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Establishing a start-up e-commerce company in Finland

Thesis
CENTRIA UNIVERSITY OF APPLIED SCIENCES
Degree Programme in Industrial Management
December 2012

ABSTRACT

CENTRIA UNIVERSITY OF APPLIED SCIENCES Ylivieska unit	Date 02 December, 2012	Author Elizarov Oleg
Degree programme Degree Programme in Industrial Management		
Name of thesis Establishing e-commerce start-up company in Finland		
Instructor Marja-Liisa Kaakko		Pages 84 + Appendices (4)
Supervisor(s) Marja-Liisa Kaakko		
<p>The thesis describes the entire process of establishing an enterprise in Finland. It is based on e-commerce company, which was established in July, 2011. Each chapter of the thesis contains theoretical and practical part to give overall picture of the enterprise and its main business processes. All chapters are based on student's own business experience as well as knowledge gained from the universtiy. Thesis contains common issues for all enterprises such as registration, licensing, taxation, funding, and bookkeeping. The information collected in those chapters is suitable for everyone, who decided to become an entrepreneur in Finland. There are project specific chapters as well in the thesis, which describe business organization of the e-commerce company, its supply chain, logistics, and e-commerce issues. The business plan of the company is presented in the thesis, and it provides additional information about company's future goals and objectives.</p> <p>The thesis work is performed for defining the company's weaknesses and lacks in business processes by describing the entire start up process from the beginning and analyzing various aspects of the enterprise. The lacks found in the company's functioning are to be eliminated and growth possibilities are to be implemented in the enterprise after the thesis work has been done. The thesis work also summarizes studying process in the university and combines valuable information about doing business in Finland.</p>		

Key words

Start-up company, establishing business in Finland, start-up e-commerce company

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1 INTRODUCTION

Russia with its near location to Finland and big population is great market for Finnish companies and organizations. It is known many Finnish companies successfully do business with Russia and with Russian tourists. Trend of increasing tourists flow also shows potential possibilities for doing business oriented to Russian customers. Also, it is great opportunity for students with Russian background studying business and management specialties to apply their knowledge and language skills. One could say best practice after graduation for former students would be getting a job in their field of studies and accumulation of experience. But I, as many of students, faced with reality that most companies require certain experience, especially in occupational areas. Thus, I decided to launch some project connected with my skills, which would bring more experience and knowledge in my field of studies, because learning by doing is one of the most efficient ways of studying, in my opinion.

The project is online shop of popular for Russians Finnish products and goods. I combined my technical skills from College of Informatization and Management and business and administration skills gained in Centria University of Applied Sciences (COU) for launching the project. Establishing the online-shop required also knowledge in taxation, registration, custom and other additional aspects. I faced with reality, that I don't have skills needed for successful business running, so there is no big revenue, but I think positively and believe that I can learn and become more experienced in business and after all make it profitable.

Since the thesis is based on real project, I decided to describe the entire start-up process for companies in Finland. The thesis consists of ten sections, which describe such issues like registration, taxation, bookkeeping, e-commerce, licensing, funding, SWOT analysis, logistics and supply chain, online marketing, and business plan. Some sections are common for any enterprise, for example registration and funding. Some sections are project-specific, and they are written about the business processes of the project. For example, the section of logistics and supply chain describes logistics processes, suppliers of the company, and customs clearance process. Every section contains theoretical and practical part. Theoretical part contains general information from official entrepreneurs' guides and other

sources about doing business in Finland. Practical part reflects my own experience gained from problems solving and company's creation.

The work on thesis requires additional information about starting up and functioning of the company, so it brings new knowledge, which can be useful in future for this or other business projects. The thesis work also organizes the knowledge gained in the university into convenient structure, and finalizes the process of studying. I believe the thesis about the certain project also brings new ideas about improving of the business, since most important business processes can be analyzed, and weaknesses of the project can be revealed. I think the work on thesis can help me to improve the business and increase sales volume. Thus, after the thesis is ready, I will have detailed plan of business structure and development plan. Also marketing plan of my partner about marketing the e-commerce company will be ready and favorable conditions for the company's development will be provided. This is the main goal of the thesis work.

2 REGISTRATION OF A COMPANY

Before starting trade operations it worth getting familiar with different forms of entrepreneurship in Finland. There are such forms available in Finland:

- Private entrepreneur
- General partnership
- Limited partnership
- Limited company
- Co-operative
- Branch of a foreign organization

I have chosen to register business as a private entrepreneur because it is the simplest form of entrepreneurship and can be easily registered.

2.1 Registration as a private entrepreneur

A natural person who is resident in the European Economic Area (EEA) may be private entrepreneur in Finland. A person residing outside the EEA requires a trade permit. I was not sure do I need to get trade permit for registering as an entrepreneur since I don't have citizenship of EEA country. But I got to know that residency is not the nationality of the person but his permanent residence in EEA country. And since I am registered in local magistrate it proves that I am resident in Finland and I didn't have to apply for trade permit.

Any founding documents are not needed for registering as private entrepreneur. But I was obligated to submit a notice to the Trade register (Start-up notification of private entrepreneur). Start-up notification form of a private entrepreneur is Y3, which can be downloaded from the website www.ytj.fi. The form submits the following information to Trade register and Taxation administration:

1. the trade name of the entrepreneur
2. the personal data (full name, personal identity number, address, nationality)
3. the nature of trade
4. the municipality of the main establishment
5. the postal address of the place of business

6. the auxiliary trade name and the line of business under the auxiliary name (if any)
7. the representative (if the entrepreneur is not resident in the EEA)
8. the date of the notice and the signature

There is handling fee for the notification and it is 75 €. The handling fee has to be paid in advance. Business can start work immediately after notification made to the National Board of Patents and Registration (NBPR). In case of mistakes person receives letter from NBPR with his application and new Y3 form. When person makes corrections s/he may send it again to NBPR. Person doesn't have to pay handling fee again. (Uusyrityskeskusverkosto 2011, 24.)

I had to make corrections three times. Firstly, I have chosen trade name Finnexport, which was similar to existing company. After that I went to web site ytj.fi, chose BIS-search and filled a field "Search key" with names I wanted to use for my enterprise. I corrected trade name as Fin-Ru export. I also had to correct line of business and translate all information given from English to Finnish, since Start-Up notification can be submitted in Finnish or Swedish. There is possibility to register as a VAT register and Employer register with Y3 start-up notification form. I registered as VAT-liable taxpayer, because this allows me to sell goods with zero VAT rate abroad.

2.2 General and limited partnerships

At least two people are needed to establish a partnership. They can be natural persons, but legal persons also can be partners. There are two kinds of partnership: general partnership and limited partnership. At least, one partner must be resident in the EEA area. If they don't, all partners have to get permission from NBPR. The partners contribute to the partnership, and contribution can be in form of money, assets or work. All the partners are fully liable for the partnership's commitments. Thus, their personal real estate and other assets are at risk. Decisions are made together on partnership's issues unless agreed otherwise. There are two types of partners in limited partnership: active partner and partner with no voice. Active partners are fully liable for the partnership's obligations, and decisions are made together as well like in general partnership. Partners with no voice contribute money

or assets, and they receive interest on earnings. They don't participate in the partnership's decision making, but they also are not liable for partnership's issues.

Partners create foundation agreements, where they mention partnership's business name, its domicile, line of business, partners' names and addresses, and their investments into partnership. Other issues can be mentioned like elections way of manager, who has right to sign, duration of accounting period and so on. The partnership also has to be registered in the Finnish Trade Register, which can be done using Y2 form with registration fee of 180 €. Partnerships are suitable for family business or for people, who have trustable relations between each other. It is caused by the fact, that if one partner has an obligation, the others are also liable for it. The liability of partners can be limited in the foundation agreement, though. (Uusyrityskeskusverkosto 2011, 24.)

2.3 Limited company

Limited company may be founded by one or two natural or legal persons. Company's founders register all the company's shares. The share capital has to be at least 2500 €. Big advantage of the limited companies is that shareholders are liable for the company's obligations only by the amount of their invested capital in the company. Decisions are made by shareholders, and person who has more shares also gets more voting power. A limited company has a board of directors chosen by shareholders. The board represents the company and controls its management. The board can elect a managing director, who will take care of company's daily management.

A foundation agreement is created when establishing a limited company. It can contain such information like the name of the business, domicile, and the line of the business. Generally it includes details on the members of the board of directors, the managing director accounting period, number of shares, as well as how founders divide the company shares. Registration form Y1 has to be submitted to the Finnish Trade Register before commencing business activities. Registration fee in this case equals 350 €. Foundation agreement should be attached to the registration form, and share capital must be paid to the new company's bank account. If some founder invests non-cash assets, there should be a term in the foundation agreement about the situation, that share subscriber has the right or duty to pay

share's price by non-cash assets, i.e. own tools, premises or equipment. Also, an auditor's statement has to be attached, whether such non-cash assets have financial value to the company. The statement may be given by a firm of accountants.

Shareholders should write agreement explaining the relationships between shareholders and their relationship with the limited company. It will help to control the legal risks and avoid unnecessary arguments between the shareholders and the company. Legal experts can help in creating of such agreements. Limited company is suitable for all kinds of businesses. Moreover, for larger companies with share capital over 80000 €, a public limited company is suitable form of enterprise. Shares of such companies are offered to the public and traded on the stock market. (Uusyrityskeskusverkosto 2011, 25.)

2.4 Co-operative

A co-operative is an association of individual persons. Co-operative is managed together by all members, and it can be established for economical, social, and cultural objectives. At least three people or organizations are needed to establish a co-operative. Members' capital is co-operative capital, but if a member leaves or he is removed from the co-operative, he gets his capital back from the co-operative. The members are liable for the obligations of the co-operative only by the capital they have invested in the co-operative. Decisions are made by members, and each member has one vote. The members can elect the board of the co-operative, which takes care of representation and management of the co-operative. Also, the board may elect a chief executive officer, who will be responsible of daily management of the co-operative.

Registration form Y1 is also used for registration of the co-operative and charge for registration is 350 €. Regulations of the co-operative have to be created in order to establish a co-operative. The name of the co-operative, its domicile, the line of business, the accounting period, amounts of members' contributions are specified in regulations. A co-operative is good form of enterprise for group of entrepreneurs, when each of them performs own job, and the co-operative performs billing, marketing and so on. (Uusyrityskeskusverkosto 2011, 27.)

2.5 Branch of a foreign organization

Foreign organization can establish its branch if it has business activities on a constant basis and permanent office in Finland. The name of the branch contains the name of foreign enterprise and addition indicating that it is a branch. The name of the branch is written in registered notification, which must be sent to the Finnish Trade register. Usually the addition is “sivuliike Suomessa” or “filial i Finland”. If foreign enterprise doesn’t belong to the EEA area, it has to get a license from NBPR for establishing a branch in Finland. (Uusyri-tyskeskusverkosto 2011, 27.)

3 TAXATION

I faced with certain questions about taxation. I had to visit tax office in Ylivieska and Tampere several times, because it was hard to find information in internet. I would like to divide taxation into two types: income tax and VAT tax.

3.1 VAT taxation

Types of VAT rates in Finland and VAT tax refund

VAT is consumption tax included by seller into sale price of goods or services. So basically, consumer pays VAT. In business-to-business operations entrepreneur who purchases any goods or services can deduct VAT paid to selling entrepreneur. VAT rate for majority of goods and services is 23% from 01.07.2010. VAT rate for food products is 13%, it also concerns catering and food services. VAT rate for books, medicaments, cinema, and passenger services is 9%. But export of goods i.e. sales outside EU are subject to 0% VAT tax rate, since clients are not residents of Finland. Moreover, entrepreneur has right to apply for tax refund of VAT he has paid to supplier. He has to be registered in VAT register that is why I decided to register as VAT-liable person. Since we deliver products to customers located in Russia, delivery price is also subject to 0% VAT tax. And this is one of our competitive advantages, since most our competitors are located in Russia and many of them are not registered as entrepreneurs even in Russia. (Uusyrityskeskusverkosto 2011, 34.)

I had to visit 2 times Tax administration office in Tampere to clarify about VAT tax refund from sales to Russia. And I got e-mail answer to my questions with information above. I also asked them about purchases of goods from other EU countries, because I had an order from one woman, who wished to purchase two Helly Hansen jackets from official website. It was impossible for her to purchase it from Russia, but it was possible to purchase it from Finland and I have ordered the jackets for her. And when time to fill periodic VAT tax return form came, I didn't know how to fill it correctly, since it was my first purchase of products outside of Finland, but in EU.

I wrote down the example of purchasing products from Netherlands. Jackets came to Finland from the company called Helly Hansen Distributie, which is located in Netherlands. VAT rate for goods in Netherlands is 19%. Sale price of jackets was 540 € and 19% VAT tax rate was included. I have sold jackets by 594 € with 0% VAT tax rate. VAT tax included into price 540 € is equal to 86.2 €. I didn't get tax refund for that, but I could sell jackets with 0% VAT tax rate. If I purchase goods from Finnish enterprise, I have to pay VAT tax included into sale price, but after selling it to Russia, I can ask for tax refund in periodic tax return form.

Periodic Tax Return

I fill periodic tax return form monthly. It should be submitted by 7th of each month. As an example, I fill periodic tax return about June's activity before 7th of August. Periodic tax return form is filled electronically on vero.fi web-site, where I can log in with my bank account login and access code. There I fill the form and send it. After that I pay to Tax administration bank account the tax amount payable in net bank. Couple of times I submitted periodic tax return form with delay, and I got fines for it. So now I fill VAT periodic tax return in time. When I have no VAT activity, I simply check appropriate check box and I don't have to pay tax then.

3.2 Income tax

Income gained by entrepreneur during his enterprise activities in private company is taxed as his personal income. The parts of the business income are labor income and capital income. Such division is based on the amount of the net assets of the business. Capital income is 20% of net assets for the previous year, and the rest is earned income. Also, the entrepreneur has right to chose whether 10% of net assets can be capital income or all corporate income is earnings. Capital income is taxed with 28% and labor income is summed with other entrepreneur's labor incomes. Then total labor income is taxed with progressive scale. In my case business profit was taxed as labor tax and summed with my other labor income (work). And total sum was taxed with progressive scale. (Uusyri-tyskeskusverkosto 2011, 32.)

I received by post letter with Business tax return for business operators and self-employed persons from Tax administration in January 2011. The form was with pre-printed name, address, business number, accounting period and due date. I had to fill the form and bring it to Tax office before 02.04.2012. The form was in Finnish and I visited Tax office for clarification and help with filling it. The form contains many items since it is unified tax return form for all corporate forms, i.e. limited companies, co-operatives and other forms of business fill the same form. I brought to Tax office my laptop with Excel document, where all information about business operations was stored and tax accountant helped me to fill the form correctly.

