Factors Influencing Whether to Stay Open or Closed

Although all retail businesses were allowed to operate normally during the state of emergency, many decided to close their door for different reasons. In this regard, the first thing intended to find out when conducting the interviews was why some chose to remain open, and others shut down. The first part of the interview seeks answers to this matter: *Have you continued to operate during this time? (Yes or No) Why?*

Nine of the interviewees answered affirmatively, although only three had continued operating normally in terms of business hours. Four had kept the shop open but had shortened opening hours. Three had the retail shop closed, but two of them had continued operations fully online. Several reasons were identified as to why entrepreneurs approached the situation the way they did. (Picture 8). Many of these reasons are interconnected, although they are displayed using different labels.



Picture 8. Factors influencing whether to stay open or closed during the pandemic

The intimate relationship between the entrepreneur and their customers seem to have played a significant role in pushing some business owners to keep their stores open. Almost all the interviewees referred to this in their answers in one way or another. Entrepreneurs either felt they needed to be there for their customers or feared their business would lose customers as a consequence of being closed:

> ***Entrepreneur 1:*** *I felt it was important to be there for my customers.*
>
> ***Entrepreneur 5:*** *I wanted to keep the shop open to retain the customers we already had.*
>
> ***Entrepreneur 8:*** *We were afraid the few customers we already have could have forgotten about us.*
>
> ***Entrepreneur 9:*** *We felt an obligation to our customers to be open.*

Almost all the participants mentioned financial reasons for keeping the store open as well. Most of the participants stated they kept their shops running as it was financially their only option:

> ***Entrepreneur 1:*** *I was open to keep my business running and have an income.*
>
> ***Entrepreneur 4:*** *I stayed open because I thought it would be smart money-wise.*
>
> ***Entrepreneur 5:*** *Being closed would have been much worse as there will have been no cash flow.*
>
> ***Entrepreneur 8:*** *This is our only thing (the shop), we had nothing else to do during the lockdown, and we had nothing to lose.*

The three business owners who had stayed closed indicated their fear of coronavirus in the interview. They belonged to the risk group or had a close relative that was high risk. However, and even though this seems to have been a big driver in the decision to close, it is not the only one. It was noted that the high costs associated with keeping the store running, together with the uncertainty of the situation, also influenced the final decision. In the end, the fear of contracting COVID-19 was too great to overcome, and the financial gain from being open was not enough compared to the expenses. Nevertheless, two of the businesses that kept the retail store closed continued operating online.

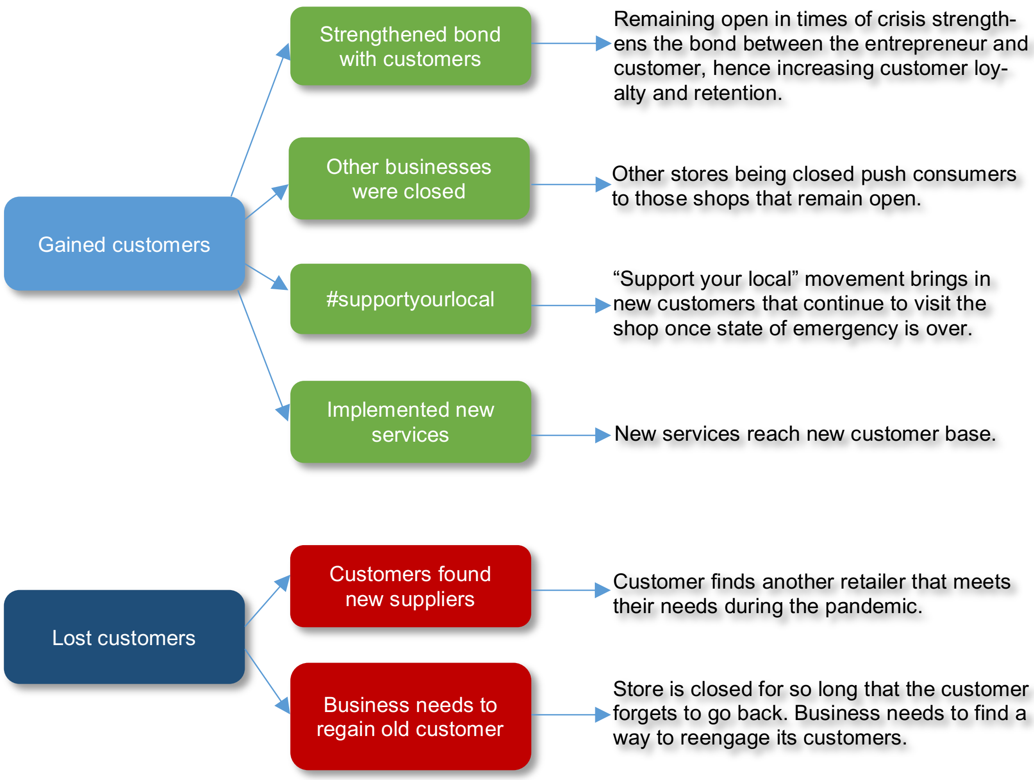
The same reason, high costs, is what allowed entrepreneurs with no employees to run operations better than companies dependent on their staff. For the businesses that remained open, the level of operating capacity in terms of days open, services, or products came determined by the owner's ability to manage operations themselves. Moreover, most entrepreneurs also implemented new services, which in some cases required hiring additional personnel. As will be discussed and presented later on, it was observed that the less staff-dependent the businesses were, the better the outcome, and the easier it was to remain operative during the crisis.

Therefore, the rationale behind the decision to stay open or closed seems to be determined by both personal and financial reasons. Most felt the need and moral obligation to be open, but the availability of resources and financial situation eventually limited and shaped their performance. For the ones that were closed, the fear of coronavirus was too overwhelming. However, most of the business, even those that kept the retail shops closed, were operative somehow and tried their best to adapt and survive. The next pages examine what specific measures were taken to tackle the challenges and whether these worked according to the interviews with entrepreneurs themselves.

4.1.2 Business Model Changes and Actions Taken by Small Food Suppliers

Once understood why some decided to keep their retail store open or closed, the second part of the interview aims to clarify how entrepreneurs pivoted their business models and whether it worked. It is important to recognize that COVID-19 is an unprecedented crisis that is creating unique challenges. Every business is doing their best to cope, and entrepreneurs are rushing to adapt to an entirely new business landscape. Although acting quickly is necessary, it also poses a risk, as businesses are navigating the crisis in complete darkness and without a point of reference. For example, a business owner that knows they need to get their workplace ready to deal with COVID-19 could end up making fear-based decisions that ultimately drive the company out of business. Careful analysis of the taken actions and measures implemented helps clarify which are most effective and can eventually avoid situations as such, hence assisting other entrepreneurs in avoiding making similar errors and stay focused.

One of the most interesting findings during the interview process was that all seven participants who kept their retail stores open declared that being open had made them gain customers. Correspondingly, the three who kept the retail store closed said to have lost customers as a result. Therefore, it seems that being closed affected the businesses negatively, although business owners did not realize this until they reopened their stores and customers did not come back.



Picture 9. Why businesses gained or lost customers according to qualitative data

The interviewees that had remained open explained the increase in the customer base as a combination of a few key factors (Picture 9). Firstly, many expressed that other businesses being closed had pushed customers towards those shops that continued open. Secondly, remaining open in times of crisis strengthened the relationship between entrepreneur and customer, causing many buyers to return to the shops they felt were there for them during the worst time of the crisis. The side effect of this phenomenon is twofold: it increases customer loyalty and also helps the business retain the new customers that visited the retail shop during the pandemic. Accounts on this topic from some of the interviewees:

> ***Entrepreneur 1:*** *Some of the people that came to support me are still coming today.*
>
> ***Entrepreneur 4:*** *Some of the people that came during the state of emergency have become regulars.*
>
> ***Entrepreneur 5:*** *Others being closed was good for my business. We remained open when many other shops shut their doors. Costumers appreciated that some of us remained open.*
>
> ***Entrepreneur 9:*** *Being open also made us closer to the customers that were already regular shoppers because that personal bond got strengthened due to the circumstances.*

The "support your local" movement also played an important role in the first stages of the pandemic. Nevertheless, the interviewed participants declared that the movement was merely a transitory trend, as many people only showed support once. In any case, most were able to capitalize on it initially, and some were also able to retain some customers.

From the business owners who declared having lost customers, two already had operative online stores before the COVID-19 crisis, and they continued operating only online. Not being utterly dependent on the retail store to generate revenue, together with the fear of coronavirus, probably was the driving force to their decision to close their retail shops. In hindsight, however, they admitted the number of customers shopping at the retail location had decreased and being closed might had affected. One of these entrepreneurs had tried to push their customers to use the online shop and attributed the loss of customers at the retail shop to the fact that customers were now using their digital services more. While this could be true, this case should be analyzed in detail to verify the claims.

But the most fascinating and useful data collected from the interviews is the one that speaks to the measures implemented by these businesses to cope with the crisis and meet their customers' new needs (Table 7). Moreover, it is vital to the research to learn why such measures worked or failed, as such data will be used to generate appropriate recommendations and develop the strategy for business model innovation. All interviewees except the one that stayed inactive during the crisis manifested having modified their business model during the pandemic. These adjustments came in the form of new services, products, or even collaborations with other companies.

Table 7. New services and measures by entrepreneurs to cope with COVID-19

Service	Description	Challenges Observed
Online Shop	Many created an online shop to be able to reach their customers. Other redesigned the already existing shop to make it more appealing and functional.	The implementation of a proper online shop requires time and resources. Creating an online shop in a hurry can result in usability issues or a lack of quality content.
Home Delivery	All of the interviewed participants declared having design and implemented home delivery services of some sort.	Home delivery services require new resources, and some can be costly, like drivers or new equipment and supplies. Deliveries must be organized and planned efficiently to be financially feasible.
Collaborations	Collaboration between companies was the way chosen by some to offer better services and try to reach more customers.	Fear-based and hasty decisions can lead to collaborations where goals and roles are unclear, hence rendering the entire partnership unsuccessful.
Tailored Services or Products	Some tailored their services and products to each customer group, adapting customer experience in real-time as the crisis was unfolding.	Success depends entirely on how well the entrepreneur can read the situation and understand the costumers' needs in real-time. Communication with customers must be honest and smooth.

While coding the interviews, surprisingly, it was much easier to recognize mistakes and misjudgments in entrepreneurs' actions than success patterns. While the finding could be understood as a failure from entrepreneurs to pivot in the right direction, the researcher interprets it as the consequence of fear-based and impulsive decision making. The entrepreneurs were on the path to making the right decisions; however, implementation partially failed in many cases due to rushed decisions during a rapidly unfolding crisis.

For example, the service that every firm quickly implemented, home delivery, was more a burden than a benefit for many. While the logic behind its implementation is sound, the execution was deficient in many cases. Many of the interviewees reported that they stopped doing home deliveries after a while because the service was too much effort for too little reward:

> ***Entrepreneur 1:*** *During the pandemic, I needed to increase personnel because of the new services I implemented**.** Sales went up, but the margin went down because staff is very costly.*
>
> ***Entrepreneur 4:*** *The home delivery thing did work for a while, but the volume was rather small and logistics a nightmare.*
>
> ***Entrepreneur 5:*** *The implementation of these services (home delivery, especially) demanded an immense amount of work. In the future, the volume should be big enough for it to make sense.*
>
> ***Entrepreneur 6:*** *It was tiring to keep up with those services (home delivery), and the whole thing died down.*

The researcher also witnessed, nonetheless, how others managed to implement home delivery services effectively and were thriving even in the months after the state of emergency. Therefore, the problem is not the service itself, but the way it is executed. The fine line between success and failure lies in strategic implementation and how the entrepreneur puts the plan into action. A practical example of this would be, for instance, how some of the companies that stopped offering home deliveries would take orders from their customers. In some cases, in an attempt to make it as easy as possible for its customers, the company would allow orders to be placed by phone, email, WhatsApp, or through the website. With an increase in orders and without a proper order management system, orders would get lost, and confusion and chaos would overwhelm the entire operation. In the end, some entrepreneurs would need to hire more staff to do the work of a simple management system present in every eCommerce platform nowadays.

Another excellent example of how execution failed is the way some engaged in collaborations with other entrepreneurs. There was one case in which a group of entrepreneurs decided to join forces in order to reach a larger audience and offer a broader selection of products. They quickly created a joint website where customers could order any product from any of the companies, offering also home delivery. The entrepreneurs agreed to divide the workload originated from doing deliveries equally, and the online store was launched. When customers started placing orders, however, the products ordered would not be evenly divided between the shops, and one of them would always sell more than the others. Without a clear collaborative framework in place, it was impossible to know how to resolve the issue, as someone would always do more work than others. After a few weeks, the entire operation crumbled, the website stopped taking orders, and the partnership was dissolved.

The fact that something needed to be done quickly to cope with the stay-at-home order presumably rushed these entrepreneurs to find a solution without outlining the shared commitment, roles, and goals of the collaboration. In the end, disorganization, and the disarray in expectations shut the partnership down. While these entrepreneurs had the right attitude, and the idea behind the partnership was great, they failed at the implementation stage once again. In cases where the interviewed entrepreneur declared having been part of successful collaboration, a clear collaborative framework was established right from the beginning, and the partnership ran smoothly throughout.

The researcher found that success stories involved mostly entrepreneurs that had been able to adapt real-time to the crisis and had tailored their services and products depending on the situation. They all pivoted their businesses and shifted strategies gradually, learning from their mistakes and moving forward. The services they implemented are, in many cases, similar to the already discussed; however, the difference lies in how they were able to confidently navigate their way through the challenges and adjust accordingly. Although it is evident that adaptability is critical to business success in the context of COVID-19, it was found that effective adaptability is not that easy to accomplish.

Businesses that thrived during the pandemic listened carefully to their customers, read the situation accurately, and adapted to it day by day, making sound decisions along the way. For example, a company gradually added tailored home delivery services that they felt comfortable with, once they understood what their customers wanted, liked, or disliked. The approach is different from simply offering home delivery on a larger scale and then realizing in hindsight that such service is a financial burden for the company. Another business realized their online store was not producing the results they wanted and decided to redesign it in the midst of the crisis. While the decision was risky and could have gone either way, the entrepreneur affirmed that their sales went up several hundred percent thanks to the new website.

Interestingly, businesses that took this step-by-step approach not only seem to have been able to cope better with the crisis, but they are also more open to continuing with the same services in the future regardless of the pandemic situation. Furthermore, these entrepreneurs also asserted they would reinstate old measures in the event of a second wave of infections. For business owners who struggled during the first wave of COVID-19, the challenging situations they faced seem to have taken a considerable toll on their energy and motivation going forward. Many of these interviewees, for instance, declared they did not know or had not thought about what they would do if the situation were to repeat itself in the autumn.

The entrepreneurs' response to the coronavirus pandemic was right for the most part, but good ideas were poorly executed in many cases. Rushed decisions led to mistakes that produced counterproductive results. Despite understandable errors along the way, this poor implementation did not ultimately lead to severe consequences because the first wave of COVID-19 was relatively mild in Finland, and life quickly returned to normal for the most part. Additionally, most of the interviewed entrepreneurs stated they had received financial support from the institutions, hence making it possible to survive the initial and sudden economic shock. However, if the uncertainty continues, or a second coronavirus wave hits, having a clear and better action plan will become paramount to the survival of many.

4.2 Quantitative Data Findings

Customer surveys (Appendix 2) aim to understand how the customers perceived the above-mentioned entrepreneurs' approach during the coronavirus crisis. Business owners can explain what they did and why they think the measure in question worked. In contrast, their customers can better explain how exactly such measures resonated with them and the reasons behind their success or failure from a pure engagement standpoint. Moreover, the following quantitative data can also reinforce or challenge observations from interviews with entrepreneurs already discussed in the previous section.

Survey results are introduced and examined in the same order as questions were originally presented to customers when completing the survey. Initially, the survey sought answers to changes in consumer behavior during the state of emergency, looking at how customers when about grocery shopping from small retailers compared to normal. The first survey questions intend to clarify whether customers who generally buy from small retailers continued to purchase from them during the state of emergency. (Figures 7 and 8).

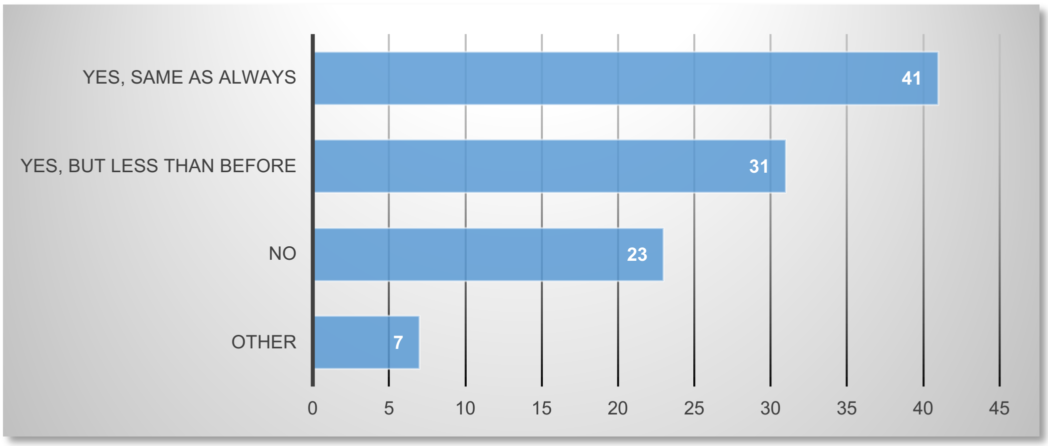


Figure 7. Answers to the survey question: Did you continue buying from small food retailers during the first wave of COVID-19 (March-April 2020)?

Answers from the first survey question (Figure 7) reveal that out of the 102 participants, only forty-one had continued buying from small retailers the same as always between March and April 2020. Thirty-one declared buying less than before, and twenty-three had not made any purchases. Answers to the "other" option involved mostly people that declared having increased their purchases from small shops. Therefore, the data show that small food retailers lost more customers that they were able to acquire. Also, the customer retention rate for that period seems to have fallen dramatically.

These data could explain why many entrepreneurs felt rushed into making decisions. Recent research published in The Journal of Neuroscience explains how anxiety works to disengage the part of the brain that is essential for making good decisions (Young, 2020). In this sense, the drastic decrease in the number of customers could have been precisely the anxiety trigger that clouded their decision-making skills. With shops getting empty and business owners facing an unprecedented and highly uncertain situation, fear and stress would have interfered with critical thinking. Ultimately, operating under the influence of these factors made it impossible for many to respond in an appropriate and timely manner.

Figure 8. Answers to the survey question: If you answered "No" to the previous question—Could you explain shortly why?

Customers that did not buy from small food retailers during this time had different reasons (Figure 8). A large number responded to the "other" option, describing the same in almost all answers—they belonged to the risk group or did not feel safe and were self-isolating. Many also said that supermarkets made shopping easier during the pandemic, and so they discarded smaller retailers in favor of grocery chains. The migration of consumers toward big grocery retailers was already discussed in the introduction chapter, and quantitative data seems to confirm the trend. Moreover, some also answered not feeling safe at smaller shops. While the reason for this is unclear, the researcher understands it as a consequence of the misconception some customers might have about how independently owned shops operate in comparison to large chain stores. Big food retailers quickly implemented, and advertised, measures to safely grocery-shop during the pandemic, hence making consumers feel more comfortable using their services almost immediately. Small retailers implemented similar measures in many cases, but that feeling of safety did not reach their customers in the same way.

The survey also aims to clarify how customers felt about stores that closed their doors during March and April. Entrepreneurs who kept their stores closed mentioned in the interviews that being closed had made them lose customers. Qualitative data confirms what entrepreneurs feared because around thirty percent of customers whose local shop was closed affirmed having found another retailer for at least some of the products (Figure 9). Therefore, it is clear that keeping the retail store open played a significant role in terms of customer loyalty.