I didn't have to fill all sections of the form; I filled sections Business income and Business costs. After that I deducted business costs from business income and I filled field business profit. In Business income section I filled fields "net sales" and "received public subsidies". Business costs section included purchases, changes in inventory. Also, such fields as "net sales", "received public subsidies" are presented to calculate total taxable business income. I add Business tax return form in appendix as the form was submitted to Tax office (see APPENDIX A).

4 BOOKKEEPING

4.1 Day-to-day bookkeeping

According to Finnish Accounting Act, all businesses are obligated to keep accounts. It is good practice for companies to outsource their bookkeeping. So they pay for a service from an accountants firm. I agree with this practice since it helps entrepreneurs to concentrate on their business. But I decided to keep accounts by my own because I wanted to understand main bookkeeping processes and also turnover is so little, so there is no need yet to outsource bookkeeping. One more reason I do bookkeeping myself is that I can do single-entry bookkeeping, because I registered as entrepreneur professional and I don't have employees. If I had employees then I would have to do double-entry bookkeeping. Single-entry bookkeeping is the recording of just the business's income and expenditure. All other forms of enterprise must use double-entry bookkeeping, i.e. every business transaction is recorded in two accounts, namely in a debit account and a credit account. (Uusyri-tyskeskusverkosto 2011, 30.)

Day-to-day bookkeeping is based on corroborative documents. These include sales invoices, purchase invoices, bank statements and any other documents proving business activities. I bought a receipt book in Halpa-Halli, where receipt forms contain two pages: information about sale is written in first page and it is being copied to second page. One page is for client and second one is for me to confirm the sales. Receipt can contain such information as buyer's name, receipt's number, products bought, VAT tax rate, price before VAT, VAT amount, total price (including VAT), place, date and buyer's signature, business number. When client places order I fill sale receipt and give it to client. I keep second part and store them in folder. I have to keep them 7 years in case of tax inspection. I get purchase receipts from suppliers. It can be receipt from shop, where I bought clothes or goods or electronic invoice if purchase is made in online shop. There is written information about goods, price before VAT, total price and supplier's data. I use VAT amount there and deduct it from VAT amount of goods I sold and I get VAT amount to pay (or refund in case of sales abroad). I have to keep purchase receipts also for 7 year period.

I recorded all my business sales and purchases in Excel file. I decided to use Excel, because I don't have any specific bookkeeping programme, but I have Microsoft Excel programme and I had a course in university how to work with it. I used the possibility to insert formulae into cells, so it gives me amount of total sales, purchases, costs, VAT tax, deductible VA T and final profit or loss. It is convenient for me, since I can get more experience in bookkeeping and because it is small scale business. Of course when business grows it is worth to use a firm of accountants to outsource bookkeeping. Firms of accountants are experts in statutory bookkeeping, VAT and business taxation.

4.2 Accounting period

Since I registered as entrepreneur professional, the accounting period is always a calendar year (1 January – 31 December) or shorter. My accounting period was 6 months in 2011 from 01.07.2011 till 31.12.2011. For other forms of business accounting period is also normally 12 months. Though, first accounting period can be shorter or longer than 12 months but can never exceed 18 months. Also, a business's accounting period doesn't have to be a calendar year (for example, 1 June – 31 May). (Holopainen 2009, 99.)

5 E-COMMERCE

5.1 E-commerce approach

It is impossible to imagine modern world without the internet. The internet has changed humans' life in the same way like invention of TV and electricity. Internet contains unbounded amount of information, and information can be transferred worldwide within a mouse's click. Huge amounts of money and capital are moved in the internet from hands to hands and from countries to countries. People make investments online, play the stock market and spend a lot of time for financial news. It shows well that internet allows getting access for information and financial flows to people, who is interested in investments and business. There is significant amount of online shops also and this amount grows rapidly. Big businesses open online shops in addition to its offline business since they understand the importance and possibilities of online sales. Smaller businesses also can see great advantages of electronic commerce. It decreases initial investments, covers potentially the whole world and doesn't require renting or owning offices or shop places, its maintenance and shop's decoration.

I don't say either that e-commerce is easy, I just believe it is easier to launch or try to implement own idea without big losses in case of fail. E-commerce business obeys normal business laws, since there are the same needs and problems, i.e. customer acquisition, sale of goods or services, interaction with clients. Just it uses different technical approaches, what became available due to modern technologies. Usually e-commerce has offline divisions as well, since goods purchases, deliveries and so on are offline activities, but sometimes entrepreneurs sell own knowledge or information. In this case they can operate only online, including products delivery, when they just they send by e-mail or by other ways their training courses or books. Sometimes companies start offline and after they have ready and working offline business, they expand it to the internet. Thus, e-commerce is business requiring the same business skills as offline business, but additional technical approaches available in modern world. I believe e-commerce will develop and in future almost all companies will operate online as well.

Additionally, I had web site creation courses in college, and I had the interest to web site creation during a long period of time. At the beginning of last year I decided to remind and

learn more how to build web sites. After couple of months I succeeded with web site creating and it became my hobby, but I realized as well, that simple website creation is just technical process, and it doesn't give you any benefits unless you are paid for it, or you devote a lot of time for filling the site with interesting content and place paid advertisements. Simple web site creation also couldn't disclose my knowledge from university, and I started to think how to combine both my hobby and future profession. And I realized that e-commerce is what I want to do in future and it combines technical skills as well as knowledge of economics and business. When I understood about possibility to start some e-commerce business with less investments and its many other advantages, I completely decided what I want to do as my profession and what areas I want to develop in. Of course e-commerce has its own lacks, for example it requires investments into advertising, time to learn new techniques and the same skills required for offline businesses. But still I think it will develop, and more and more businesses will expand their trade and services also to the internet.

5.2 The Website of the Company

The website is the core around which the business is built. Interaction with clients, products catalog, contacts, company's blog and other important items are held on the site. It also gives functionality for clients to place an order, subscribe to the news, read information about Finland and its culture, say own opinion about product and chat on forum. It provides as well the workflow for administrators, where they can easily add products, track orders and communicate with clients via contact form. The site is integrated with Russian most popular social network "Vkontakte", and posts on web site are added automatically to the Finnexport's group in the social network.

5.2.1 Functionality of the Website

The site is powered by Drupal content management system (CMS), it is free powerful CMS, which gives numerous abilities for web site such as forum, blog, online shop and many others. It also provides easy administration interface for adding and editing content, user administration and site's maintenance. CMS Drupal provides also great data protec-

tion system and it is developed by powerful community, which adds more functionality to CMS, fixes security bugs and gives free support with troubleshooting. That is why sites of US White House, French government and other serious organizations are built on Drupal CMS.

I decided to use CMS, because online shop's creating requires much more knowledge of web technologies than simple static web site, and it takes months and even years to learn all the details of qualitative web site creation. Of course learning of CMS also takes time and requires technical skills, but in this case you don't have to "invent the wheel" again, since all standard solutions are already made by professionals and are available for use by people without several years of studying for web programmer. It took around half of a year for me to learn how to build web sites powered by Drupal, and now I can create powerful web sites without significant programming skills. And even if I will need some nonstandard solution, I can create a custom module and realize functionality there or I can hire a professional, who can add needed functionality to Drupal site for smaller price than order of whole web site in web studio. (Shreves, Dunwoodie 2011.)

5.2.2 Design of the Website

The design of the site, site logo and site's style is created by me as well. I decided to use blue, grey and white colors, because they reflect business theme. Also, white and blue colors are associated with Finland, its flag, culture and products. I tried to implement all my knowledge to provide good usability for clients, when they easily can navigate on the site, find products, information, or contact administrators. There is catalog of products on the site, which is divided into categories for better navigation and products search. Also, visitors can type text in search field, and if there are matching products or other information on the site, it will be displayed in search results to visitors. I created as well images for categories and sliders on the front page with the help of Photoshop programme. During site's creation course I also learnt how to create more attractive images with Photoshop, since visual information normally is more interesting for people than plain text.

5.3 Site maintenance

5.3.1 Content and Website Administration

The site has a section for administrators, where they can make all necessary actions with web site. Administrators update Drupal CMS and receive all the information in form of report. Search log is also available and it is possible to see what people look on the site, and it can give ideas what information or what product to add in future. Generally all site's settings and configuration is made in administration interface. Technical details are beyond the scope of the thesis, and I will not describe all settings and options available. I would like to write about options what are extremely useful for online shop maintenance and reduce human involvement into site's workflow. Such options are content and user administration as well as orders tracking and reports logging.

By content administration I mean friendly interface for adding, editing and deleting any content. Content is divided into content types, for example, basic page, product, blog entry, news article and so on. Thus, it is easy to add any product within the interface, edit it or delete. For example, while product adding, I simply click the button "Add product", then I fill all necessary information like title, description, price, weight, I attach product's image, choose category and click "Save". And product appears immediately in catalog under corresponding category. This way is much more convenient than adding information about product straight to site's database during my first attempts of creating online shops. So I can easily perform this operation and, what is more important, show other administrators how to easily add products to the web site without any technical skills. The same approach works with any kind of content, for example, with blog entry or article, and I can maintain the site's content and keep it updated easily. (Shreves et al. 2011.)

5.3.2 User and reports management

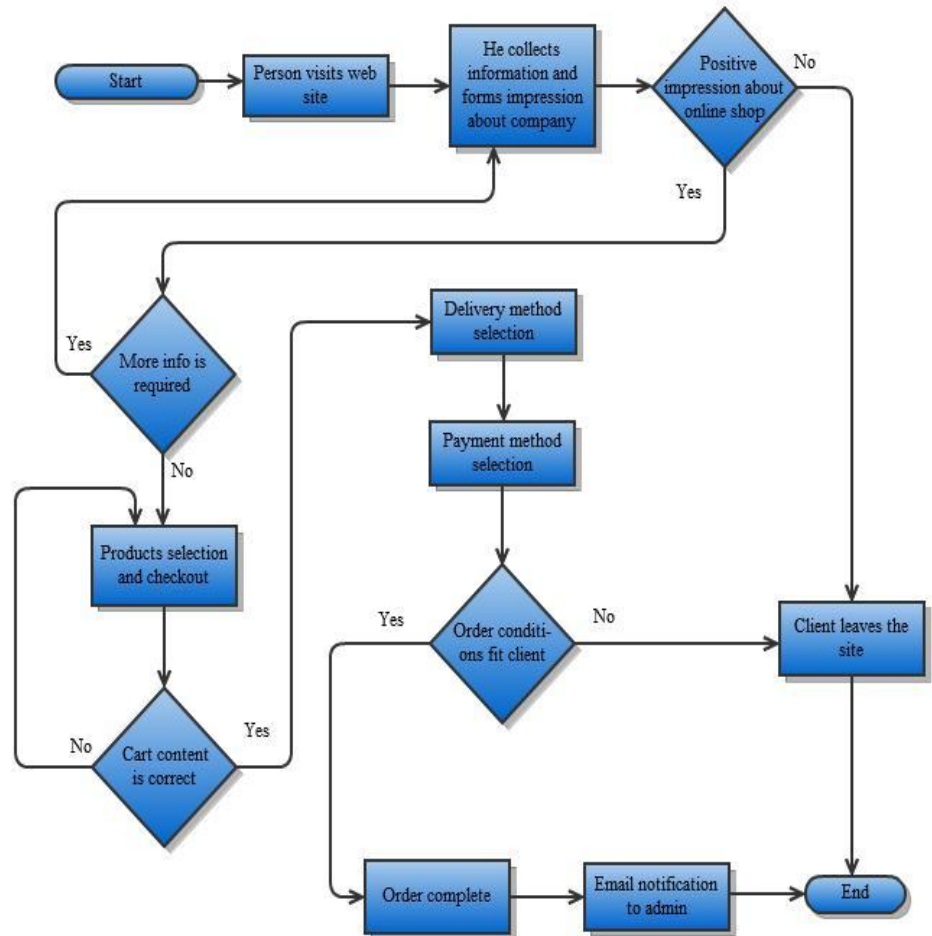
User management provides me with abilities to control user behavior, add new users, block or ban suspicious users and spammers, assign roles to users, delegate access rights for certain content and so on. I have also ability to contact every user and read basic info

about person, if person wrote some basic information during registration such as his city, cell phone etc. I have possibility to create various user roles like regular customers, and set for them some privileges, for example, discounts. It is possible to grant users possibility to create some content and I plan in future create blogger user role for people, who wish to create blog posts about their shopping experience in Finland and about other interesting topics. Clients' orders are stored and it is possible to see order's history of each user. Moreover, even if they don't make an order, but add products to shopping cart, cart content is stored till next clients visit and it is visible for administrator as well.

Reports and statistics are also available for web site administrators, and they are handy tools for site maintenance. All information such as new users, new orders, recent comments, available updates, errors are logged, and can be presented in the form of reports. It simplifies control over the site, especially in future, when amount of registered users, content, and comments will increase. E-mail notifications can be set up for most common situations, and it simplifies even more site's maintenance.

5.4 Order placing and processing workflow

As the most business's aim is to sell product or service, online shop's aim is to take an order and process it. Visitor of web site usually finds it by typing search words in search engines, so if there is visitor on web site, he or she can be potential customer. But in reality the number of real customers comparing to visitors is very minor due to various reasons. Someone cannot find convenient payment method; someone doesn't like web site's design or terms of service. I have read articles about this issue, and e-commerce experts believe that products ordering plays significant role in client's decision about purchasing. I still have to learn more about improving ordering process, and I believe in future I will get more experience in it. And I decided to create ordering workflow chart in order to show ordering process on the website. Graph 1 describes the ordering workflow process in informative way.



GRAPH 1. Ordering workflow process

Every order can be done only if potential client visits the website, because if there are no visitors, there are no orders as well. Visitor can find the website via search engines like Google, or he can see the link on the website in social network or get it from his friends or relatives. If person visits the website the first time, he gets a first impression about the company from website's design and functionality. I have read even in one article, that visitor decides in 5 seconds whether he will spend time on the website or leaves it immediately. If visitor received positive impression, he can start looking for information about products and services, payment and delivery terms, and other important information for decision making about purchasing. If visitor doesn't like website's design, products in catalog or other sometimes minor details, he can easily leave website and continue browsing of the internet. He may also have some specific questions, which can be solved by contacting of administrators or search on the website.

If customer wishes to buy some products, he browses catalog and adds products to cart. After that he proceeds to checkout and checks cart content. If it is incorrect, he can easily return back and make needed corrections. Then potential client needs to select delivery and payment methods, and if order conditions don't fit him, he or she usually leaves the website. If order's conditions meet client's expectations, he completes an order, and e-mail notification about new order is being sent to website administrator's e-mail. If customer is new on the website, he is offered possibility to sign up, but it is possible to make an order like a guest client, i.e. no registration required.