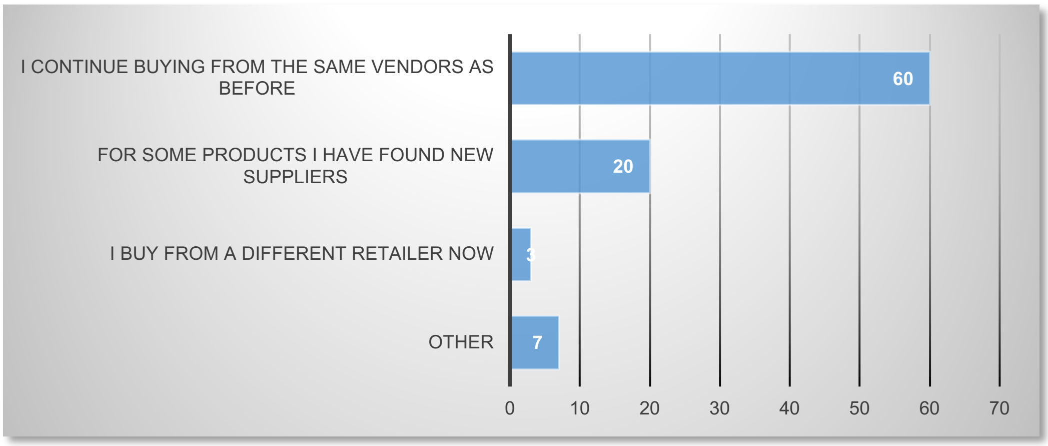


Figure 9. Answers to the survey question: If your local vendors were closed during the first wave of COVID-19, are you buying from them now? Or did you find a new retailer/supplier during that time?

In order to learn what drove purchase decisions and what factors influenced customers' buying decisions during the 2020 spring, a Likert scale question was used to evaluate the extent to which the participants agreed or disagreed with the statement: Factors that influenced my buying decision from small food suppliers during the first wave of Covid-19 (Figure 10).

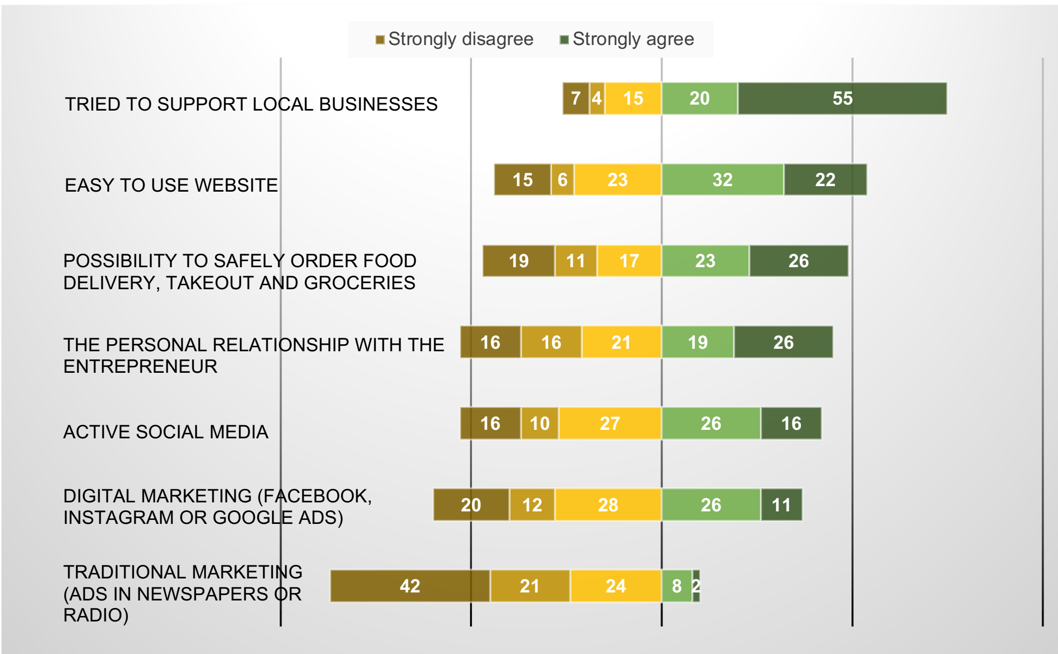


Figure 10. Answers to the survey question: Factors that influenced my buying decision from small food suppliers during the first wave of COVID-19

Supporting local businesses during the pandemic became a viral trend, especially at the beginning of the crisis. The hashtag #suportyourlocal in social media took off shortly after the state of emergency was declared, and many people rushed to support small businesses of all types. Survey data shows the importance of the trend, with the majority of respondents affirming they bought from small food retailers because they wanted to support local businesses.

Survey participants also agreed on the importance of having a website and the possibility to order food delivery and groceries. The response goes in line with what has been observed in Finland and around the world: Coronavirus is driving the digital transformation of the retail industry. Customers are buying groceries online and using pick-up and delivery services more than ever before.

These companies tend to be quite intimate, where the customer develops an emotional connection with the store, the products, and the entrepreneur. Hence, the researcher expected the relationship between entrepreneur and customer to have been a determinant factor in buying behavior. Survey data regarding this, however, is somewhat unclear. The trend Support Your Local seems to have played a more significant role emotionally in decision processes than the connection with a particular store.

Marketing did not have a real impact on customers' purchasing decisions according to survey data. However, although customers might believe that marketing does not influence their behavior, marketing works subtly, which is why it is so powerful. Additionally, many entrepreneurs declared in interviews that active social media and paid social media advertising had been, in fact, very effective tools to reach customers during the stay-at-home time as boredom pushed people to be online more often. The survey question regarding this issue may not have been as effective as desired initially, and the researcher recognizes his mistake when designing this part of the questionnaire.

The last part of the survey focuses on reviewing the services implemented by business owners and how they resonated with consumers. Survey respondents were initially asked about the services they had used during the first wave of COVID-19 (Figure 11), and subsequently about what services could have been better in their opinion (Figure 12).

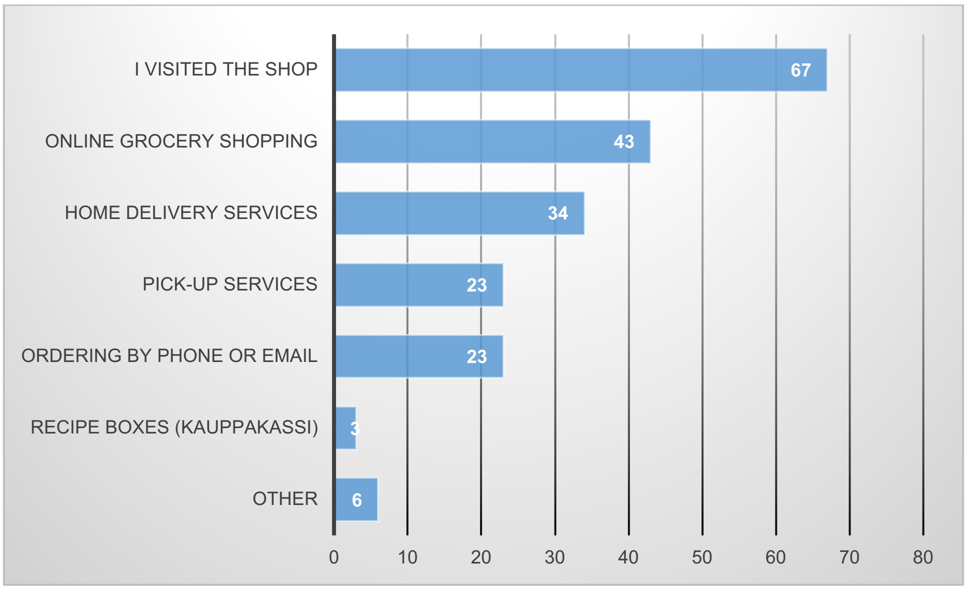


Figure 11. Answers to the survey question: I used the following services when buying from small food suppliers during the first wave of COVID-19

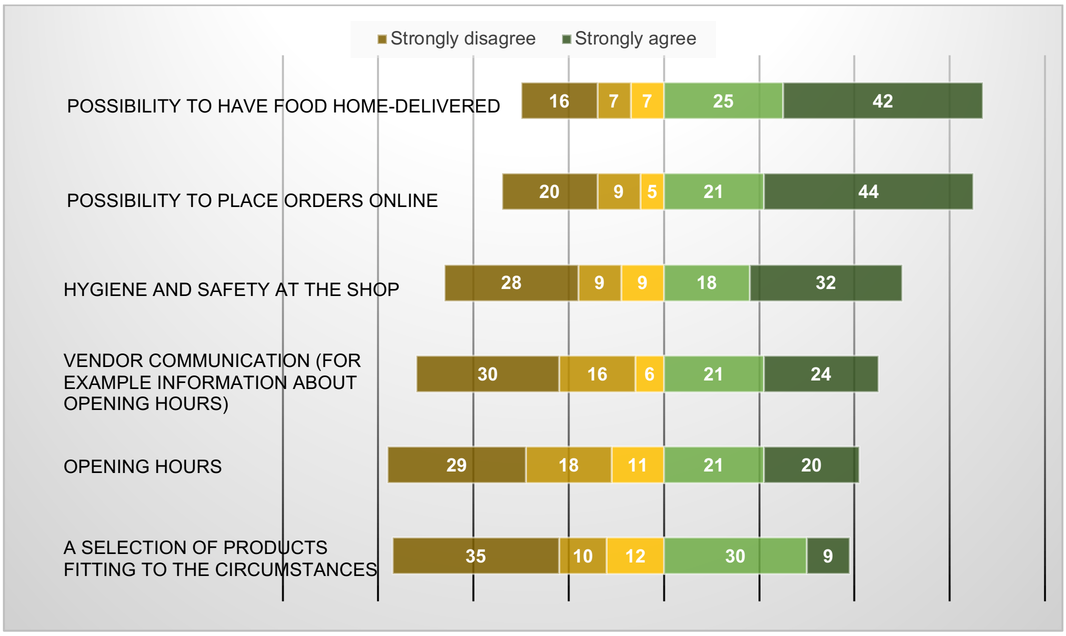
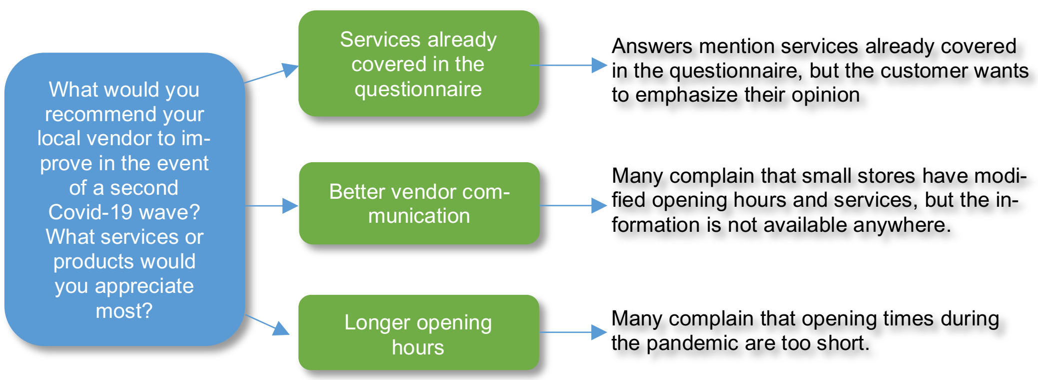


Figure 12. Answers to the survey question: I could have bought more from small food suppliers if the following services had been better

Quantitative data show that customers from small food retailers continued visiting the stores during March and April 2020, with sixty-seven of the respondents affirming having bought in person at the store. Therefore, data show that in-store shopping was still very important during the pandemic despite the stay-at-home recommendation. Furthermore, this information could support why entrepreneurs that kept their stores closed lost customers as a result. Consumers buying from these businesses not only find the products they want. It is also about the shopping experience that meets their needs on a personal and emotional level. If the retail location were closed, many of the elements that make small retailers stand out from large grocery chains would have automatically disappeared, and customers would have looked for that experience elsewhere.

Data from the last two survey questions also continue to support the importance of online grocery shopping, home delivery, and pick-up services. Survey respondents also emphasized the need for safety measures at retail locations. This finding shows again that many consumers did not feel safe when in-store shopping or thought that the implemented hygiene measures were not enough. The aspects respondents considered less relevant were vendor communication, opening hours, and a better product selection.

The researcher decided to end the survey with the open-ended question: What would you recommend your local vendor to improve in the event of a second COVID-19 wave? What services or products would you appreciate most? The purpose was to obtain further valuable information that could have been lost with the traditional checkboxes or multiple-choice methods. Fifty-six responses were collected and categorized (Picture 10).



Picture 10. Themes observed in the open survey question: What would you recommend your local vendor to improve in the event of a second COVID-19 wave? What services or products would you appreciate most?

In a large number of responses, the participant discussed the different services that had been previously presented in the survey questions. The participant wanted to make a point by emphasizing reasons for their importance in the event of a second wave of infections. The services that are mentioned the most are having an online store and home delivery. However, some of the themes that appeared less relevant during the initial survey questions also emerged repeatedly in the open-ended responses. Several participants seemed annoyed with how short the opening hours of some stores had been during March and April. Many also referred to the fact that entrepreneurs had not updated crucial business information to their websites or social media pages during that time:

> ***Respondent 10:*** *Normal opening hours could help.*
>
> ***Respondent 16:*** *Modified opening hours should be up to date on the website.*
>
> ***Respondent 27:*** *I would like the website to have up-to-date information, for example, on opening hours.*
>
> ***Respondent 35:*** *If possible, the same opening hours.*
>
> ***Respondent 50:*** *Functional online store and website with up-to-date information.*

The open-ended question was consequently useful to further understand issues that were overlooked in the survey questions. Overall, the survey fulfilled its goal of providing valuable quantitative data to support or debate observations derived from qualitative data. Once correlations and patterns among the data have been identified and understood, the next step is using such information to produce the corresponding recommendations.

5 DEVELOPING RECOMMENDATIONS

Qualitative and quantitative data analysis brought light to critical issues in the response of small food retailers to the COVID-19 crisis. The biggest takeaway from the previous section is understanding how rushed decisions out of fear led to implementation and execution mistakes, and how these errors eventually hampered performance and customer engagement. For entrepreneurs that kept a cool head and minimized impulsive decision making, the outcome was much more favorable. Digitalization and change management are essentials for surviving the pandemic, and small food suppliers have no other option than to take action and do it fast. But how exactly? Based on the findings exhibited in the previous section, a series of recommendations are developed and presented in this chapter to help small retailers navigate the crisis and go from survival to success.

5.1 Business Model Canvas

The business model canvas for small food retailers was introduced and examined in chapter 2. Revisiting the business model while considering the research findings is the first step to realize where changes are needed (Picture 11).

Picture 11. Business Model Canvas for small food retailers in Finland showing how the pandemic affects the different segments

In the modified business canvas, green ticks indicate that such a segment did not see any alterations due to COVID-19 or that the element inside the segment needs to be improved or paid special attention. For example, the value proposition for small retailers continue to be the same; it does not change. The same occurs for their key activities and resources. In the case of elements inside a particular segment like channels, for instance, social media, a website, and digital advertising were already existing ways for small retailers to communicate with and reach their customers, but now they become indispensable. Red crosses mean the element of the business model canvas is suffering from the crisis. Perhaps the best way to visualize all these modifications is by collecting them together (Table 8).

Table 8. BMC elements undergoing changes due to COVID-19

Segment	Element in BMC	Challenges and opportunities
Customer Segments	Customer looking to support local businesses	Although the trend Support Your Local was temporary, it provided a window of opportunity for these businesses to acquire new customers. New similar trends could emerge in the future.
Customer Relationships	Face to face customer service	Losing in-person interaction with some of the customers should not necessarily translate into customer attrition. The key lies in engaging those customers by employing other channels. Digital transformation of customer relationships is the only way forward.
	Personal assistance	
	Social media, email and/or online support	
Channels	Retail store	Brick-and-mortar retail spaces lose importance in the BMC, placing new value and emphasis on digital channels such as a website or social media pages. Advertising is vital to reach customers that are staying at home.
	Social media	
	Website	
	Advertising	
Key partners	Other entrepreneurs	New services and collaborations between companies can also increase sales revenue and compensate for the loss of income from services affected by the pandemic.
Revenue Streams	Catering services	
	New services	
Cost Structure	Costs of digital transformation	While the impact of going digital is very positive, it comes at a cost, and companies need to be ready to embrace the expenses.

The pandemic made some business owners decide to close their retail stores, consequently losing their main channel to communicate and interact with their customers. Even those that kept their retail stores open shortened the opening hours to some extent and needed to learn how to reach their customers in different ways. While some customers continued to visit the store, many others migrated to use digital services, placing new value and emphasis on other channels such as a website or social media pages. Many entrepreneurs already used these channels before the COVID-19 crisis, but the pandemic shifted their importance practically overnight.

As a consequence of retail brick-and-mortar spaces losing weight in the BMC, retailers lose another element for establishing and maintaining strong relationships with their customers: face-to-face customer service. However, business owners should understand that losing in-person interaction with some of their customers does not necessarily translate into customer attrition. The key lies in engaging those migrating customers by employing other channels. Customer acquisition and retention need to happen in-store with those who want to shop in person and digitally with those who stop coming. This hybrid model requires the entrepreneur to reflect on what makes their customers feel special in-store and try to replicate that experience digitally to maintain a strong relationship with migrating customers.

Consumers looking to support local businesses emerge as a new customer segment resulting from the trend Support Your Local. Although many entrepreneurs stated this particular trend was temporary, it provided a window of opportunity for these businesses to acquire new customers. New similar trends could emerge in the future, and it is essential to benefit from them. New opportunities also arise by reinforcing new channels and ways to connect with customers. Although the customer segments remain the same for the most part, there is a different customer base within those segments that only operates digitally. For example, consumers looking for gourmet foods might make purchasing decisions by looking up recipes online. While the consumer is always a potential customer, it is impossible to engage them, for instance, without an online store that uses featured recipes as a marketing tool.

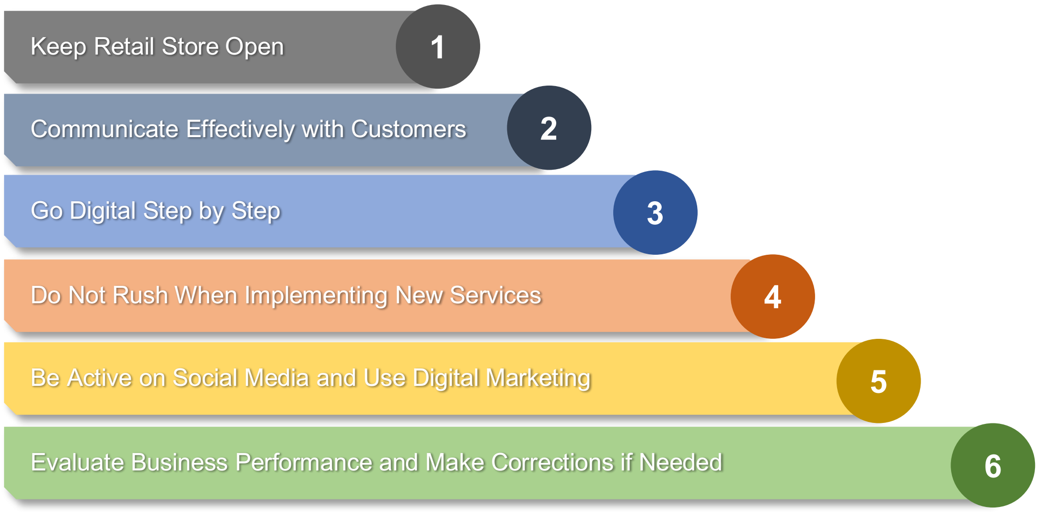
The implementation of new services can also increase sales revenue and compensate for the loss of income from services affected by the pandemic. The previous section explained how some entrepreneurs could thrive on innovative, tailored services or by successfully collaborating with other companies. Because of coronavirus, collaboration and cooperation are now more critical than ever for survival, always provided they are carried out and planned effectively.

The latest data from the American management consulting firm McKinsey shows that consumers are likely to keep the behaviors they have adopted amid stay-at-home orders, such as more online shopping and fewer mall visits (Lee Yohn, 2020). At the time this thesis is written, there are no available studies from Finland on how the COVID-19 crisis might affect consumer behavior in the long run. But considering that we live in a globalized world and economy, it is safe to assume that behaviors observed in other countries with similar economic structures and occidental values may be shared across cultures. If Finnish consumers follow the path of their American counterparts, small food retailers in Finland cannot afford to wait for the world to go back to normal. They should embrace this business model as their own and react quickly. As Suzy Taherian (2020), contributor for Forbes wrote in a recent article about how businesses should respond to COVID-19:

> *CEOs are looking at alternatives to survive in this difficult economy and wondering when their business will go back to normal. The answer is it's futile to look back. Expect a new world. Look ahead and innovate. The answer is to pivot.*

5.2 Recommendations for Coping With COVID-19 or Other Pandemics

The following recommendations are based and developed on a comprehensive and objective assessment of the qualitative and quantitative data presented in this document. As the coronavirus crisis is still unfolding, it is advised that small food retailers implement them at once to be able to cope better during COVID-19. Best-practice cases accompany each recommendation in the hope of providing practical examples of proper strategic implementation. Recommendations are developed and presented as a step-by-step guide to responding to COVID-19 or other pandemics when panic hits and entrepreneurs are most vulnerable to poor decision-making (Picture 12).