5.5 Interaction with website visitors

Customer interaction is crucial factor in business, and it is also taken into account by the company. First of all, there is subscription form for visitors on the website, so they can enter e-mail and receive information about company's news, special offers, and discounts. It is important and good practice to remind clients about company, in my opinion. Especially, when they can easily find competitor's company using web search or other sources of information. Thus, base of email addresses allows easily reach customers, if there is need for it, and it is very convenient in e-commerce and any business in general. It can't be treated as spam, since people agree with mailing, and they can easily unsubscribe from receiving company's news and offers, if they want to. (Megna 2009.)

Company's blog is another way of interaction with website visitors. Our company's blog posts contain useful information about Finland, its life and culture. Visitors can find information about studying and work in Finland, travelling and shopping as well as about different places to visit and other valuable information. I believe it would increase visitor's credibility and simply help them with information they are looking for. One more advantage of blog is the unique content. It helps the website to move up in search results, since search robots index better a unique content and it is good and free possibility for increasing of traffic. I'm planning as well to create company's forum, where visitors and clients could chat with each other about Finland, Finnish products, interesting places and so on. It would increase interactivity of the website since communication between people is always more interesting than reading of static information. But it requires certain amount of website visitors for forum development, and such amount is not reached yet at the moment.

It is known nowadays social networks are meeting places for enormous amount of people discussing about their everyday life. I learnt in university that some company's reputation was undermined by one's negative post in Facebook, which could be shared by thousands of people. But it may be also great marketing opportunity, since company's page can be created in biggest social networks for free. I used this possibility and created company's pages in Facebook and Vkontakte (Vk), the biggest Russian social network. Company's pages in social networks allow to people to share the information about the company just by mouse's click. I concentrate though more on integration with Vk, since at the moment it is more popular in Russia than Facebook. I also found the way of automatic new content posting from website to company's page in Vk. It saves my time with maintenance of the page, and keeps it updated. Thus, any new added product, blog entry or article is being posted automatically to company's wall and appears in news feed of page's participants.

I also implemented share buttons on the web site, when visitor can share information on his profile page in social network by clicking "share" button. He also can easily send the text from website to his friends via email. Comment on website also add interactivity for visitors, and each product, blog post or news article can be commented by viewers. Commenting system is integrated as well with social networks and website visitor can easily comment using comment form from social networks. This way of commenting can be convenient for visitor, since he doesn't have to pass spam test, and such comment can be viewed and shared by his friends in social networks.

6 LICENSING

6.1 Licensing system of enterprises in Finland

In Finland, there is a freedom of trade. This means that it is possible to carry out here any lawful and according to good practice business without requiring permission from authorities. However, certain industries require licensing for safety of the community, the environment and consumers. Some areas require notification the authorities of business operations, even though an official license is not required. Licenses are given by local authorities of municipalities and cities, regional administration offices, government departments, local environment-protection authorities and other licensing authorities. It is always worth checking whether a special license or notification is required for business before starting business operations. Other requirements also should be checked. To obtain a license entrepreneur have to be competent in his field of business and be able to enter into legal contracts. Reputation of entrepreneur is also considered when obtaining a license as well as his or her financial situation.

Generally license is given for a fixed period and it can be revoked if entrepreneur violates the terms of the license. When entrepreneur applies for a license, he has to pay application fee and in some cases he has to get license from different authorities. For example, catering business requires hygiene certification, certification to serve alcoholic beverage and declarations to health inspector, the rescue services, building-regulation inspection and police. I got to know that different licenses are issued by different departments. Healthcare professionals trained abroad such as doctors, dentists, nurses, psychologists and therapists need to apply for the rights to work in healthcare industry in the National Supervisory Authority for Welfare and Health, Valvira. Licenses for import are granted by Finnish Customs. Businesses dealing with food such as restaurants, kiosks and shops have to get approval by the Finnish Food Safety Authority, Elvira before starting business operations. Hairdressers, barbers, beauty salons and tattoo salons need an approval by local Health Protection authority.

6.2 Licensing issues related to different industries

I found out whether I need a license before starting business operations. I visited Employment and Economic Development Office and received the information about licensing. In case of export there is no need in any licensing. I got the answer in Customs office in Tampere. As I wrote above, importing issues require licensing from Customs. When I was looking for the information whether I need license or not, I have found such convenient table with industries requiring license or notification to authorities. I decided to adapt the table to the thesis as table 1. There are also links attached to the web site of authority, where additional information can be found. I decided to write about licensing, even though I didn't have to get any license or permissions from authorities, because it is important issue in my opinion and questions about licensing should be checked in advance, before starting any operations. If some entrepreneur starts business requiring licensing without getting license, he will get penalties and even suspension of business activities. It can also reflect reputation of business and cause additional inconvenience for entrepreneur and authorities. Especially if business is launched in food industry, sales of alcohol and tobacco, health care and health protection. (Uusyrityskeskusverkosto 2011, 22.)

TABLE 1. Industries where a license or notification to authorities is required (Adapted from Uusyrityskeskusverkosto 2011, 23)

Industries	License or registration authority	Link
Inspection of vehicles	Finnish Transport Safety Agency – Trafi	www.trafi.fi
Serving alcoholic drinks in restaurants, etc. and the sale of alcoholic drinks (medium-strength beer, cider and very light wines) in food stores	The Finnish Regional State Administrative Agencies	www.avi.fi
Manufacture and import of alcoholic drinks	National Supervisory Authority for Welfare and Health – Valvira	www.valvira.fi
Sales of firearms and ammunition	Finnish Police Administration	www.intermin.fi
Pharmacies, pharmaceutical plants, pharmaceutical wholesale businesses	Finnish Medicines Agency – Fimea	www.fimea.fi

(Continues)

TABLE 1. (Continues)

Estate agents,	The Finnish Regional State Administrative Agencies	www.avi.fi
Driving schools	Finnish Transport Safety Agency - Trafi	www.trafi.fi
Right to use sponsors' marks on precious-metal products	Finnish Safety Technology Authority – Tukes	www.tukes.fi
Mining operations	Finnish Ministry of Employment and the Economy	www.tem.fi
Credit, financing and investment activities	Financial Supervisory Authority	www.finanssivalvonta.fi
Transport of patients	The Finnish Regional State Administrative Agencies	www.avi.fi
Electrical and lift contractors	Finnish Safety Technology Authority – Tukes	www.tukes.fi
Goods traffic, taxis, public transport	Centres for Economic Development, Transport and the Environment (ELY)	www.ely-keskus.fi
Telecommunications	Finnish Communications Regulatory Authority – Ficora	www.ficora.fi
Sales of tobacco	Local authorities	www.kunnat.net
Hiring of labour	Regional administration offices, responsibility for occupational safety	www.avi.fi/tyosuojelu www.tyosuojelu.fi
Large-scale industrial processing and storage of hazardous chemicals	Local environmental-protection authority	www.kunnat.net
Minor industrial processing and storage of hazardous chemicals	Rescue services	www.pelastustoimi.fi
Insurance brokerage, insurance companies	Financial Supervisory Authority	www.finanssivalvonta.fi
Package-tour companies	Consumer Agency	www.kuluttajavirasto.fi
Security companies	Finnish Police Administration	www.intermin.fi
Private healthcare services	The Finnish Regional State Administrative Agencies	www.avi.fi
Private schools and day-care centers	Local Authorities, The Finnish Regional State Administrative Agencies	www.kunnat.net www.avi.fi

7 FUNDING

One of the most crucial problems for a new business start-up is funding. In my opinion, it is one of fears entrepreneurs face even during planning of the business. Nobody wants to risk own money without being sure business is profitable. It can ruin dreams of many people to start own business. Luckily, support of new business is developed in Finland pretty well. I got to know there are several ways of funding for new businesses including equity capital, loans, capital investments, business subsidies and start-up grants. While searching information about funding I collected useful information, which probably will help me in future while doing this business or launching new one. Needs and sources of funding can be determined in the planning stage. I describe sources of funding any business.

7.1 Equity capital

Entrepreneur can invest own money or any other assets (i.e. intangible assets). The entrepreneur's own money, machines or work tools are determined as self-financing. Usually banks or other lenders require that entrepreneur provides around 20 % of the funding finance before they consider granting a loan. Relatives and friends of entrepreneur can also invest money into the business; they also can get a share of ownership by investing.

7.2 Loans

It can be risky and scary to take loans for business which may not succeed, but it is one way of funding. Businesses need external capital for business operations, i.e. it can be determined as leverage for strengthening business's abilities to pay for suppliers or purchasing equipment or raw materials. Generally, loan finances can be granted by different banks with various loan repayment terms. Finnvera, a financing company owned by the State of Finland, provides financing and funding for growth and internationalization of enterprises and guarantees some enterprises against risks. Interest is paid on a loan and finance provider receives an interest margin and a handling fee for the loan. Usually banks require a

real security for their loan, for example entrepreneur can pledge a home and company can pledge its assets. Different banks offer different loan terms, so it is worth checking as many banks as possible for finding best offer.

Some friends can give money to entrepreneur with conditions to get it back with interest. Entrepreneur and his friend in this case should write down and sign their agreement on loans and repayment terms. Leasing finance is one of forms of funding; it is a process by which a firm can obtain the use of a certain fixed assets for which it must pay a series of contractual, periodic, tax deductible payments. Credit cards and supplier credit (payment to supplier later) can be also used entrepreneur as short-term financial help.

7.3 Capital investments

Investments in a business can be made by capital investors in return for a share of ownership. Capital investors usually are some capital-investment companies or individuals who provide capital for business start-up (business angels). They require usually less than 50% of the shares because they take a risk when they make an investment. The terms of the investment can be different and should be discussed with various investors.

7.4 Business subsidies

Subsidies can be granted by the Centres for Economic Development, Transport and the Environment (ELY centres) for planning of business. ELY centres require that the business is profitable and subsidy's amount depends on the location of the company and business field. Entrepreneur should apply for the subsidy before he invests capitals into business. Benefit of subsidies comparing to loans is that there is no need to pay back the subsidy. Entrepreneur should report usage of subsidy though. Also, Foundation of Finnish Inventions (Keksintösäätiö) and the Finnish Funding Agency for Technology and Innovation support innovative businesses (Tekes) support innovative businesses.

I have tried also to find additional funding sources for the business, because it is of very importance for any business after start-up. I had own equity capital and I have borrowed

money from my friends to purchase a car. I wasn't interested in taking a loan from bank or from Finnvera, because I wasn't sure in my solvency. I didn't ask any business angels to invest into my business idea either, since I couldn't offer any shares or investment return. But I visited ELY centre in Ylivieska and asked about my chances to get subsidy. At first they understood me wrong and they thought that I just want to ask for money for my social living, so they were not so friendly to me, but after I have explained that I'm trying to establish online-shop and other business lines (i.e. home products delivery), they gave me application form to fill and coordinator's contacts. I have met with coordinator when he wrote to me that my application is processed and he explained me, that I ask for too little business aid and it is not worth to get it from ELY centre. I applied for aid in amount of about 1000 € so I was explained that ELY centres consider applications requiring higher investments starting from several thousand Euros. I were informed as well that if entrepreneur gets financial aid from ELY centre, he has to report about funds using and if business fails, he has to clarify how it happened and what funds were invested in. I remember how coordinator told me: "If you take the subsidy you lose your freedom of action". He suggested me to apply for funding in Rieska-Leader, organization, which supports local businesses and youth activity in Ylivieska region and neighborhood.

I decided to visit Rieska-Leader and I got to know the conditions of subsidy granting. There are two kinds of grants. One is grant for local businesses which apply for over 4000 € subsidy. Second option is grant for youngsters who want to try some own project. Grant for local businesses requires that amount of money they need would be equal or more than 4000 €. And the subsidy would cover only one fourth of the total amount, i.e. if entrepreneur would need 4000 € for business costs, he would get only 1000 € in case of approval. Business also should be local and be oriented for social services, kids and women. One more inconvenience is that decision is made on the meeting of Rieska-Leader representatives and they discuss about its usefulness and profitability since financing comes from European Union. Second option is financing of youth projects up to 500 €. Applications can be sent each 3 months and decision is made locally. I have chosen to apply for youth project, filled the application form and sent it Nuoriso-Leader (name of organization for youth projects) before deadline 31 of August 2011. I filled in all required information in application form, description of business idea, costs estimation and financing required for costs covering. For example, I declared as costs equipment for business, advertising and fuel. One condition was that I needed to return purchase receipts for costs back to Nuoriso-

Leader office. My application was accepted and I have got subsidy in amount of 495 €. I didn't use the subsidy exactly for Finnexport online shop, since I tried also to organize food home delivery, but I decided to write about the subsidy from Nuoriso-Leader, because home food delivery was mentioned in application to Trade register while registering of business name, so the delivery service was under the same business number and I mentioned the subsidy also in tax return form. Moreover, I have applied one more time at the end of November for one more subsidy from Nuoriso-Leader. The subsidy was about snow cleaning service, since it is not allowed to apply for the same project more than once, but it also was under the same business number.

With the help of the subsidy from Nuoriso-Leader I could spend some money on advertising without stress that I use own limited student money for advertising and covering business costs. I could order advertisements in local newspaper namely Vieskalainen, and I got some calls from people and clients who made orders. And it was good solution for me in my opinion, since electronic commerce requires less investments and costs than usual one and I still had to visit lectures in university of applied sciences, so I couldn't devote all my time and powers to business.

7.5 Start-up grants

I would like to mention also start-up grants, a form of support money that can be paid to some person, who decided to be an entrepreneur. These grants are available in the very beginning of business if the entrepreneur spends all his time for establishing a business. Start-up grants assure that entrepreneur has means for subsistence when the business is just set up and doesn't bring any profit yet. Entrepreneur should be able to establish profitable business and s/he should have business training or business experience. The support is not funding of business but it is for entrepreneur's subsistence i.e. for paying rent, food and other living expenses. One more condition for granting is as I mentioned above is that the entrepreneur must work in the business full day. Entrepreneur have to provide business plan and profitability calculation as well as tax-liability certificate, which may be ordered via the web site of the Finnish Tax Administration or may be collected from a tax office. Start-up grant's amounts varies between 550 € and 880 € and are paid once per month depending on the situation. This sum is taxable income, i.e. tax is levied on them. Grants are

paid usually for a period of 6 months, but they can be also granted in some specific cases of up to 18 months. (Uusyrityskeskusverkosto 2011, 22.)