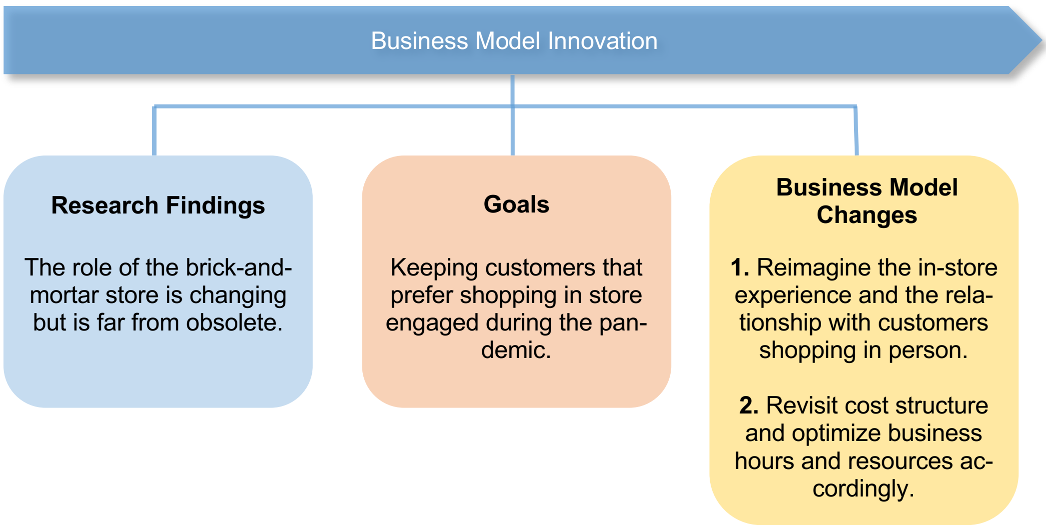
Picture 12. Recommendations for small food retailers to cope with COVID-19 or other pandemics

5.2.1 Keep Retail Store Open

Brick-and-mortar stores are the main channel for small retailers to connect with and reach their customers. However, COVID-19 has changed consumer behavior, pushing many to use digital services and away from physical retail locations. This fast-changing customer behavior translates into a sudden loss of in-store customers, making many retailers struggle to stay relevant. At this point, many consider closing their shops and waiting for the storm to pass or moving the business entirely online. The retailer can decide to close the shop due to health and safety reasons, or simply because they do not believe customers are returning soon.

While it is true that many consumers are migrating to use digital services, this study shows that a large number continues to grocery shop in person. Although it is not clear why some customers prefer face-to-face interaction with the vendors, it is probably due to the intimate relationship with the shop and entrepreneur, which makes the in-store shopping experience worthwhile. This research has found that retailers that kept their stores closed during the first COVID-19 wave lost customers as a result. Moreover, customers that continued shopping in-store also seem to have developed a stronger relationship with the businesses that remained open.

The vendor can choose how to be open according to their own resources and business model, but the retail store must be open to keep that customer segment that wants to shop in person satisfied and loyal during the crisis. The role of the brick-and-mortar store has lost relevance during the pandemic, but it is not obsolete, especially in the case of small privately-owned stores. Not everyone is comfortable using digital services, and business owners need to adapt their approach as COVID-19 shifts their customers' priorities (Picture 13). Furthermore, brick-and-mortar also deepens trust by its mere presence, hence strengthening, for instance, digital channels. The rule of thumb is to keep customers engaged wherever they are, and regardless of how they choose to interact with the company.



Picture 13. Business model innovation / Keep the retail store open

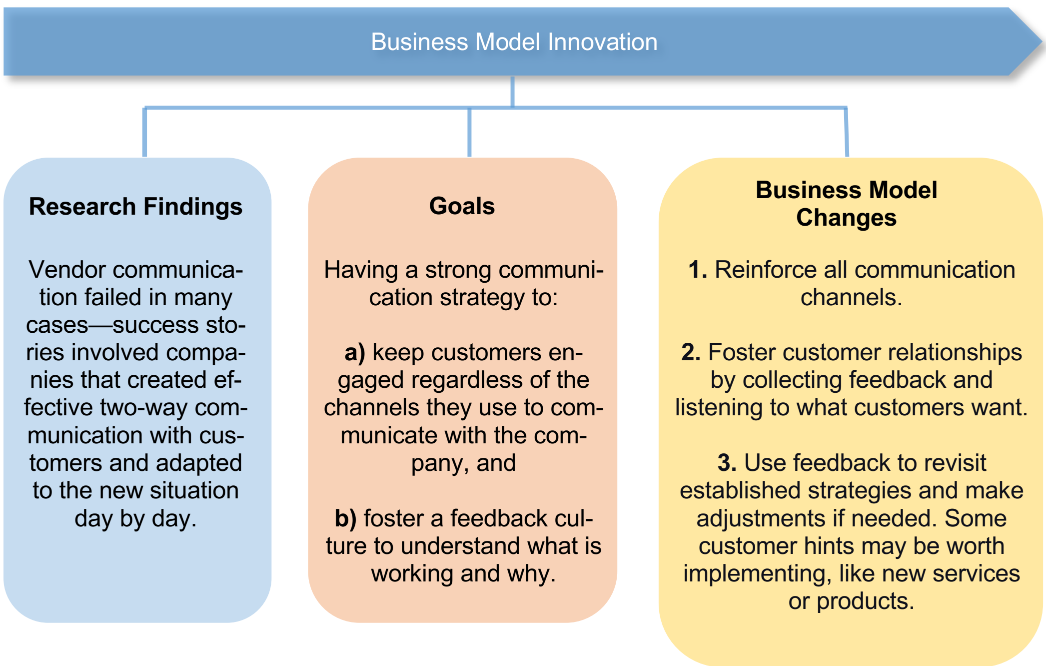
Nevertheless, there can be temporary changes to the retail store's opening hours. If it is not financially possible to keep the same business hours, it is essential to optimize operating hours depending on the resources available. In case the vendor is unable to keep the retail store open, a compelling reason should be given to customers explaining why the physical location is closed. For example, the vendor or a vendor's relative belongs to the risk group. Furthermore, it is vital to strengthen other channels to reach customers and compensate for the temporary store closure—more on this in recommendations three to five.

Best practice case:

During the first COVID-19 wave, a company examined which weekdays and hours its customers were still coming to the retail store. They shortened their opening *hours according to what they observed in order to be as efficient as possible staff-wise. The store was not open like before, but the company managed to offer almost the same services to customers that continued coming to the shop. In addition, they processed online orders during the hours the store was open, consequently never wasting time and concentrating all operations efficiently.*

5.2.2 Communicate Effectively with Customers

Because of the customer intimacy of small businesses, customers buying from small privately-owned food stores are almost like friends or family, and they want to be informed about what is going on. The COVID-19 crisis has disrupted the food retail industry and is forcing small retailers to innovate and pivot their businesses to continue operating. If these companies do not inform their customers about the changes in their services and products, many customers will likely become actively disengaged. In this day and age, consumers do not want to search for the information they need from a company. On the contrary, companies usually rush to let their customers know their status and how they can continue to interact with them in the event of operational changes.



Picture 14. Business model innovation / Communicate effectively with customers

Equally important is to create effective two-way communication with customers. Success stories examined in this study involve companies that are able to adapt real-time to the new situation because they listen to what their customers want and need without taking anything for granted. Being open to constructive feedback makes them capable of adapting to the new situation day by day, pivoting their business models progressively and making fact-based decisions along the way. Hence, the benefit of communicating effectively with customers is twofold: increases customer engagement and provides insight to navigate the crisis (Picture 14).

Therefore, it is of paramount importance that small food retailers realize the importance of an effective communication strategy and act accordingly. Examples of dos and don'ts in the context of coronavirus or other pandemics are presented in the table below (Table 9).

Table 9. Dos and don´ts of vendor communication

What to do	1. Update business hours and company status using every channel the company uses to communicate with its customers (retail store, social media, website, or other platforms like Google My Business). Keep the information up to date and synchronized. 2. Actively try to reach customers and let them know what the business is doing and how they can benefit from the new products of services. 3. Encourage customers to give feedback to understand what is working and why. Research findings show that adaptability in real-time is essential to success, but it is vital to know which direction to take.
What not to do	1. Do not update business hours and company status only partly and hope for customers to rely on a specific channel. It could lead to confusion and unpleasant situations where the customer does not know whether the company is operative and how. 2. Do not assume customers will spend time finding out what the business is doing to cope with the pandemic. Customers follow the path of least resistance and will end up with a competitor if the competitor manages to engage them first. 3. Do not develop new products and services without making sure to receive feedback from customers. Create two-way communication with customers to ensure that monitoring business model changes is possible.

Adequate vendor communication was not a recurring theme in qualitative data, but customer surveys showed that some customers were unhappy and dissatisfied with their small retailers' communication strategies. Communication problems observed during the study have to do mostly with entrepreneurs adopting a business as usual approach to a situation that is nothing but unusual. For example, a company that communicates with 90% of its customers through the retail shop updates its business information at the retail location but forgets about other channels. Customers checking the opening hours online assume the store is open as usual. When they gather enough energy to visit the shop amid the stay-at-home recommendation, they find it closed. The business owner starts receiving feedback and eventually updates the business hours on the website, but the damage is already done, and the business loses a few customers.

In a normal situation, forgetting to update the business hours to social media or the company's website may not have significant repercussions. But COVID-19 has changed how communication happens between businesses and their customers. By keeping its customers in the loop, a company sends the message that its customers come first. If customers find out on their own, for instance, that their local store has changed the business hours by standing in front of a closed shop, they can feel the company does not care and consequently start looking for an alternative. Moreover, keeping customers informed also reminds them that the business is still there and ready to meet their needs, which is vital in times of crisis.

Best practice case:

Opening hours and other critical information are up to date on the company's retail store, website, and social media. The company's value proposition and actions to tackle the pandemic and make life easier for customers are displayed clearly on the website home page and social media pages. Every channel is synchronized with the same information, which is also very easy for the customer to find. The business also encourages customers to leave feedback in their website on new products and services by offering them incentives for doing so. With a strong communication strategy in place, the company can easily keep its customers informed about the most recent developments and monitor how its customer base reacts to the different adjustments.

5.2.3 Go Digital Step by Step

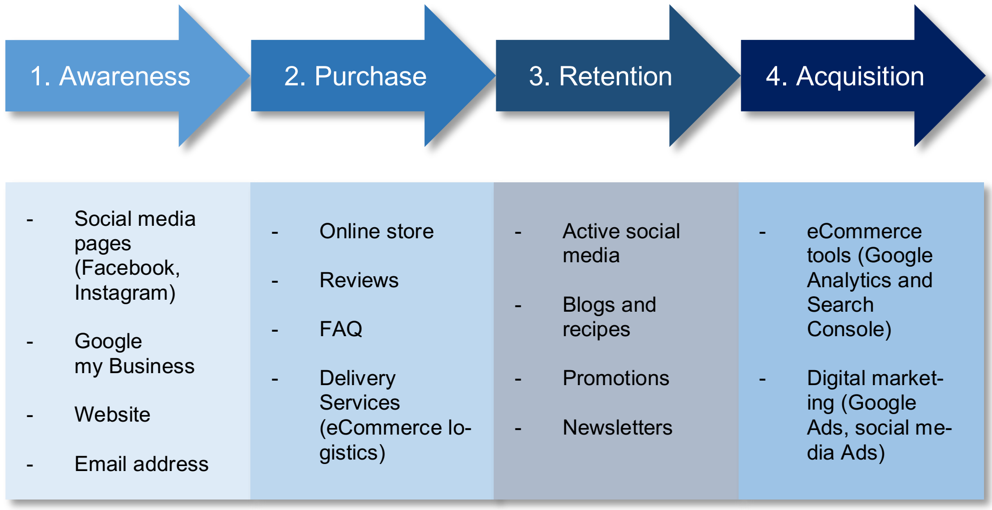
COVID-19 is accelerating the digital transformation of the retail industry around the world. In Finland, online grocery sales and home delivery services sky-rocketed during the worst times of the pandemic. Recent studies previously mentioned in this document show that, for example, the S Group and K group reported an increase in online sales of several hundred percent. In the case of small food retailers, research findings confirm that shift to digital services from consumers but reveal that some business owners still struggle to keep up.

Quantitative data revealed that online grocery shopping and delivery services were considered of utmost importance for customers during the first wave of COVID-19. Likewise, interviews with entrepreneurs show that business owners are aware of the importance of eCommerce and digitalization. Yet, many lack the resources and especially the know-how to achieve the necessary transformation. Furthermore, there is no time for strategizing and establishing the required roadmap as the coronavirus crisis has accelerated the pace of change, and adjustments are needed immediately.

Going digital may seem an evident approach, but a successful digital transformation requires careful planning and is usually underestimated. Digitalization also comes at a cost that not every entrepreneur can afford or thinks that can afford, especially in challenging times like the present. The digital transformation of big retailers is also driving customer experience, and raising the bar on their expectations, adding pressure on small businesses to keep up. As a result, stress can lead to hasty decisions that eventually lead to failure.

Because the transformation is necessary and has to happen quickly, small businesses need to keep it simple. In the current situation, simplicity can be a competitive advantage, where the business owner focuses on identifying and solving one specific problem at a time. Taking too broad an approach and attempting to lead a full digital transformation in little time will lead to high costs, stress, and errors that can eventually cripple the entire process.

Four phases are identified in the digitalization process of small food retailers (Picture 13). Different companies start at different stages in the digitalization process, and the first step is to ascertain where the company is and establish the desired goals.



Picture 15. 4-step process of digitalization of small food retailers

Research findings show that consumers buying from small retailers are most interested in grocery eCommerce and home delivery services. Therefore, the priority is to implement such services in the shortest amount of time. During the research process, it was observed that most retailers were only in the awareness phase. The jump to phase two can be overwhelming as implementing an online store can be much work. However, by keeping it simple and focusing on what really matters, the transition can be smoother than expected.

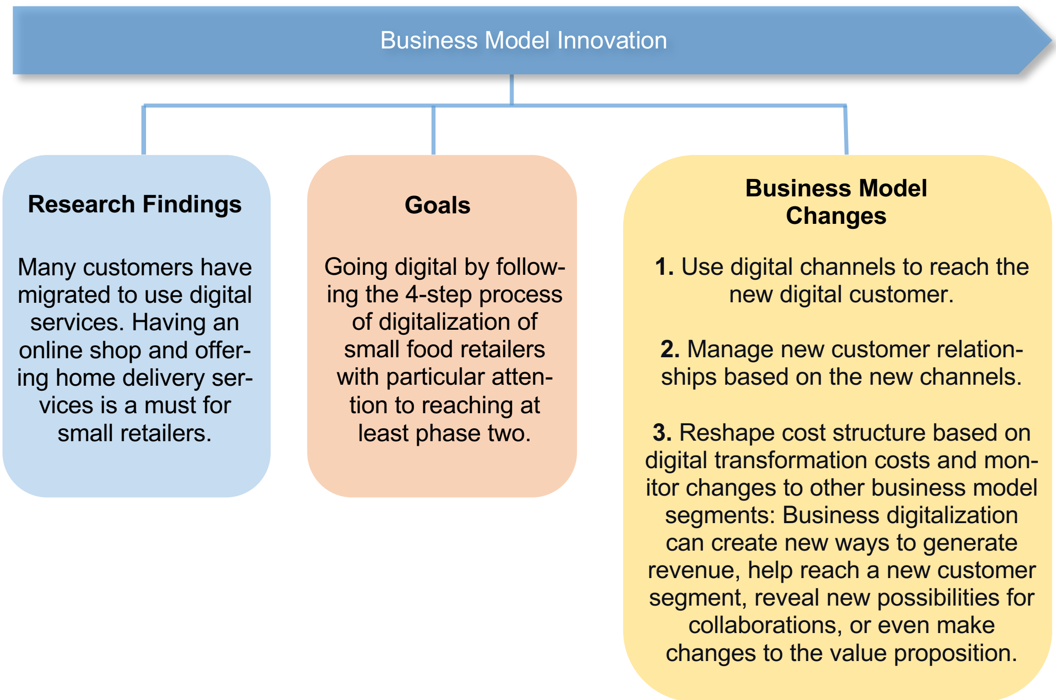
Nowadays, eCommerce platforms simplify the process of creating a website and allow the business to be operative online in just a few days. Besides, prices can be quite competitive (Table 10).

Table 10. Top eCommerce platforms available in Finland

eCommerce platform	**Monthly Fee (Basic-Advanced)**
Vilkas	19 - 48
iZettle	29
Visma	26,95 - 44,95
MyCashFlow	49 - 99

Although these platforms offer plenty of features, small retailers only need to focus on the very basics when creating the online store, which is having their products online and offering delivery services. Once the store is online, the business owner can gradually move through phases three and four while knowing that their customer needs are already being met. Simplicity and taking a step-by-step approach with clear goals is the key to avoid getting overwhelmed.

For businesses that are entirely dependent on their brick-and-mortar stores, the first step is to join social media and guarantee their company has a digital presence. For those that are already selling their products and services online, developing channels for customer retention and acquisition can give them the necessary edge over the competition. Each business can make progress at their own pace, depending on the resources available. However, small retailers must keep moving towards digitalization if they intend to stay relevant (Picture 16).



Picture 16. Business model innovation / Go digital step by step

Best practice case:

A small business owner saw an increase in online sales of a couple of hundred percent during the first week of the pandemic. The online store had been live for a *few years and was relatively outdated, but it was entirely functional. Despite the good results, the entrepreneur thought that if customers migrated to online shopping, a better webshop could render better results. It took only two weeks to redesign the entire eCommerce site. Besides, the entrepreneur used a new eCommerce provider that offered even cheaper eCommerce solutions, thus saving fifty euros a month. The new website was mobile-friendly and very easy to navigate. New shipping options were added at checkout (home-delivery and pick-up). A recipe page featuring the company's products was created. When the redesigned website went live, online sales jumped almost 600% with the same number of unique visitors.*

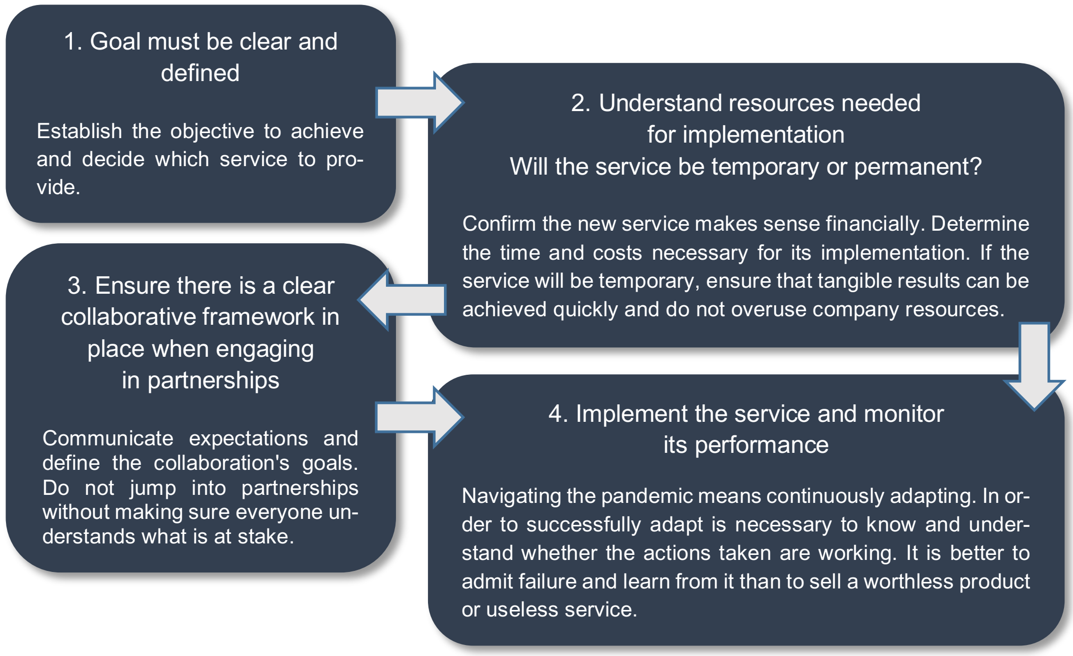
5.2.4 Do Not Rush When Implementing New Services

Being faithful to their proactive personality, entrepreneurs quickly developed different strategies to cope with COVID-19 in the spring. However, research data exposed that implementation failed in many cases due to fear-based and impulsive decision making. Several examples of how execution failed were introduced during the findings section.