An application for the start-up grant is applied to local Employment and Economic Development Office. It must be done before starting any business operations, other way application won't be approved, and operations shouldn't be started before the Employment and Economic Development Office has made a decision on the start-up grants.

The conditions of granting start-up grants are that:

- 1) The applicant has experience as an entrepreneur or the necessary training in entrepreneurship, which can also be arranged while support is paid
- 2) The applicant has, in other respects, sufficient skills for the business operations that s/he is planning; the nature of the operations is taken into account here along with how demanding they are
- 3) The business is able to operate profitably
- 4) The applicant is not receiving state support for his/her labour costs
- 5) Daily unemployment benefit or unemployment (as specified by the Finnish Act on Unemployment Benefits) is not paid to the applicant for the same period
- 6) The business's operations have not been started before a decision has been made on the granting of support
- 7) It would clearly not be possible to commence operations unless support was granted to the applicant
- 8) The provision of support will not distort competition between those offering the same products. (Uusyrityskeskusverkosto 2011, 22.)

I got the information about the possibility to apply for start-up grant after I have already started business activity, but still I decided to visit the Employment and Economic Development Office and ask about possibilities to obtain start-up grants. One worker listened to me and after I finished she explained to me conditions for granting, which are written above. She asked me whether I have registered the enterprise and the answer was "yes". Then she told that it is impossible for me to apply for start-up grant in there. I also realized that I don't suit to the conditions, because I don't have any entrepreneur's experience and sufficient business skills as well as I wasn't sure whether it will be profitable or not. Still I felt how the lack of the information can affect business's growth. Theoretically, some person could apply for a grant before registration of the enterprise, find entrepreneur's training and be secure about his/her living expenses. It also shows government's position providing beginner entrepreneurs with friendly environment for establishing and doing business in Finland.

8 SWOT ANALYSIS

It is always good to analyze the situation and be aware of all factors influencing person, his/her life or projects. In university lectures of Strategic Management I have learnt about different methods for analysis and assessment. Some methods are suitable only for business, by using others it is possible to analyze all aspects of humans life. I have studied about SWOT analysis, Porter 5 forces analysis, PEST analysis and some other methods. All the methods let us to take a look at the business or project in a broad perspective. Analyzers have possibility to take into account factors they haven't thought before and plan business with respect to those factors, increasing thus a chance to succeed.

8.1 Description of the Analyzing Tool

I decided to evaluate the project with the help of SWOT analysis. SWOT analysis or SWOT Matrix is a strategic planning method, which is used to evaluate the strengths, weaknesses, opportunities, and threats involved in a project or in a business. The acronym SWOT is formed from initial letters of the words mentioned above. The method specifies the objective of the business or project and divides factors into external and internal, which in turn can be favorable or unfavorable to achieve that objective. Generally, objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the organization.

- Strengths: characteristics of the business, or project team that give it an advantage over others
- Weaknesses (or Limitations): are characteristics that place the team at a disadvantage relative to others
- Opportunities: external chances to improve performance (e.g. make greater profits) in the environment
- Threats: external elements in the environment that could cause trouble for the business or project

Analyzers need to ask and answer important questions and find most appropriate information for each question. This will help to benefit of the analysis and find the most reasonable objective. I drove a graph in Photoshop to show how SWOT matrix is constructed. Strengths and weaknesses belong to internal factors, which reflect business's or project's condition at the moment and can be influenced by analyzer. Opportunities and threats belong to external factors, so project manager or businessman can not affect them, but s/he can take into account them and correct project's or business's objectives and strategy. Normally, the SWOT analysis is presented as a graph or table layout for more convenient analysis and graph 2 is the example of that.



GRAPH 2. SWOT analysis example chart

SWOT analysis is often used in marketing as a method of identifying competitors' position at the market and marketing managers can even create SWOT analysis for each competitor separately, thus they can obtain more full information about their company's and its competitors market position. Generally, SWOT analysis can be used in many areas, not just for commercial organizations. It can be used for analyzing non-profit organizations as well, or some person. Also, SWOT analysis can be made for whole organization or for some of its part. Different SWOT analyses for different organization's directions can be performed as well, for example, SWOT analysis in marketing and SWOT analysis of organization's in general. (Marketing Teacher 2010.)

8.2 SWOT analysis of the Company

I performed the SWOT analysis of organization as a whole. I thought about internal factors, what are up to me to change and external factors, what cannot be changed, but could be useful or harmful for the business. I present the SWOT analysis of Finnexport as a table 2, and I will clarify each item below the table.

TABLE 2. SWOT analysis of Finnexport

	Helpful	Harmful
Internal	Strengths <ul style="list-style-type: none"> • Knowledge of Russian culture • Client-oriented approach • Quality of goods • Openness to new ideas 	Weaknesses <ul style="list-style-type: none"> • Lack of experience • Shortage of capital • Absence of business system • Diffidence
External	Opportunities <ul style="list-style-type: none"> • Large market • Globalization • Growth potential • New services 	Threats <ul style="list-style-type: none"> • Customs • Competitors • Political situation • Legislation

I also would like to clarify why I have chosen these factors and how they affected at my objectives.

8.3 Company's Strengths

8.3.1 Knowledge of Russian culture

I took it to the strengths because all the business is oriented to Russia, Belarus and Kazakhstan. I mentioned Belarus and Kazakhstan since there is The Customs Union between Belarus, Kazakhstan, and Russia which was formed on January 1, 2010. So there is no customs between these countries and goods can be moved to end customers without any custom fee. Undoubtedly I have some understanding of Russian culture and culture of some

Commonwealth of Independent States (CIS) countries since most part of my life I have lived in Russia.

8.3.2 Client oriented approach

I thought how to inspire clients to order goods from our online shop. There are many web sites offering goods from Finland in Saint-Petersburg, so the service generally can't be called innovative. From other side, most competitors' web sites offer more or less the same variety of food products and household chemicals from Finland. I added these products as well, but I was thinking, what else I could offer to clients. I noticed that some people in Russia would like to buy various products in Finnish online shops, for example, H&M. Even though there are H&M shops in Russia as well, they have a belief that clothes in Finnish shops are made with better quality. Some people are interested in goods for kids, vitamins and many other goods they would like to buy. I thought it could be good service to provide people with possibility to order via Finnexport goods from other Finnish and European online shops. I decided also to try to understand clients' problems and desires and help them in solving it, without just attempt to sell something for momentary benefits. So, I kept in contact with clients via e-mail or social network, tried to find a product s/he is looking for and deliver it in most convenient way to client.

8.3.3 Goods quality

Quality of Finnish goods is well-known all over the world. There is no doubt in it. Russian customers are well aware of this and increasing tourists flow is evidence to this. Russian tourists come to Finland with many purposes, but one of the main reasons is shopping. They also bring Finnish products to their relatives and friends, and spread the information about its quality by the word of mouth. I witnessed this for myself too. Once my aunt asked me to bring washing powder from Finland when I went home during one of vacation weeks. Now she asks constantly to bring it since she could compare quality of Russian and Finnish washing powders with pretty similar prices. And such trend can be noticed in many kinds of products. Or if quality of products in Russia is high and corresponds to client's expectations, the price is higher comparing to Finnish products of the same quality. I would like to

mention as well that nowadays obligatory certification for food products, cosmetics, household chemistry etc. is cancelled in Russia and now there is no obligatory quality checking. Many people think it causes quality deterioration since effective voluntary certification system in Russia hasn't been established yet, while in Europe it is functioning well. The obligatory certification was cancelled by Decree of the Russian Federation from December 1, 2009 N 982. Of course there are regulations to control a quality level, but punishment is not as efficient as the moment as in EU, for example.

Openness to new ideas

In my opinion, willingness to obtain new ideas and implement it in life is one of the important factors of development and improvement in every area of the life including business. Also, I take into account the lack of experience and lack of professional skills, which causes mistakes and inefficient actions from one side as well as it doesn't limit us to some standard solutions, and let us think out of box sometimes. I also believe that it is better to develop such approach in the very beginning of working or business life and I heard the same words about thinking out of box during university lectures. I ask also customers about their ideas how to improve the service and how to make it more convenient for them.

8.4 Company's weaknesses

8.4.1 Lack of experience

I believe it is most common problem for all beginner entrepreneurs. There are many lessons about business in universities of applied sciences, business courses, various seminars, but all that courses and lectures don't provide people with experience. It can be obtained only by doing business in practice, facing the problems and solving it, making mistakes and correcting it. Thus, definitely lack of experience is a weakness for business, which should be taken into account. The problem is also that it decreases one's confidence and can even stop some people to start own business. I experienced myself how hard it is at the very beginning, and still I'm thinking this project is in its initial stage due to lack of experience in business. At first I had negative attitude to all idea of e-commerce online shop,

and about my ability to launch it. I still have doubts sometimes even now, but I decided that it is better to try and fail than not to try and regret about it. Also, I changed my attitude about actions and making of mistakes. Now I treat it as a certain stage in becoming a successful and experienced businessman.

I have read books about business and noticed authors claim in their books that making a mistake and further correcting it is the best way to get experience and become more self-confident. But formal education has another approach, where if student does mistakes, he shows lack of knowledge and gets lower mark, or even fails test. That is why most people are afraid of mistakes and they don't even try to start something due to fear of failing. Even though mankind has been developing by making mistakes and by solving a problem all the history. Another example is when baby is learning how to walk. Baby falls at first regularly, after some time he can do couple of steps and finally he can walk. His falling can be considered as mistake while learning how to walk. But it also teaches him how to keep balance and with time he understands how to walk.

I decided to think in the similar way that mistakes and actions are very good way to get experience. And it can be very valuable experience, which is so necessary in business, but cannot be obtained in university or seminar. As I mentioned before also, the project's aim for me mostly is to get experience in doing business, some essential skills what can be received only by actions. Of course I cannot say I am experienced now in business operations. People learn about it all life. But I can say that I realized how to get experience and I have done first steps in this long journey into business world. I believe it will help me in my future projects where hopefully lack of experience won't be in my SWOT analysis weaknesses' cell.

8.4.2 Shortage of capital

I consider lack of capital as one of the most common problems as well for entrepreneurs during initial stages of business. And even though due to my technical skills and e-commercial approach launching of the web site didn't require serious investments, capital is required for floating funds, marketing operations, delivery vehicle and other essential investments. That is one of the reasons I like e-commerce since it doesn't require invest-

ments into a rent of a premise and sellers there, for example. Generally nowadays it is easier and less costly to start business with technological progress. But it doesn't release business from other necessary expenses and in any way businessman will face with financing issues. I faced it as well and had to find solutions for that. I describe finance searching process in funding section.

From own experience I can say it can be stressful to invest own money in some project and own money often is not enough for providing conditions for business start-up. So entrepreneur needs to look for additional funding solutions and be able to invest additional funds from other sources like subsidies, loans or venture capital. Entrepreneurs can face with financial problems after establishing during business operations. For example, sometimes I had to add own money to buy some clothes with high prices for clients, because there were not enough funds on Finnexport bank account. So funding is worth considering and planning during all business activity and this weakness can ruin business activity, especially at the beginning of operations.

8.4.3 Absence of business system

To be honest, I haven't heard about business systems during my studies in COU. Nothing is said about it in guides for entrepreneurs either. But I have read about business systems in Robert Kiyosaki's books and in my opinion, they are of high importance. Kiyosaki claims that successful business consists of people and systems. Business system consists of components and parts which are interrelated and work as a whole. It contain subsystems like system of hiring personnel, bookkeeping system, reporting system, order processing system, customer care system and many others. It is essential to keep track of all systems and fix inoperative systems. Businessman can be called successful when he owns working business system and hires employees, who provide stability and development of a business system. There is such kind of self-employed persons who are called businessman and they are the part of business system they have created. Lawyers, doctors and shoemakers can be example of self-employed businesses where they are part of business. They cannot sell business to other people other than people of the same profession and on condition that buyers will work at the place of seller. Very often such kinds of businessmen have to perform most operations and control business in every way. They have to control bookkeep-

ing, take orders, and sell products or services and other routine stuff. It is very stressful and most amount of such businessmen stop business activity when they burn out on work.

I believe it is important issue and I experienced the decreasing of motivation after I had to do all stuff by myself. I had to keep accounts, report tax, take orders, process them, administer web site and solve other problems by myself. I had to work a lot to manage project and it took all my free time. My motivation and energy were decreasing slowly, and it affected even more on project's condition. I cannot say that now situation changed a lot, just I realized the importance of business system and I will work on creating more effective business system providing me with higher income and stability. In my opinion, it is very difficult process and maybe I will not succeed, but definitely absence of business system decreases business's stability and efficiency.

Let's look at McDonalds as an example to clarify what I mean. It is an example of successful business system, where all aspects of business issues are taken into account. There are systems from hamburger making process to restaurant's cleaning service. Employees wear similar clothes all over the world and say the same phrases, just in different languages. Supply chain is also similar everywhere and restaurant's layout is unified. All this tells us that business system of McDonalds is very stable and successful. It works everywhere and doesn't depend upon people. Every employee can be replaced by another person, and company sells franchises costing millions of dollars. It tells a lot about power of business systems and ability to create successful ones is an invaluable skill while absence of business system can cause inefficient management, losses and even bankruptcy. (Kiyosaki, Lechter 1998.)

8.4.4 Diffidence

Diffidence is also most common weakness for beginners in business and other areas of life. Feeling that you don't believe in your powers is familiar to everyone more or less. Its negative result can be that person doesn't try to reach his or her aims and dreams due to diffidence. Lack of experiences causes diffidence since no one can be sure in his ability to do something he hasn't ever done before. It is my weakness as well and sometimes I imagine very pessimistic scenarios and doubt my skills, motivation or knowledge. But I'm

trying to think in the way that I am not worse than others who successfully build own business, so I say myself that I should believe in myself and that finally I will be able to create working business.

8.5 Opportunities for the Company

8.5.1 Large market

Population of Russia is 26 times bigger than population of Finland. Near location of countries and St-Petersburg with five million citizens open fabulous opportunities for business operations on national level. I believe everyone who has ever crossed the border between Finland and Russia in weekend, he had to wait long time in the line and he could witness very big amount of cars with tourists going at Friday's evenings to Finland or at Sunday's evenings back to Russia. There are a lot of shopping molls, shops, cottages and other businesses providing services to tourist from Russia. In my opinion, it is very vice position of Finnish government providing all conditions for attracting money to the country, creating and keeping work places and developing economic growth.

I had an opportunity to work in cheese factory Valio. The factory is located in Haapavesi town, which is at the distance of 46 km from Ylivieska. Factory produces cheese and main part of all production is exported. He shift's manager told us that 75% of all production goes to Russia. I could see also how factory provides local citizens with jobs and has laboratories for research and development. While being in St-Petersburg during vacations I noticed in many shops and supermarkets that cheese from that Valio factory. I have read on one of the cheese's package that it has been produced in Haapavesi.

So it shows to me that Finnish companies use the possibility to sell their products to tourists as well as to expand to new markets, and they successfully do it. And I really consider that it would fit me also to do business between Russia or Russian clients and Finland. Because my Finnish speaking skills will not be enough for finding a good job in the area where Finnish language is required (i.e. seller in shopping mall), while working in factory or cleaning doesn't attract me since I have studied Industrial Management. So my specialty

and Russian as mother tongue give me more chances to find a job or establish business between the countries.

8.5.2 Globalization

It is reality of modern world. Borders between countries are getting more and more transparent all over the world. It decreases or even eliminates barriers in choosing of workforce, factory's location, in goods and finance movements. From one side, it can be dangerous for workers and economics of developed countries since factories can be moved to another country with cheaper labour force, reducing thus amount of employed people in the country, loading social security and losing taxes. From other side, it gives good opportunities for business for open-minded and experienced people. I have read about both positive and negative effects of globalization, but in my case I treat it as opportunity.

Russia joined World Trade Organization (WTO) 22th of August 2012. It definitely shows us the process of deeper integration, which will also ease a trade between Finland and Russia. Of course, custom duties will not be decreased immediately, but with the period of 10 years, which opens up new possibilities in trade and export. I have read the news and articles about Russia's joining to WTO and Finnish economists expect that there will be a positive impact on exports of goods and services to Russia. It also will improve the employment situation in Finland and gives lower trade tariffs (YLE 2012). That is why I treat globalization as a possible opportunity for me too since it will be easier to export goods to Russia.

8.5.3 Growth potential

While thinking about the idea of products sales from Finland to Russia, I was collecting the information about competitors and I realized that there are a lot of organizations and even individuals offering everyday essentials and food products from Finland to St-Petersburg and neighborhoods. So I was thinking that it will be hard to get significant market share there and I need to think rather about delivery countrywide especially to Moscow and other big cities in European part of Russia. But it requires experience and well tuned process of

products buying and delivery. So I decided to start deliveries to St-Petersburg at first and get some experience and even little amount of regular customers. But still I think it would be good idea to organize products delivery to Moscow, where over eleven millions citizens buy products with relatively high prices and average income will allow them easily to purchase Finnish products.

I understand that probably such huge companies like Prisma also have such plans and I cannot organize really big export and sales due to lack of experience, capital, confidence and many other things. But I believe it could be possible to launch shop of popular Finnish products in some shopping mall and deliver products to Moscow with the help of post or logistic company. I'm not planning to open sales point in Moscow yet, but I consider such variant in future if there will be prerequisites for it. I'm trying to provide customers from other cities with possibility to place an order and delivery by post though. It is not always convenient for them since product can pass custom clearance several weeks and then delivery lasts over a month in case of a delivery by post from Finland. So with sales point in Moscow it would be more convenient for customers and I treat it as potential possibility for growth.

8.5.4 New services

I didn't limit my project to just sales of products what are in web site's catalog. I looked for the information in the Internet what people want to buy from Finland and what they want to know about it. I decided to add product ordering form where people can write down products which they want to purchase from other Finnish online-shops or just shops. It gave to clients additional variations when they can buy products what I don't have on my web site. I'm looking for the information what people need and I will try to offer it to them. For example, at the moment some Russians travel to Finland to buy new iPhones and other electronics. It may seem to be senseless at first, but understanding comes with comparing of prices. New iPhone 5 costs in Finland around 800 Euros while in Russia the same phone costs starting from 1125 Euros. I mentioned about it since some people ask about the possibility to purchase with my help iPhone in Finland. It would be cheaper and faster for them to get it (in Russia sales didn't even start) even with my interest (15% from product's price, so $800 * 1.15 = 920$ Euros).

Products for cars are also popular and many Russians come to Finland to buy winter tires, spare parts and car care goods. Some car repair stations are interested in purchasing of spare parts from Finland or via Finland from Germany or other Europe. This information I got from my brother who works in car repair station. He told me as well that car repair station's owner is thinking about purchasing spare parts in Finland due to quality control and marketing goals. I asked my brother to talk to the station's owner about my web site and service and mention that I can deliver spare parts periodically from Finland to St-Petersburg.

I'm interested also to represent some Finnish companies in Russia and be official dealer of some production. I could be a middleman as well during communications between Russian and Finnish companies. I don't have any experience in it, but once I was asked to be a middleman between two companies. Russian company wanted to order big amount of thermo gloves for reselling to one of the biggest oil companies. Negotiations were not successful since such production volume couldn't be reached and Finnish company already had an official dealer in Russia. There are a lot of other ideas in the field of collaboration between two countries and I don't mean they all can or will work, it can be checked only in practice. But at least it will bring an experience and opportunity to detect working ideas and develop personal skills in business.

8.6 Threats for the Company

8.6.1 Customs

In my opinion it is very dangerous threat for Finnexport at the beginning of its trade activities. Firstly my plan was to send goods by international post from Finland to Russia. This way of delivery is slow and expensive, thus I had to look for other ways of goods delivery. Slow delivery by post was caused by customs clearance process, and I couldn't speed up the process. Of course clients were dissatisfied with long waiting time and complained to me about it. High cost of delivery by post is it's another disadvantage. It costs 30,05 € to send 2 kg parcel from Finland to Russia, and price increases in case of bigger weight. Thus, high delivery price and long waiting time both decrease clients' desire to purchase goods from my online shop.

Deliveries of products by own transport has its own lacks as well. There are limitations for duty-free transportation. Total weight of goods has to be no more than 50 kg and total price of goods has to be no more than 1500 €. In case of exceeding by weight or cost customs duties will be levied on an exceeding part of goods. This approach concerns importation of goods by private persons for own use. For commercial organizations custom duties are levied always and its rate depends on kind of production. Customs clearance is a time-consuming process and even stressful from time to time. There is another way to deal with customs as well. Entrepreneur can pay use the services of customs brokers and they will process a procedure of customs clearance. Usually it is expensive service and it fits bigger companies. Smaller businesses will have to pay for service a fee comparable with price of goods, so it is not a way to do a business for small or start-up businesses in my opinion. Difficulty of customs clearance is amplified by the lack of information and experience, thus it is important threat in export.

8.6.2 Competitors

The amount of competitors is significant and cannot be determined exactly due to the fact that some people make Finnish tourist visa, they travel to Finland periodically for purchasing of products and then resell it in St-Petersburg to their friends or via web site and social networks without official registration as entrepreneurs or organizations. I noticed as well increasing amount of Finnish products' shops in many districts of St-Petersburg and arriving on the market such powerful competitors like Prisma and K-Rauta. I mentioned Prisma Company since in St-Petersburg there are already 11 Prisma hypermarkets and Prisma group is planning to open around 30 hypermarkets in St-Petersburg and Leningrad region (List of Prisma hypermarkets in St-Petersburg 2012). Of course not all products in Prisma shops are of Finnish origin, but still Prisma represents Finnish products for wide share of St-Petersburg's population.

There is also huge amount of web sites offering Finnish products delivery to St-Petersburg and its suburbs and it is pretty easy to get lost among them. I almost gave up even while planning stage when I typed the search phrases like "products from Finland in St-Petersburg", "Finnish products", "online shop of Finnish products" and so on, because I found a lot of web sites with similar products and offers. That is why I started to think how

I can stand out from other web sites and gain regular customers. Most of such web-sites owners travelling to Finland purchase products from supermarkets located next to the border or in border cities like Lappeenranta and Imatra. They save thus gasoline and they don't have to tank a car in Finland. This issue allows them to set little delivery price and deliver products 2 times per week while me or Alex can travel only once per week.

Only one positive thing is from such a big amount of competitors that I can visit their web sites, check their products catalog and read client's wishes. In the rest of things they are threat for the project and force me to find new ways in service improvement. Also my aim is to build more effective business system and become recognizable while getting more clients. It would help to strive with competitors and prepare basis for further development.

8.6.3 Political situation

When trade between two countries is carried, then political situation should be taken into account. In general relationships between Finland and Russia are stable and neighborly nowadays. But they become a little bit tense from time to time. At the moment of writing the thesis there is a scandal about taking kids from Russian mother by Finnish child care service. It caused a public outcry in Russia because of Russian mass media. Even Russian Ministry of Foreign Affairs took part in the incident. There were politicians offering to suspend export of Finnish goods to Russia. In my opinion, Russian society receives falsified information from media. Probably it was caused by Russian government, because it is common practice for Russian authorities to distract society's attention from country's internal problems. (YLE 2012.)

I got such impression during my visit to Russia, where I had an opportunity to hear news from Russian media about the situation. I remembered this scandal since there were appeals to limit exportation and it showed me that political situation sometimes can affect trade between two countries. I don't think it will affect overall export of Finnish goods to Russia. I believe that Russian government just tries to solve own problems, since nowadays government's rating is very low, and its credibility is compromised by recent elections. Moreover, Russian government has certain control on mass media and such cases appear from time to time not only with Finland but other countries too. For example, US

rescue action in New York at the beginning of November 2012 was described by Russian media as late and unorganized while other sources claimed the opposite. I believe such flood's description could be made because there was a destructive flood in one town on south of Russia in summer 2012. It took the lives of 171 people and caused heavy criticism of government's rescue actions. That is why political situation is included into SWOT analysis, since it is not under our control but still can affect business environment.

8.6.4 Legislation

Commencing a business between two countries requires deep understanding of each country legislation and trends in legislation changes. Unfortunately, I don't have deep knowledge yet and still there is long way to get the appropriate information and experience in exporting. I can't affect at legislation changes either, so the best bet in case of legislation changes is to adjust the business to changing conditions. I believe here will be positive changes in trade legislation, since Russia joined WTO. But in general there are some inaccuracies in Russian legislation, what can affect at business environment and cause troubles during business operations.

SWOT analysis gives an understanding of company's advantages and weaknesses as well as external positive and negative factors influencing business. I understand better now what I should work on and what I need to eliminate. I realized also very good opportunities and threats, what should be taken into account. Now my aim is to attract clients and make a stable group of regular customers using client-oriented approach and implementing new services to clients. I need to remind them about good quality of goods and use my knowledge of Russian culture for better communication with customers. I need to concentrate as well on creating working business system, which will help me to control all processes easier and provide stable growth to the business. I understand that I need to get more experience for better business activity, and I take the project more like the way to gain new knowledge and get essential experience for future. It will also give me enough confidence to believe that I can achieve some results as a businessman. I realized lack of capital is one of project's weaknesses and I will think where to find or how to raise sales in order to reinvest all profit into advertising and increase in sales.

I can visualize more clearly great opportunities for growth in big Russian market. It gives me assurance in future output from my efforts and good planning horizon. Moreover, such trends as globalization can offer better conditions for trade and export of goods from Finland to Russia. Though, there are some major problems and threats as well. Customs clearance procedure is time consuming process, which also requires payments of customs duties increasing goods' price and reducing business profit. Competitors also add certain tension to me, since St-Petersburg is pretty near to the border and a lot of people travel to Finland from there and they try to resell some goods in the city. Since most of them are not registered as entrepreneurs in Russia or Finland, they usually don't pay any taxes from such income and can afford to put lower prices on products or they get higher profit from sales. I analyzed changing political situation, when some everyday case can cause conflict of a high level. This can cause in turn economical sanctions and deterioration of international trade. I need to keep eye on legislation changes, since they can be both positive and negative, and adjust my business activities in case of legislation changes.

9 LOGISTICS AND SUPPLY CHAIN

9.1 Suppliers

Product catalog on my web site contains various goods and products, and customer has ability to choose products in accordance with own preferences. There is no supply chain in classical way for Finnexport, because it is still in initial stage and sales amount is small and unstable. I planned at first to order goods straight from producers or wholesale stores, but such shops or producers require certain order quantity. And I can't provide them with such quantities since my sales volume is uncertain. Dealing with factories and wholesalers requires also own warehouse for keeping products and order forming, that is why it is good for bigger businesses, where the supply chain system is well organized and sharpened already. This is my goal in future to order goods from producers or wholesalers straight to warehouse and from there organize delivery to Russia. I will think about it in case if amount of clients will grow, business will be profitable and favorable conditions for bigger export.

Now my supplier of food, household chemicals and cosmetics is Prisma hypermarkets. I compared prices in several hypermarkets and prices in Prisma are the lowest. I checked some wholesaler shops as well such as Metrotukku, and still prices in Prisma are lower than even in wholesaler shops and that is why I chose Prisma to purchase goods at the beginning of business activities. Still I believe that products ordering straight from producers would cost less, but as I mentioned before, now it is not reasonable due to several issues. One may claim there are Prisma hypermarkets in Russia as well, but only one third part of all products there is of Finnish origin. That is why people still travel to Finland a lot to buy Finnish products and there is such demand for it.

Suppliers of clothes are various online shops of famous brands such as H&M, Anttila, Lindex, Seppälä, Vero Moda, and others. There is always a possibility for clients to order with our help goods from European online shops, if they offer delivery to Finland. I had couple of orders when clients wanted to buy clothes from normal shops that are not presented in Russia. Then I just had to visit shop in order to buy clothes and send it by post to client's address. Clients can order also other kinds of goods, not just clothes from other online

shops. They just need to write product's name, link to product on original web site, its price, quantity, and product's attributes (i.e. color, size), if any. I'm planning to offer to our clients possibility to order car spare parts and clothes from second hand stores with the help of Finnexport. I know as well there is certain demand for electronic devices also, because prices for electronics are often higher in Russia. For example, new iPhone 5 32 Gb costs in Finland 799 € while in Russia the same model costs over 1000 € and it is still unavailable in shops as of November 2012.

Clients can also order via us goods from world-famous online auctions and online shops such as eBay and Amazon. It is well known that some goods on eBay cost less than same goods in ordinary shops. Delivery to Russia is not available on eBay though due to issues with Post of Russia. I believe they will start delivery some day, but at the moment many Russians have to look for mediators in other countries who can order product from eBay and send it to Russia. Of course mediator gains some interest from this, especially if he is able to purchase goods on auction with reasonable prices. Sometimes they use special software, which monitors bids and at the very end of an auction programme puts a little bit higher bid, and opponents have only 8 seconds to increase a bid, other way they lose. There is possibility to set bids limits in the programme, i.e. it won't increase bid higher than certain amount of money set by mediator.



GRAPH 3. Supply chain of Finnexport company

Graph 3 presents mentioned above suppliers and clients as a supply chain of the company. It indicates that at the moment supply chain is pretty simple, but it can be expanded in future by making agreements with wholesalers and even producers of goods.