Many good ideas, unfortunately, never prospered into tangible results. Luckily for these small businesses, the state of emergency only lasted two months, and many received financial aid that compensated for the loss of revenue during that time. Nevertheless, entrepreneurs need to learn from past mistakes in order to be ready should the same situation repeat itself. Moreover, the current situation cannot be considered entirely normal, either. Some of the trends that gained traction during the spring could have an enduring effect, therefore changing the retail landscape permanently.

Optimization of resources and careful planning are necessary factors for the successful implementation of new services. New services are indeed an essential tool to reach customers during the pandemic. Still, the business owner needs to be aware of what their implementation implies and whether they can be realistically sustained in time. In almost all study cases, the new services offered are fundamentally the same. However, observed success stories involve entrepreneurs who did not rush during the planning phase. On the contrary, they took their time to observe the situation and gradually shifted strategies, learning from their mistakes if these were made, and moving forward.

Accordingly, the decision-making progress should be established considering a set of ground rules (Picture 14).



Picture 17. Decision-making process when implementing new services

The ground rules are developed by putting the research findings into practice, and they aim to serve as a starting point for small business owners to make sound and timely decisions. Critical thinking is at the core of the strategy, and for it to work, entrepreneurs need to think before they act next time they are facing chance. The decision-making process starts by setting a clear goal or objective. Having a goal encourages the business owner to take action and think about ways to resolve the issue at hand. The goal can be, for example, having a new product available or implementing new services to cope with the pandemic.

Implementation planning is the second part of the process. However, the plan does not need to be very elaborated in itself. Planning refers to the fact that the entrepreneur needs to think of the implementation's short and long-term implications. Does it make sense financially? What are the resources required? Will the service or product be temporary or permanent? What if it does not work? These are questions every business owner needs to ask themselves before jumping into the unknown.

The same applies to companies engaging in partnerships and collaborations. While the idea of working together to overcome the challenge of the COVID-19 crisis is fantastic, rushing into collaborations without developing the necessary collaborative framework will eventually result in chaos and disorganization. It is essential to communicate expectations, set common goals, and outline the roles within the partnership.

Planning helps to move in the right direction and reduces the risks of failure. However, new services or products can fail for numerous reasons, especially during uncertain situations like a pandemic. For this reason, monitoring and evaluating the performance of implemented services and products is crucial to ensure the results are satisfying. Research findings prove adaptability to be a critical success factor. Surviving a pandemic requires indeed changing the business model depending on the situation. But the process is gradual, and mastering the pivot requires learning from mistakes and making the necessary adjustments.

Best practice case:

Instead of offering a standard home-delivery service and make customers adhere to it, a small bakery tailored its services during the spring to attend its senior customers. The bakery owners realized that some seniors were lonely under stay-at-home recommendations and wanted to come in-person to the store, but they were afraid to step indoors. However, others wanted to have goods delivered. As a solution, they provided personalized services to each customer to make sure they were attended in the most convenient way. Some people collected the orders through the window, and others waited outside to be served. A lady would get her goods home-delivered but would only open the door to collect them once she knew the delivery person had left the building. By keeping a list of customers and their priorities, they could attend everyone with not that much effort. The key was effective planning and the owners' ability to adapt to the situation day by day. The result was a boost in customer loyalty.

5.2.5 Be Active on Social Media and Use Digital Marketing

It is argued throughout this thesis why going digital is more important than ever. And consequently, going digital is also presented as one of the recommendations for small food retailers to stay relevant during the pandemic; it is indispensable. During the first wave of COVID-19, the internet became an essential tool to continue with life as usual, and social media became the way to be social in a time where the recommendation was to stay at home. The increase in internet usage and internet services also explains, for example, online grocery shopping trends, among other favorites during the state of emergency.

In the case of small food retailers, the importance of using digital channels to interact with customers in detriment of the traditional brick-and-mortar store is also discussed in detail in previous chapters. With a large number of consumers migrating to use digital services, it is necessary to utilize these channels to reach them. eCommerce is essential and makes it possible for consumers to purchase goods and services online. However, companies usually use other channels, particularly social media, to make their brands more personal and communicate with their customers on a more personal level.

Therefore, it is recommended that entrepreneurs enhance their social media presence to maintain that level of intimacy with their customers and compensate for the lack of face-to-face interaction at the retail store. Customer surveys did not reveal social media as a critical factor influencing customer behavior. However, consumers are not necessarily aware of social media's powerful subconscious effects, so it is hard to draw any final conclusions as regards its true impact. Qualitative data, on the other hand, showed that entrepreneurs who had been more active in social media than normal affirmed having seen positive results in customer engagement.

Table 11. Recommended digital marketing strategies to use for customer acquisition

Digital Marketing Strategy	Description	Approximate Costs to Drive 1000 visitors to website
Social Media	Facebook Ads and Instagram Ads to reach a targeted audience and drive visitors to a social media page or website.	70 – 100 €
SEM	Google Ads to increase website or online shop visibility when consumers look for different products online.	200 – 400 €
SEO	Linking, using keywords and quality content in general help drive organic traffic to website or online store.	Free

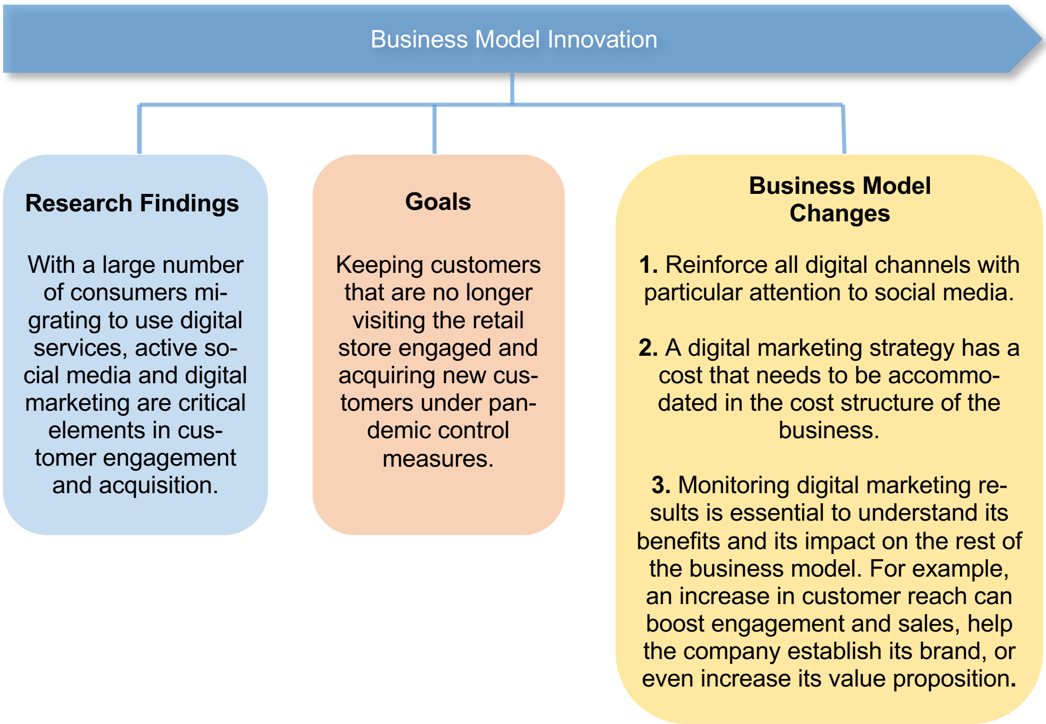
Remarketing	By tracking cookies, SEM or social media can be used to show ads to consumers that visited the shop but left without shopping, hence retargeting potential customers.	-

Source: Researcher

While active social media is the right tool for keeping customers, digital marketing is strongly recommended for customer acquisition. Although there are many online advertising types, social media marketing, Search Engine Marketing (SEM), and Search Engine Optimization (SEO) are deemed the most effective and simple strategies (Table 11). A paid social media strategy helps reach a new, targeted audience. On some occasions, a social media post can go viral and help the company in question to gain customers. However, big social media corporations do not usually let companies grow their customer base without paying. Provided the goal is to drive traffic to an online store or website, SEM and SEO help increase search visibility in search engines like Google.

Creating quality content for the online store or website will increase visibility in search engines and is completely free. However, it can take up to several months for SEO to start working. If the goal is to reach potential customers quickly, a paid advertising campaign can be up and running within hours. The cost of buying digital ads varies depending on the goals intended to achieve and can be adjusted to the company's budget. For example, according to the researcher's own digital marketing experience, a complete Facebook campaign can render positive results for only 100 € a month. A Google Ads SME campaign can be a tad pricier, but it targets only potential customers that are already looking for specific products online. Targeting non-English speaking countries is also cheaper when running SME campaigns due to less competition for keywords. In Finland, running an AdWords campaign with Google can be quite affordable because of how few people in the world speak Finnish.

Therefore, it is recommended for small food retailers to, at least, be active on free popular social media sites. Additionally, it is recommended that they examine how their businesses are reaching the new digital consumer to determine whether a digital marketing strategy is necessary. In interviews with business owners, it was observed that many were reluctant to engage in paid marketing in order to cut business costs. This reaction is understandable in terms of dealing and coping financially with COVID-19 and its effects. However, with many consumers going digital, it is of paramount importance to reinforce all digital channels to improve customer loyalty, retention and acquisition (Picture 18).



Picture 18. Business model innovation / Be active on social media and use digital marketing

Best practice case:

A cheese shop gained popularity during the spring thanks to a series of Twitter posts that went viral. The business owner had advertised in Twitter their newly implemented home delivery service: The Cheese Taxi. Thanks to the Twitter campaign, orders for The Cheese Taxi skyrocketed. The entrepreneur responsible for the clever campaign was even interviewed by Helsinki Sanomat.

5.2.6 Evaluate Business Performance and Make Corrections if Needed

Evaluation of business performance after implementing business model changes is always necessary. Such assessment becomes even more critical during situations such as the COVID-19 crisis, where the business landscape also experiences rapid changes. The ability to adapt and pivot the business models day-by-day has been proven most effective by this research. This approach requires constant monitoring of the implemented changes to clarify whether they work, making the necessary corrections if needed.