9.2 Logistics

Logistics is a very capacious concept and I realized it during my studies. I had several courses related to logistics namely Purchasing and Material Handling, Order-Delivery Chain Management and Logistics course itself. I had case studies of biggest global companies with very developed in integrated logistical operations and supply chain management. So it is very complicated and interesting business area, and it requires many years of studying and working in the areas to become professional in logistics. Logistics is very interrelated with supply chain management, and, honestly, I wasn't so sure at first whether some actions correspond to logistics or supply chain management. I wasn't sure either is logistics a part of supply chain management or other way round. Only with time and after getting additional information I realized that it depends on certain company whether it considers some operations as logistical operations or as part of supply chain operations. (Christopher 2010.)

As I heard from my teacher during logistics hours, "Logistics means having the right thing, at the right place, at the right time." Logistics has its origins in the military's needs relating to procuring, maintaining and transporting personnel, materials, and ammunition. In my opinion, mankind has succeeded best in wars and most important and useful inventions were made primarily for military purposes. And logistical operations were of high importance already long time ago during wars and already after that logistics became demanded in business. I don't have sufficient experience in logistics, even though I took all logistics related subjects in university; but I faced with logistical issues while planning a delivery of goods to clients. No doubt, logistics covers many other operations, for example, warehousing, packaging, information flow, security and so on, but I will describe above mainly the process of purchasing goods from companies or shops and delivering those products to clients. It is quite tense process due to customs clearance, but I will write about customs in upcoming section.

9.2.1 Transportation of goods from suppliers

Since there are several options available on my web site for clients, i.e. ordering of products presented in web site's catalog and ordering of goods from other online shops, there

are two ways of goods transportation from suppliers to my place. I don't have own warehouse and don't rent one, but I use my apartment as storage of clothes and electronics, i.e. such as goods, what don't require specific conditions (certain temperature, humidity etc.). I don't store any food products in my apartment, since it is unsanitary, violates food products storage terms, and food products have an expiration date. First way is transportation of goods by me from some shop or hypermarket and it is mainly used for goods presented in the site's catalog. Second way is order delivery by post, when online shop sends to my address clothes or other items.

When I deliver goods presented in my site's catalog, I visit the nearest Prisma hypermarket and purchase goods as normal customer there. I buy food products at the day and time of leaving to Russia, so I buy them only if client ordered certain food products on web site in advance and he agrees with next delivery time. And I visit Prisma on my way to St-Petersburg. I'm not afraid of lack of products, because in Prisma there is a stock of products and they are always available for purchasing. And even if I wouldn't find some product ordered by client in one Prisma hypermarket, I can always drive to another nearest hypermarket and buy it there. Of course it is a time consuming process, but gaining regular customers is a significant task at the start-up in my opinion. And I mention again that I don't plan purchases of goods from Prisma during all enterprise's life. My plan is to gain own market share and regular customers, and after reaching certain sales level I will try to make agreements with producers of products and purchase goods straight from them. It is not possible at the moment, but can be agreed if I would promise certain order amount. While buying goods from Prisma I can buy only the amount of goods ordered by clients. If some person wishes to buy clothes or other goods from ordinary shop, I also go to buy goods on condition that the shop is located in the city I live. I don't charge my clients for transportation costs in this case.

9.2.2 Delivery from online shops to the company's address

When clients order some clothes or other kinds of goods from various online shops, then I order those goods to my Finnish address, and order is delivered either straight to home or to post office. Online shops charge for delivery normally, and I include the cost to client's payment. For example, if someone wishes to purchase clothes from Finnish H&M online

shop, he sends me all necessary order details via my web site order form. I contact client and inform him about all conditions including delivery price from H&M online shop to my address, which is usually 5,2 €. If he agrees with terms and conditions, I simply order goods to my address and packet comes to the local post office or to R-kioski. Then I pick it up at the post office and store it at home till my next journey to St-Petersburg. Orders from other countries are usually delivered by post as well or by logistics company DHL. I need to pick up order from post office or it can be delivered by courier to home depending on post delivery method (economy or first class post delivery). DHL delivers orders straight to door, but usually delivery prices are higher than delivery by post.

9.2.3 Transportation of goods from Finland to Russia

Finland and Russia have common border and this is the border of two customs unions as well. Near location of two countries provides annual growth of goods transportation. It can be also explained that 78% of population live in European part of Russia. Significant part of Russian import goes through Finland and its border, it is not necessary export of Finnish goods, but I can be re-export of goods from another European, Asian and American countries. Thus, goods transportation is well developed between the countries, but mainly medium and big companies operate in the international trade. And it is pretty hard for small businesses to transport goods via border, mainly because of customs clearance process and high priced services of customs brokers. I knew about such problems during planning of business idea, and at the moment my service includes several ways of goods transportation from Finland to Russia.

9.2.4 Goods transportation by post

When I created first version of the web site, I was still in Ylivieska, and there was only one way to deliver goods to clients –by post. After some client wished to order products on my web site, I purchased those products and packed them appropriately. Then I went to Ylivieska's post office, filled customs declaration, paid post delivery fee and parcel was being sent to client's address in Russia. This way of delivery has significant lacks such as high price, long delivery time and customs limitations for international postage, but it was thy

only way of sending goods to Russia available in Ylivieska. There was small amount of orders due to such disadvantages and I clients were worried usually because of long delivery period. This way of delivery also required remote payment system, and some clients were too suspicious and they didn't want to pay before product has been delivered.

9.2.5 Prices for goods delivery by post

Prices for international delivery by Finnish post depend on specific conditions like receiving country and parcel's weight. I went to post office and got a leaflet with post prices. Such information is available also on post's web site. Packages can be sent whether as maxi letters or parcels depending on their weight. Both letters and parcels have own limitations on weight, minimum and maximum dimensions, as well as customs limitations.

Table 3 contains the information about postal restrictions in convenient order.

TABLE 3. Information about postal restrictions and limitations (Posti 2012)

	Maxi letter	Parcel
Minimum Dimensions	Larger than 250mm x 400mm x 30mm; for tubular items, minimum length 100mm, minimum length + (diameter x 2) 170mm	18cm x 27cm
Maximum Dimensions	Length + width + thickness 900mm, maximum length 600mm; for tubular items, max. length + (diameter x 2) = 1,040mm, maximum length 900mm	Maximum length 2 m, length + circumference max. 3m, with country-specific restrictions
Maximum Weight	2kg	30kg/parcel
Prohibited items	The Russian Federation and foreign currency, and money signs, government bonds, lottery tickets and canceled securities, printed and audio-visual materials that can harm the interest of the state or the rights of individual citizens, untreated and treated semi-precious stones, as well as amber, precious metals, all forms of the condition, regardless of raw and processed natural stones, pearls and pearl products, developed film, cultural items, including stamps, aged more than 100 years, souvenirs and cultural items, aged more than 50 years, official documents (passports, identity cards, books, etc.), animal products, raw materials, feed and processing the raw materials used materials, meat and meat products, homemade sausages, milk and dairy products, fish and fish products, as well as seafood and made from these products, all kinds of finished food products, fresh fruits and vegetables, live plants, live animals and insects, biological preparations.	
Labels	Customs declaration CN 22 or CN 23	

There is possibility to send priority maxi letter or express parcel, it will shorten delivery time, but it costs twice more than economy delivery. I use on the web site only economy delivery prices for maxi letters and parcels, because there is no sense for people to pay too high delivery price, and it doesn't bring any profit to me. Moreover, priority delivery doesn't release from customs clearance, which takes most amount of delivery time. But I also point out delivery prices for priority maxi letters and express parcels as well as delivery time declared by Post of Finland. Prices are weight specific, so it is more convenient to organize the information as a table 4.

TABLE 4. Delivery prices for maxi letters and parcels (Posti 2012)

Maxi letter			Parcel		
Weight max, g	Priority (1st Class)	Economy (2nd Class)	Weight max, kg	Priority (1st Class)	Economy (2nd Class)
250	9.00	7.00	2	64.00	31.00
500	16.00	10.50	5	83.00	41.00
1000	26.00	17.00	10	102.00	57.00
1500	36.00	23.00	15	133.00	75.00
2000	50.00	30.00	30	226.00	124.00
Delivery,days	6-9	12-17	Delivery,days	5-8	14

Such high prices for delivery, especially for priority delivery, discourage clients to make an order. Delivery time usually differs also due to customs clearance process, when a parcel can remain for several days and even weeks on the customs, and it is not possible to fasten the process of customs clearance. The only thing one can do is to fill customs declarations properly and without mistakes, so customs officer will not have additional reasons to hold a parcel for a longer time. I found out the delivery by post can fit for delivery of clothes or small accessories with reasonable prices, because it doesn't fall under the restrictions, and it doesn't have expiration day as well as it has usually relatively small weight. Other items such as food products or washing powders can be easily detained by customs and such parcels usually are so heavy that delivery cost is expensive and it makes no sense for client to buy a 1,35 kg of washing powder for 6€ and pay 31€ for delivery by post. Practice also showed that delivery by post doesn't fit clients and I used post services only for delivery of clothes and accessories.

9.2.6 Goods delivery by own transport

After I moved to Tampere, I decided to try out delivery by own car. At first it sounded too difficult for me but after some thinking I realized it shouldn't be too hard. In any way my plan was to visit St-Petersburg at least one or two times per month, and goods delivery was a good reason also to visit home city once per 2 or 3 weeks. The information about delivery can be found by clients on the web site where they can see at what date their order will be delivered. Normally it is Friday after work or Saturday, because I drive there at weekend time. Thus, I have all days to work as well and some free time to maintain web site, add products and blog posts about Finland. (Now I don't have time to do it due to the thesis writing, but after graduation I will continue developing of Finnexport).

At the beginning I thought it is not profitable to deliver goods by own car, because the distance between St-Petersburg and Tampere is around 465 km, and it would cost a lot to buy fuel for car. And it is so, if to think about tanking in Finland, where 1l of gasoline costs over 1.6 €. But then I calculated how much delivery would cost if to tank car in Russia, where the same amount of gasoline costs around 0.75 €, I decided to perform transportation of goods by own car. As an example, I present calculations of gasoline delivery costs from Tampere to St-Petersburg by own car in table 5.

TABLE 5. Fuel cost comparison for goods delivery by car with respect to fuel price

	Tampere-Border	Border-St-Petersburg	One way cost	Total cost	Explanation
Fuel cost, €	30	15	45	90	Delivery cost with Finnish fuel prices
	30	15	45		
	30	5	35	55	Delivery cost with Finnish prices till border and Russian prices after border for fuel
	15	5	20		
	15	5	20	40	Delivery cost with Russian fuel prices
	15	5	20		

My calculations showed me, that two ways road from Tampere to St-Petersburg would cost me 90 € if to tank car in Finland only. Practically, I haven't ever done this, because I travel a lot in St-Petersburg and I have to buy more fuel to visit all places I want to go to. Usually I buy gasoline for 30 € and it is enough to travel from Tampere to nearest gas station after

border in Russia. And with Russian price of gasoline, which is equal to 0.75 € for 1l I need to buy fuel only for 5 € and it will be enough to travel to St-Petersburg. Of course usually I refuel a car till full tank after border to save time, but still 5 € is enough to reach home. And if I travel back to Finland with gasoline from Russia, it costs me 20 € to reach Tampere from St-Petersburg. Thus, total cost of whole trip is 55 €.

But after the trip from St-Petersburg to Tampere I have still a little bit more than half-full tank and, moreover, I can bring through border 10l of gasoline in canister. And I do it normally. So, all trip from Tampere to Finland and back costs in this case only 40 €, which is just 10 € higher, than one 2 kg parcel's delivery by post. And if to take into account, that I can deliver goods up to 50 kg (due to customs limitations), the delivery by car makes sense and it is not as hard and costly as it seems to be at first glance. Of course I get tired after 7 hours of driving and car's service requires additional money, but I can meet my friends and relatives, and I don't do it every weekend, only once per three weeks at the moment depending on clients orders. And even if you don't drive at all, still car requires money for taxes and insurance. So I decided to use it with purpose. Also car wears out less while driving on highways even on long distances, than while driving in city.

When I deliver goods by myself, it has significant advantages for clients, in my opinion. Delivery price for clients is 7.5 € and it doesn't depend on weight, so it may look attractive for them comparing to delivery by post, and their desire to make an order increases. They can know exactly at what day delivery will be performed and they don't have to be stressed about customs, since I take the stress in this way and solve problems, if any. It also benefits in the way that clients can pay by cash after they received their order. These reasons also persuaded me to deliver goods by own transport. It also affects at customs clearance process, since there are other limitations and restrictions for delivery by transport than for delivery by post. And I have a partner who lives more close to border and his delivery costs will be less, and he can deliver instead of me in case of my inability to deliver orders.

I'm willing to deliver by own car with the prospect to use services of logistics companies in future, when sales amount will increase. That is why at the moment I'm ready to perform delivery by myself, since it is costly process if to outsource it, and logistics companies prefer to operate with bigger businesses. I believe all these difficulties are temporary and it is always difficult to do some project or business at the beginning, but with expe-

rience and growth it becomes more easy. Outsourcing of logistic operations will also benefit with customs issues, since such companies have own customs brokers, who are qualified for international logistics, legislation, and have many years of valuable experience behind.

9.3 Customs

Customs is an authority or agency in a country responsible for collecting and safeguarding customs duties and for controlling the flow of goods including animals, transports, personal effects and hazardous items in and out of a country. I will describe issues with Russian customs, since Finnish customs doesn't collect duties for goods export from Finland. Bigger businesses need to make essential documentation for export activities in Customs offices and pass certain inspections in Finnish customs before goods transportation abroad.

The documentation is also required for ability to deduct VAT tax from exported goods, since VAT tax levied from end customers if they are residents of the country. And customs documentation about export of goods proves that goods are moved abroad and VAT tax rate is 0% in this case. Thus, companies can apply for VAT tax refund from government since they already paid VAT tax on products or materials purchased. In case of import every country collects customs duties and Russia is not exception in this case. The collecting of information about customs clearance was difficult and still I don't know some issues, but I describe the processes of customs clearance for international post delivery, transportation of goods for own use and transportation of goods for commercial use.

9.3.1 Customs declaration of international mail

Since I used international mail for goods delivery to Russia, I also had to collect information about customs declaration of such parcels and maxi letters. To be honest, this way is the easiest for me, since receiver is responsible to pay customs duties in case of exceeding of limitations. Receipt form post also gives me proof that goods were exported, and I can apply for VAT tax refund. But customs limitations are stricter to international mail than to

physical movement of goods through the border. While sending packages by post I followed rules of Russian Federal Customs Service.