The need for evaluation has already been mentioned throughout this section. In every previous recommendation, the business hours, communication strategy, digitalization, new services, or marketing strategy must be continuously monitored to establish whether the set objectives and goals are being achieved. Therefore, this sixth recommendation intends to serve as a mere reminder of the importance of gradual assessment of the implemented strategy. Mastering the pivot and successfully navigating the pandemic is an everyday job where business owners change course along the way by making fact-based decisions.

How to effectively monitor business performance? Each business owner needs to define what is to be measured and develop suitable KPIs accordingly. Because each entrepreneur and each business are entirely different, there is no general rule as to exactly what metrics will offer the best results. A good starting point, however, can be measuring profitability and financial performance, as well as customer retention and loyalty metrics. The crucial part is not to ignore any small contributing factors that can indicate why a specific business model change might be or not be working. The key to effective adaptability is efficient performance evaluation.

6 DISCUSSION AND CONCLUSIONS

This thesis aimed to identify necessary business model changes in small food retailers to cope more effectively with COVID-19 or other pandemics. Quantitative and qualitative research was conducted to understand better retailers' response to the crisis and whether the different actions taken and measures implemented were adequate. The findings indicate that rushed decisions out of fear led to implementation and execution mistakes, eventually hampering performance and customer engagement. Based on the results, a series of recommendations were produced to help small retailers pivot in the right direction and go from survival to success.

Small independent retailers represent a very small part of the food retail industry in Finland, which is probably why no research on the topic was available at the time this thesis was written. Additionally, this study was carried out when the COVID-19 crisis was still unfolding. The little information available solely focused on examining emerging consumer trends during the pandemic and how they affected top grocery store chains. This information, while being relevant to understanding the macro perspective of the retail industry during the crisis, is not useful for small companies with business models completely different from large retail chains. Therefore, this thesis intended to present new evidence for these small companies to aid their decision-making process and master the pivot under the circumstances.

A mixed-methods research design was chosen to answer the main research question: *What business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?* Firstly, qualitative research in the form of interviews with business owners was conducted to determine whether and how these companies had tried to adapt to COVID-19. Secondly, quantitative data was collected by surveying small retailers' customers. The purpose of the survey was to look at the evidence from the customers' viewpoint and clarify why some entrepreneurs succeeded better than others at engaging with their customers. The two different data sources were then cross-checked to find patterns and clues about what specific business model shifts had worked better and why, thus providing answers to the above-mentioned research question.

Qualitative research showed that entrepreneurs' response to the COVID-19 pandemic was right for the most part. Still, good ideas were poorly executed in many cases, and rushed decisions led to mistakes that produced counterproductive results. Many business owners felt exhausted after making a monumental effort to implement new services or products that completely drained the company's resources without rendering tangible outcomes. The findings were crucial to understanding the importance of adequate strategic planning and the mechanism behind decision-making under extreme pressure in a fast-changing business landscape.

Quantitative data were used to evaluate how the different business model changes implemented by small retailers had resonated with their customers. Data were also used to support or debate some of the codes, themes, and hypotheses seen in the interviews. It was clearly observed that keeping the retail store open, having two-way effective communication strategy with customers, going digital, resource optimization, and proper change monitoring and evaluation were critical factors affecting the overall effective adaptability of small food retailers to the crisis.

Consequently, and based on the research findings, a series of six recommendations were developed for small food retailers to cope with COVID-19 or other pandemics:

1. **Keep retail store open:** Qualitative and quantitative data showed that retailers that kept their stores closed during the first COVID-19 wave lost customers as a result. Although numerous consumers migrated to use digital services, this research found that many still preferred face-to-face interaction. Having the retail store open is essential to keep that customer segment engaged and loyal.

2. **Keep customers well informed:** Research findings proved that vendor communication failed in many cases, hindering customer engagement. An effective two-way communication strategy is necessary to let customers know the company's status, learn how customers respond to business model changes, and make adjustments along the way.

3. **Go digital step by step:** Digitalization was the most recurring theme in qualitative and quantitative data. Because the transformation is necessary and has to happen quickly, small business owners need to go digital keeping it simple. The key is to identify where the company is in the digitalization process and set clear and realistic goals to avoid getting overwhelmed.

4. **Do not rush when implementing new services:** Research data exposed that implementation failed in many cases due to fear-based and impulsive decision making. Optimization of resources and careful planning are necessary factors for the successful implementation of new services. New

services are indeed an essential tool to reach customers during the pandemic. Still, the business owner needs to be aware of what their implementation implies and whether they can be realistically sustained in time.

5. **Be active on social media and use digital marketing:** Customer surveys and interviews with business owners unquestionably revealed the importance of using digital channels to interact with customers in detriment of the traditional brick-and-mortar store. Digital channels are necessary to reach customers more than before and need to be properly developed as part of the digitalization process.
6. **Evaluate business performance and make corrections if needed:** Evaluation of business performance after implementing business model changes becomes even more critical during situations such as the COVID-19 crisis, where the business landscape also experiences rapid changes. The ability to adapt and pivot the business models day-by-day has been proven most effective by this research. This approach requires constant monitoring of the implemented changes to clarify whether they work, making the necessary corrections if needed.

So, *what business model changes are essential for Finnish small food retailers to survive the ongoing COVID-19 crisis or future pandemics?* Above all, the pandemic has affected how these companies reach and communicate with their customers, making it essential for every small retailer to rethink what channels to use and how they want the relationship with their customers to be. Digitalization drives the major changes and is responsible for the loss of importance of traditional channels like, for example, the brick-and-mortar store. Furthermore, the pandemic and consequent shift to digitalization can also bring changes to the cost structure, provide new revenue streams, or even uncover a new customer base. However, the real answer to the research question is in the recommendations presented in this thesis. As a whole, the recommendations provide a comprehensive look at the specific business model adjustments necessary to master the pivot and thrive during a pandemic. Nonetheless, the essential business model changes are different for each company—each business owner must look at the recommendations and decide which ones fit better their situation, strategy, or goals.

To better understand the implications of this study, it is recommended to carry out further research on the topic once the COVID-19 pandemic is over. Analyzing how small retailers adapt to the post-coronavirus world could uncover new information on how small businesses manage change in times of crisis. Further, It was also observed that factors such as age or having a foreign background affected decision making and entrepreneurs' attitudes towards the crisis. These topics were not pursued further in this thesis but are also considered a good starting point for further research.

This thesis unveiled the realities of running a small independent retail business in a pandemic world. The research found and addressed critical issues in entrepreneurs' response to the crisis, especially with regard to strategic planning. Change management and especially digitalization proved essentials for surviving in such extraordinary circumstances. A list of key recommendations was produced based on the research findings to guide these companies through the necessary business model changes. The hope is that this thesis will serve as a survival guide for those companies that might need it.

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APPENDICES

Appendix 1. Interviews with business owners

- Have you continued to operate during this time? **YES/NO** Why?
- Do you have now (after the first wave of Covid-19) the same number of customers as before the pandemic? Why do you think that is?
- Do you think being open/closed has made you get or lose customers?
- Did you get financial support from the government?

If answers YES to first question:

- What percentage of your normal capacity you continued to operate during the pandemic in terms of services, products, staff and days open?
- Have you modified your business model during the crisis? Why yes or no? What specific actions did you take? Did you implement new services? What are they? Did they work and why in your opinion?
- Did you advertise your business during the pandemic? What kind of advertisement did you use?
- Will you continue to offer the same services in the future? Why yes or no?
- Do you expect customers' behavior to return to how it was before?
- What would you do in the event of a second Covid-19 wave?
- Is there something else you would like to add?

If answers NO to first question:

- Do you continue to offer the same services now? Are you doing something new?
- Do you expect customers' behavior to return to how it was before?
- Would you close again in the event of a second Covid-19 wave?

OWN NOTES:

Appendix 2. Customer survey

We are researching customers' shopping behavior in small grocery stores during the corona pandemic. The following questions apply only to small, independent food retailers, such as small specialty stores in market halls or traditional brick and mortar shops. The questions do not concern your shopping behavior in large or medium-sized grocery store chains, such as those from S- or K-group. When answering, please think only of your shopping habits concerning these small businesses.

1. *Did you continue buying from small food retailers during the first wave of Covid-19 (March-April 2020)?*

- ☐ Yes, same as always
- ☐ Yes, but less than before
- ☐ No
- ☐ Other

2. If you answered "No" to the previous question—Could you explain shortly why?

- ☐ Supermarkets made shopping easier (lots of products from the same place)
- ☐ I was trying to cut back spending and small food retailers normally offer high-end products
- ☐ I did not feel safe visiting smaller shops
- ☐ My local vendor was closed during the pandemic
- ☐ I do not really know why
- ☐ Other

3. If your local vendors were closed during the first wave of Covid-19, are you buying from them now? Or did you find a new shop/supplier during that time?

- ☐ I continue buying from the same vendors as before
- ☐ For some products I have found new suppliers
- ☐ Other

4. Factors that influenced my buying decision from small food suppliers during the first wave of Covid-19:

(1 = Strongly disagree 5 = Strongly agree)

	1	2	3	4	5
The personal relationship with the entrepreneur	☐	☐	☐	☐	☐
Tried to support small local businesses	☐	☐	☐	☐	☐
Active social media	☐	☐	☐	☐	☐
Easy-to-use website	☐	☐	☐	☐	☐
Digital marketing (Facebook, Instagram or Google Ads)	☐	☐	☐	☐	☐
Traditional marketing (ads in newspapers, radio ads)	☐	☐	☐	☐	☐
Possibility to safely order food delivery, takeout and groceries	☐	☐	☐	☐	☐

5. I used the following services when buying from small food suppliers during the first wave of Covid-19:

- ☐ I visited the shop
- ☐ Home delivery services
- ☐ Pick-up services
- ☐ Recipe boxes (kauppakassi)
- ☐ Online grocery shopping
- ☐ Ordering by phone or email
- ☐ Other

6. I could have bought more from small food suppliers if the following services had been better:

(1 = Strongly disagree 5 = Strongly agree)

	1	2	3	4	5
Opening hours	☐	☐	☐	☐	☐
Hygiene and safety at the shop	☐	☐	☐	☐	☐
Possibility to safely buy food online	☐	☐	☐	☐	☐
Vendor communication (for example, information about opening hours)	☐	☐	☐	☐	☐
A selection of products fitting to the circumstances	☐	☐	☐	☐	☐
Possibility to have food home delivered	☐	☐	☐	☐	☐

7. What would you recommend your local vendor to improve in the event of a second Covid-19 wave? What services or products would you appreciate most? Comment freely.