The rules say that customs declaration of goods is filled by sender using documents provided by the Universal Postal Union and accompanying the international postage. Such documents are customs declaration CN 22, CN 23, dispatch CP 71, CP 72, E1 form (for customs declarations of international mail with EMS logo). Submission of other documents as the customs declaration (including statements) is not required, regardless of the value of goods for personal use and the need of providing production certificates. It is important to fill full description of all goods in package and write price as well. If there is no attached description of goods in postal package or description is not correct, then customs clearance procedure will take much longer time due to the need of process of customs clearance and documenting its results.

If person receives international mail, the custom value of what is more than 1000 € and (or) the total weight is more than 31 kg within one calendar month, than the part of the excess is subject to customs duties and taxes. Single rate of 30% is paid from exceeding part, but no less than 4 € for 1 kg of exceeding weight. It means, that if person ordered goods, and its customs price is 1100 €, she/he will have to pay 30% from exceeding 100 €, i.e. his customs duty will be equal to 30 € ($100 * 0.30 = 30$ €). If mail's weight exceeds 31 kg then he has to pay 4 € for each exceeding kg. If the same mail package used in previous example would weight 40 kg, then customs duty would be levied from exceeding 9 kg and it would equals 36 € ($9 \text{ kg} * 4 \text{ €/kg}$). And if the same package both exceeds customs limits by price and weight, and customs duty can be 30 € for price value exceeding or 36 € for weight value exceeding, then bigger custom duty will be levied, i.e. person would have to pay 36 € to the customs.

And customs value contains delivery and other costs as well i.e. insurance transportation an all costs before crossing the border, so this issue should be taken into account during sending of international mail. Also, customs value of goods is determined by customs officer, so it can be higher than the price specified by sender. So delivery by post has its lacks and it can cause inconveniences to clients, because customs sends notifications to them if there is need of customs duty payment. (Посылки в Россию физическим лицам, 2011.)

9.3.2 Customs declaration of goods for own use

When I deliver goods by own transport through the border, I have to pass customs control. There are two ways for goods import and they differ by purpose of goods use, goods can be imported for private use or for commercial use. This question bothered me a lot how to organize goods movement through border and customs clearance and I went with such question to Finnish Customs department in Tampere. I explained there my situation and asked how I can import goods to Russia at the beginning of trade operations. I got the answer that since my business is small-scale, will have more problems and stress with customs clearance, if I will declare goods as for commercial use. And suggestion was to import goods as all tourists do, when they do shopping in Finland, and their trunks are usually full of food products, household chemicals and other various goods.

So I import goods for my clients like those goods are for private use at the moment. I don't violate Finnish legislation, since I'm registered officially as entrepreneur. Russian legislation would forbid such import if I would be registered as private entrepreneur in Russia and wouldn't pay customs duties. But in any way Russian customs controls goods movement and it can easily determine goods as for commercial use, if goods' value or weight exceed limits. And in this case just customs duties are levied from private persons even if they purchased goods for private use. I plan to use services of customs brokers in future, and then customs issues are not the subject of my worries, but now I have to face with it and get valuable experience in this area.

There are also customs limitation for goods value and its weight, but limits are a little bit bigger, than limits for international mail. There is no customs duties levied, if customs value of goods doesn't exceeds 1500 € and (or) total weight doesn't exceeds 50 kg within one month. If customs value and (or) weight of goods exceeds 1500€ or 50 kg, then single rate of 30 % is levied from exceeding value, and 4 € per kg from exceeding weight. This rate corresponds to customs duty for international mail, but limits are higher. Also I write some example for customs duties calculation. Weight 34 kg, worth 500 €. Customs duty: $(34-31)*4=12€$. Weight 20 kg, worth 1400 €. Customs duty: $(1400-1000)*30%=400*0.3=120€$. Payment is made in rubles at the exchange rate. And if goods amount exceeds the weight and cost, the excess is calculated for both weight and value, and maximum amount will be

taken. There are restricted items for import also, and even though I don't plan to import any of such goods, it is always worth to know. The list of goods prohibited for import (export) and transit:

- Weapons and weapons of all kinds, and military-style ammunition.
- Explosives, potent poisons.
- Narcotic and psychotropic substances and drug paraphernalia.
- Works of art and antiques, antiques and objects of great artistic, historical or cultural value.
- Printed works and media are undermining the morals.
- Other articles the import (export) of which is prohibited under the laws of the Russian Federation.

For violation of customs regulations, individuals are responsible in accordance with the legislation of the Russian Federation on Administrative Violations (Administrative Code). Customs value of goods is determined by person crossing the border, and it should be proven by invoices or bills, other way customs officer can correct customs value and increase it, if he has doubts or declared goods price is too low comparing to normal market prices on that type of goods. Also, customs officer can make a decision whether goods are transported for commercial use or for private use based on frequency of crossing the border and amount of similar products, i.e. if some person travels every second day and (or) he transports goods all the time, he will have to pay customs duties for goods being transported. I have a partner who can deliver goods as well by his transport, so thus frequency of border crossing is decreased and there is less risk to pay additional customs duties relating to frequency of border crossing. (Ввоз товаров для личного пользования физическими лицами, 2011.)

9.3.3 Import of goods for commercial use

Import of goods to Russia for commercial use can be done only by legal persons and companies. Natural persons are not able to import goods for commercial use. Normally companies use services of customs brokers, because it is very bureaucratic and time consuming process. But the problem is that customs brokers prefer to deal with big batches of goods

and they simply reject to provide customs clearance for small shipments. Of course still it is possible to use services of customs brokers for small batches, but then payment to broker will correspond to the price of the batch. If good's value exceeds 1000 €, then entrepreneur has to fill cargo customs declarations, and it requires specific skills and special matrix printer, so it is worth using services of customs brokers. But if goods value doesn't exceed 1000 €, than simplified customs declaration form can be used and entrepreneur can pass customs clearance for commercial shipment without customs brokers.

Since goods are imported for commercial use, customs requires such documents as contract with supplier, invoice, bank payment to supplier, certificate of origin, constituent documents, and entrepreneur's bank account requisites. Entrepreneur has to provide originals of these documents, so supplier should send documents by post in advance. Also, entrepreneur has to get declaration of conformity of goods in Rostest (organization of practical metrology and certifications) before customs clearance process. When goods are imported for commercial use, customs always collects customs duties and taxes. Payment to customs consists of customs duty on certain kind of product, excise and VAT. Custom duty levied to each kind of product is defined by harmonized commodity description and coding system and such codes can be found on official web portal of Russian customs at the address <http://customs.ru>. Excises are collected only from certain kinds of goods such as alcohol and tobacco. VAT is collected from total value of shipment including transportation, insurance, and customs duty.

For example, if I want to import to Russia from Finland 4000 kg of coffee, and price of batch including insurance and transportation equals 10000 €, I would need firstly to get customs code on this very product. Knowledge of customs code will provide me with information about customs duty rate, excises, and documents required by customs for import. Coffee's customs code is 2101129201, customs duty rate is 15 % and there is no need to pay excises for its import. VAT tax rate in Russia is 18 % for most kinds of goods and 10 % for few food products, goods for kids, and medical products. Also, customs charges fee for customs clearance process, and it can be 500, 1000 or 2000 rubles depending on batch's size. In the example customs duty would be $10000 \cdot 0.15 = 1500$ €. Excise would be 0 € and VAT would be $(10000 + 1500) \cdot 0.18 = 2070$ €. Customs fee for processing would be 24.71 €. And total payment to customs would be 3594.71 €, but in ruble equivalent (145498.96 rubles) at the exchange rate of Central bank.

This shipment would require as well the certificate of conformity and certificate of origin for customs clearance, and shipment would have to pass sanitary and epidemiological control at the border. Russian customs portal offers possibility to calculate all customs duties, excises, VAT, and customs fees for import of goods for commercial use. It provides also information about essential documentation and certificates. I calculated customs fees for import of coffee on that web site and I made screenshot of results. Also information about documents is available there and it depends on custom codes of goods. No doubt, it is useful tool for Russian entrepreneurs, who imports goods to Russia as well as for customs brokers, who deals with customs and makes customs clearance every day. The address of web site is <http://tamplat.ru>. The information on the portal is available only in Russian at the moment, and screen-shot, which is presented as graph 4, it is also in Russian. But it reflects calculation of example with coffee import.

The screenshot shows the 'РАСЧЕТ КОНТРАКТА' (Contract Calculation) section of the Russian customs portal. It includes a table of goods and a summary of duties and taxes.

#	Код ТН ВЭД	Наименование	Стоимость	Вес, кг	кол-во	ед2	кол-во	ед3	серт.
1	2101129201	ГОТОВЫЕ ПРОДУКТЫ НА ОСНОВЕ ЭКСТРАКТОВ, ЭССЕНЦИЙ ИЛИ КОНЦЕНТРАТОВ КОФЕ, В ПЕРВИЧНЫХ УПАКОВКАХ НЕТТО-МАССОЙ НЕ БОЛЕЕ 10000	10000	4000	-	-	0	л 100% сгирта	<input type="checkbox"/>

	итог в валюте стоимости товара	итог в евро	итог в рублях
Пошлина	1500.00	1500.00	60713.85
НДС	2070.00	2070.00	83785.11
Сборы за таможенное оформление	24.71	24.71	1000.00
ИТОГО таможенных платежей	3594.71	3594.71	145498.96

GRAPH 4. Screen-shot of customs duties calculation

Thus, import of goods for commercial use is complex and bureaucratic process, which takes a lot of powers, time and money. But it is essential part for goods import for middle and large businesses, and it is always good to know how the process goes, even if entrepreneur or company uses services of customs brokers. Information about commercial import will be useful for me in future, when sales amount will increase and it will be reasonable to transport goods in containers with the help of customs brokers. I don't have experience in this kind of import and I know only theoretically how it works, but I included this

information to the thesis to most fully describe the logistical processes and its issues in international trade. (Расчёт таможенных платежей, 2012.)

10 ONLINE MARKETING

Even though marketing of the company is described in the partner's thesis, I would like to write about online marketing and search engine optimization (SEO), since it is very important issues, what affect how the website appears in search results and thus how many people will visit it. Online marketing uses all aspects of traditional marketing on the internet, affecting key elements of the marketing mix: price, products, place and promotion.

Key elements of the complex Internet marketing:

- Product - what entrepreneur sells on the Internet. Product should be qualitative, since it competes not only with other sites, but also with traditional shops.
- Price – usually products prices in online shops are lower than in stores due to cost savings.
- Promotion - a set of methods to promote the site as well as goods on the Internet. It includes such tools as search engine optimization, contextual advertising, banner ads, e-mail marketing, affiliate marketing, viral marketing, hidden marketing, interactive advertising, blogging, etc.
- Place – sales point, i.e. the website. Graphic design, usability, and order processing play significant role in online marketing. Loading speed, payment methods, delivery methods and customer service are also of high importance. (Knowthis.com 2009.)

10.1 Advantages of Online Marketing

Online marketing offers some advantages for advertisers. Firstly, it is inexpensive, since companies can adjust marketing campaign to target audience, set prices per clicks and advertisement cost. Also, companies with small advertising budget can reach a wider audience comparing to traditional ways of advertising. The results of advertising can be measured more effectively, since users' clicks can be tracked and their behavior can be monitored. One type of online marketing is search engine marketing, which contains paid advertising and search engine optimization (SEO). At the moment I don't use online advertisements and most ways of online marketing, but I'm trying to achieve results in search

engine optimization, which means the promotion of the website by increasing its visibility in search engines results pages. In my opinion, it is very important issue for the website promotion, since the higher ranked and the more frequently the website appears in the search results, the more people and potential clients will visit the website from search engines. SEO takes into account what people search for, how search engines work, which search engines are preferred at the targeted area, keywords and so on. Website's optimization includes its content editing, HTML and code validation, including specific tags for the search engines, creating backlinks to the website and other SEO methods.

10.2 Methods of a website's promotion

I decided to concentrate on SEO rather than paid advertising, because it is more natural way of websites promotion, and it gives more stable results. Of course such optimization has to evolve and comply with best practices of search engines, since their search algorithms change with time. Such approach also allows saving money on advertising, and it is convenient during company's start-up. Also, Drupal CMS offers useful SEO tools, and it made the website's promotion easier. I have used several SEO methods on the website such as content editing, HTML validation, and using keywords.

Content editing

Content editing means a work with text on the website, when text on the website is created and edited in such way, that it contains useful information and such words, which potential clients would look for. That was additional reason to add blog functionality on the website and post there useful information about Finland. Thus, people who are looking for the information about Finland, they can visit the website, since it can appear in the results list of search engines. And there is possibility that they may order some Finnish products from the website. Product page also contains text with the name of product and its description. It also has an image, and the image can be optimized as well to appear in search results.

Keywords

Keywords and page's description are used for specifying the words, which describe all content of the page. For example, keywords for Fazer chocolate can be "Finnish chocolate Fazer" or "chocolate Fazer from Finland". It can be useful, if someone will look for "Fin-

nish chocolate” in Google or Yandex, the biggest Russian search engine platform. I would notice though, that keywords were of high importance at the early stages of SEO process, when the amount of websites was insignificant. Nowadays keywords don’t affect too much at the search results, since some people used unfair methods for websites promotion, and search engines had to take it into account during their evolving process. And search engines can analyze the content of whole page, so content itself is more important than keywords at the moment.

HTML Validation

HTML validation means compliance of the website with the standards of World Wide Web Consortium (W3C), since there are certain standards of creating the websites. And if the website has been made with no respect to such standards, its promotion can be more difficult, because search engines will analyze it incorrectly. Thus, website can get less visitors and sales. One of the most effective SEO methods is external link from another website of corresponding subject. For example, since my website contains information about Finland and Finnish goods, the external link from the websites with the same subject would increase a rating of the website and its position in search results list. I think external links are valuable for search engines, since the website’s administrator cannot do it by himself, and it depends on content’s popularity. The sites with popular content usually have external links from other websites or social networks.

10.3 Benefits of website’s promotion

I described online marketing and the website’s promotion process in brief, because most websites get visitors from search engines. It means that website’s promotion and SEO are important parts of e-commerce business, especially for small businesses due to low costs of SEO activities. Of course for better results paid advertisements or context advertisements are normally used, and it will be implemented in future as well, when these methods will be explored. My goal is to be on first page of search results list, because most people don’t even check second or third pages of search results. At the moment, the website is presented on second page of search results list both in Google and Yandex, if people search for “on-line shop of Finnish goods”. I believe when the website will be displayed on the first pages of those search engines, the more visitors will come to the website and the more orders will

be made by them. It is also interesting process from educational point of view, because I get knowledge how to promote websites in general and improve their search results.

11 BUSINESS PLAN

Business plan is a written plan for the business, which describes how the business idea will be implemented in real life. It is a detailed description of business idea, which includes objectives and targets in the form of profit. The plan defines the products, the clients groups, competition on the market, entrepreneur's experience and products marketing. The business plan contains calculations of profitability and financing requirements for starting up the business, it also defines factors that can influence at the business's operations, i.e. it defines risks of business activities. A well made business plan shows how profitable business can be and what goals enterprise can achieve in future. A business plan also helps in funding issues, since it is required for granting subsidies, start-up funds or bank loans. I created the business plan for my company, and I have tried to describe in there all mentioned above issues. (Uusyrityskeskusverkosto 2011, 10.)

11.1 Business idea

Motives for establishing the company

I believe that in modern fast-changing world with all its instability for employees it is very important to have own business and have a chance to be protected in financial way. I also think establishing and doing business it is a good way of learning about bookkeeping, law and financial competence. It is also a way of increasing person's income and good investment tool for other people, since usually investors invest their money into businesses. I also feel that my skills and knowledge from university of applied sciences are more suitable for doing business rather than for looking as office manager. Of course I have a lot of doubts, but still I believe that knowledge and expertise can come during actions, and learning practically is effective way of education and personal growth.

Brief description of the business idea

The idea of the business is establishing the online shop of Finnish products with delivery to St-Petersburg and other regions of Russia. Finnish products are famous for its quality in Russia and many people travel to Finland for shopping. Those people, who don't have time or don't want to make visa just for shopping, but who is willing to purchase some Finnish

products as well as people from other regions of Russia, they may purchase products in my online shop or ask me to purchase clothes or other products from Finnish online-shops(H&M, Anttila, Seppälä etc.)

Description of business

The core of the business is web site, where catalog of available products is presented. There will be also inquiry form for ordering goods from other Finnish and European online shops. Clients will find the web site, make orders there and I will travel to St-Petersburg once per two weeks and deliver them their products. Clients can wish, comment and complain via contact form. Also there will be products wish list and search option for determining products range. The company operates in retail business field.

11.2 Products and services

Name of the products: coffee, chocolate, washing powders, other popular products.

Product price category in the market: average price

Most significant benefits and advantages to the customer: benefits of Finnish products on Russian market are higher quality, average market price. Finnish products are already of high demand since many Russians travel to Finland and have experience of using some Finnish products (food, household chemicals). I'm also planning to export organic products since in Russian market there is lack of organic products and their price is relatively high.

Name of the service: intermediary services in goods purchasing are offered from Finnish and European online shops for Russian clients. Help in ordering on eBay auction, Amazon and participating in such auctions. Service price category: average price

Most significant benefits and advantages to the customer: Russian customers have possibility to order clothes and other goods from Finnish and European online shops, web auctions like eBay using our intermediary services, since there is no possibility to order straight from such online shops or auctions to Russia.

Superiority of the service compared to the competitors or services already on the market

It is not common service, when clients from Russia can order goods from Finnish online shops. There is certain amount of mediators in eBay and Amazon, though. Also, customers

who live far away from Finland and cannot go by themselves, but wish to order clothes or other goods from Finland, they can benefit from our service. Life cycle of the service depends on client's awareness of Finnish goods' quality and Finnish retail companies entering Russian market.

Assessment of the product or service

- Unique business idea / business concept: neutral
- Original products/services: quite important
- Technical superiority of products/services: quite important
- High quality of products/services: very important
- Versatile add-on services: neutral
- Service speed / delivery speed: quite important
- Reliability of delivery: quite important
- Comprehensive understanding of the customer's business: neutral
- Company's reputation: very important
- Low prices: not very important
- Customer-specific tailoring of products/services: very important
- Well-known product/service name: quite important
- This is a new solution that substitutes a conventional product/service: not at all important

11.3 Customers and markets

Key customers are people from St-Petersburg and region, who are familiar with Finnish products and travelled to Finland. They wish to buy products when their visa is in process, and they can't travel to Finland at the time they want to buy something. This is actual also for people from distant regions, who cannot travel easily to Finland. Potentially market area is whole Russia since orders can be delivered by post, but St-Petersburg and Moscow are important areas for business due to location and population.

11.3.1 Marketing

How will marketing be implemented?

Partner's thesis is devoted to marketing of the company. Here I would like to mention about marketing in the internet, since web site is a core of the business. Thus, marketing can be supplemented by online marketing. It is crucial for web sites to be at top 10 of search results. Search engine optimization is very essential part of marketing, and it requires a lot of efforts for achieving good results. But if your web site can be found by clients via search engines like Google or Yandex, it can increase sales volume and website traffic.

What are the marketing expenses comprised of? Which marketing channels will you use?

Marketing expenses for online marketing depend on company's budget. Advertising online can be via Google ads, banners, paid articles on other web site. Costs of Google ads can be set by advertiser, and it provides flexible prices of advertisements. Social networks are also used for advertising and customers' attraction.

What is your potential market area? Who else is acting in it?

Since sales are conducted via web site, clients from all regions of Russia have possibility to make an order on the web site. Delivery to far regions is made by post of Russia. Certain amount of competitors is acting on the market of St-Petersburg, and few of them also offer delivery to other regions of Russia.

Estimate of the future outlook of the company's products/services

I believe customer demand will increase with time. Company's goal is to enter Moscow's market and gain regular customers there. Capacity of Moscow's region is very high, since population of the city equals approximately 11 millions of inhabitants with relatively high average income.

Sales

The company resells goods and products from biggest and famous hypermarkets and on-line shops. Goods are being sold via online shop, which allows reducing sales efforts. Sales process goes automatically after product is placed in web site's catalog. But it takes time to

process order from other online shops, and it includes price's calculation, ordering from other online shops and payment of order.

11.3.2 Competitors

Competitor companies and their offices

There is a big amount of competitors in St-Petersburg, who deliver from Finland products and goods to the city's citizens. They all can be found in the internet by search phrase "On-line shops of Finnish goods". Most of them don't have own office, and even registration for trade operations.

Competitor products/services

Competitors offer similar products variety, since there is demand on certain types of products. But intermediary services are not offered by most of our competitors, since they just travel to Finland for goods purchases and they don't have permanent residence in Finland. Thus, they don't usually order from Finnish online shops.

How do you intend to survive the competition and which are the largest risks?

In my opinion, largest risks are that most of the competitors are natural persons, who are not registered as an entrepreneur or company. It allows them to sell goods without paying taxes, so they can sell with a bit cheaper prices. One more risk is their closer location. Usually competitors travel from St-Petersburg to nearest Finnish cities like Lappeenranta and Imatra. And distance is about 220 km, and it is twice shorter then from Tampere to St-Petersburg. From other hand, my advantage is ability to get tax refund, which allows setting average prices on products. Official registration also helps to company's reputation and improves credibility of clients.

11.4 Company

Products are purchased from other hypermarkets or online shops, so there is no production processes in our company. Service of ordering from other online shops is performed by our company, and web site is created by company as well.

11.4.1 Logistics

Storage needs

At the moment there is no need in storage, since all products are purchased straight before delivery to clients. But in future there are plans to rent storage in case of sales volume increase.

Arranging the distribution of products/services

Distribution of products and services is arranged by company, and actually we are distributors of Finnish products in Russian market. Distribution of products is convenient for producers, since they don't have to sell products to end customers a?? spend own funds for customers attraction. Distribution of products is performed via web site.

Company's business hours

Since orders are made on company's web site, orders can be made 24 hours per day and days per week. But orders are processed during weekdays after checking of company's emails. Website's visitors can send questions or wishes via contact form, and they would receive an answer during weekdays as well.

Premises

At the moment there is no need in premises, because website allows to reduce such costs, and it was one of the reasons to choose e-commerce approach. In case of sales volume increasing, there will be need for warehouse in Finland, because I plan to make contracts with goods' producers, and they usually require certain order's amount. Thus, that amount will need to be stored in warehouse.

Acquisition of commercial premises

At first premises would be rented, and only if company would grow steady, storage places could be bought.

11.4.2 Production equipment and employees

What production equipment is required for producing the product or service?

E-commerce business allows reducing the amount of equipment and premises, but still there is a need for some equipment and tools. Web site is required software tool, providing platform for working with clients. Vehicle is required for goods transportation and delivery. Car fridge and thermo bags are useful equipment as well.

Procurement of production equipment

All needed equipment is procured at the moment. Website was made by me; car was bought with money, which I borrowed from my friends. Car fridge and thermo bags were purchased with own money.

Employees

How many employees do you estimate you will need for your company? For which tasks do you need employees?

At the moment all administration and maintenance processes are performed by me and my partner. There are no employees working for me and no need for employees now. But in future I plan to hire one person who will administer web site, contact clients and process orders. I plan also to outsource delivery process and use services of logistic company, which will also make customs clearance of goods.

Recruitment

Employees will be recruited via freelancer's web sites or via company's website. I believe it will be possible to administer website remotely, so person will not necessarily be from Finland. But such work as products delivery, bookkeeping, and other essential business activities will be outsourced. It will allow me to spend less money on labor costs.

What is the most important area of the personnel's competence in terms of success?

Most important area of the personnel's competence is openness to new ways of business, technical skills for commencing e-commerce trade and understanding of international trade processes.

Pay

For person, who administers the website, hourly pay would be the most convenient option. For other employees and companies commission-based pay would fit the best, since they would perform certain amount of work, and the amount of work depends on sales volume.

Description of employment relationships

Fixed-term employment relationships are more suitable comparing to regular ones, because it will be possible to adjust employment contract in case of changing company's economical situation.

Collective labour agreements

There are no labour agreements at the moment since there is no labor.

Special needs related to personnel

I would require from website administrator technical skills needed for website maintenance and administration. Such tasks as bookkeeping and delivery of products from Finland to Russia require special skills and licenses, for example, driving license. But since I plan to outsource these tasks in future, it will be concern of other companies.

Financial planning and accounting

11.5 Financial planning and accounting

11.5.1 Financing

Need for financing in the business start-up phase

Funding is crucial part of any start-up. Every enterprise requires initial financing, and the amount of financing depends on business area. AS I mentioned many times, e-commerce requires initial funding as well, but it allows reducing amount of capital needed. I invested relatively small amount of money for start-up, since I could create website by myself, and there wasn't any need in renting premises. Though, I had to find money for car purchase and for advertising. Of course, registration as entrepreneur is subject to charge, and it should be paid before starting of any business operations.

Initial investments

Initial investments were required for car purchase and for advertising. In future it will require much more investments, and their amount will be calculated when the need for that will appear.

Working capital is required in addition to the initial investments. How much money will be tied up in this?

Working capital is required for purchases of goods, since payment from clients is made after delivery of goods to them. Amount of capital depends on clients orders and differs in any particular case. At the moment all sales revenues are stored in enterprise's bank account, since I plan to purchase goods for future orders from sales revenues of previous orders without using own money for goods purchases.

Sources of capital

My investments in the company were own savings, money of friends and own tools, if to treat website like own tool in this case.

What is external capital needed for?

External capital is needed for advertising, and additional equipment purchases, i.e. car fridges. It is also needed to cover initial transportation costs and also for goods purchases.

Which sources of capital are used?

I used such sources of capital like subsidies, own funds, and money of friends. I didn't use bank's loans or capital investors yet, but it may be possible in future in case of company's growth.

Collateral security for obtaining financing

Since I didn't take any loans for company's development, I don't have to provide collateral security and pledges for banks.

11.5.2 Accounting

How do you intend to plan your operations? How will you monitor the implementation of the plan?

Honestly, I didn't make budgeting or financial planning, because I don't have appropriate knowledge of it. But I'm thinking to ask advice in Economic Development centers, and find out whether it is possible to use services of financial consultants.

How do you intend to take care of accounting?

I take care of accounting by myself, and I prepare financial statements as well using the knowledge from bookkeeping course in university and additional information sources. It is possible, because I use single-entry bookkeeping method, where I don't need to make an entry in both credit and debit sections. Single-entry bookkeeping is available for entrepreneurs, who hasn't employees; in all other ways double-entry bookkeeping is required. I plan to outsource bookkeeping and use services of accountant firms, because it will allow me to concentrate more on business itself. I see one advantage of preparing financial statements namely that I get experience in bookkeeping and it can be useful for reading company's financial statements in future. But in any way best practice is outsource bookkeeping or to have in-house accountant.

Audit

It is not necessary to audit the company, since the form of enterprise is business name.

Future of the company

Describe briefly what your company will be like in three years from now.

In three years company will have regular clients in St-Petersburg and other regions of Russia. If sales volume will be sufficient for making contracts with producers of goods, then such contracts will be made and company will spend less money for purchases of goods. Of course, additional spending on warehousing will be needed, but sales volume and better prices of goods from suppliers would allow covering additional expenses, i.e. warehousing, labor costs etc. I have serious hopes for market area of Moscow region. Potentially, it is good opportunity for high sales volume, since the city is highly populated and people's income there is higher comparing to average incomes within the country.

11.6 Insurance and agreements

Insurance is a good way of reducing various risks, and entrepreneur should take into account this possibility of risks reducing using services of insurance companies. Insurance can cover various risks like accidents, business interruption, responsibility, and legal costs. Also premises and offices can be protected from thefts and fire. The only obligatory insurance is pensioning insurance YEL. I don't have insurance at the moment, since minimal amount of income of entrepreneur for YEL insurance is 6896.69 € per year, and such income's level is not achieved yet.

Required agreements

I didn't have to make agreements yet, but it will certainly be essential after increasing of sales volume. Then I will try to make agreements with goods producers and warehouses for purchasing of goods with lower prices.

Competence and well-being

I have a partner, who is aware of all business concept and he has administrative right for company's website. In case of my sickness or unavailability to care about business, he can substitute me and take care of the business during my leave.

Entrepreneur's well-being

My well-being now is supported by the idea, that I can devote certain time for the business and get experience, which will definitely help me in future with this or other projects. My time is limited now with studies and work, and I cannot devote all my time to the business. And the rest of my time I spend with administering of the web site, adding products, answering to clients. It affects well-being, but I believe it is temporary situation and it will get better with time and experience.

Protecting the product or service

Intellectual property rights haven't been obtained for the product.

11.7 Calculations

TABLE 6. Investment and financing calculation

Initial investments	
Land areas	
Buildings, premises	
Machinery	
Production-related equipment and fixtures	
Telephone, communications hardware and software, etc.	50.00
Installation, alterations, etc.	
Car(s)	1,100.00
Initial inventory	100.00
Marketing expenses; business cards, advertising, etc.	
Renovation expenses and/or equipment installation	
Other expenses of investment-like acquisitions	
Investments, total	1,250.00
Need for capital	
Expenses for the first months of operations	
Required cash assets	500.00
Need for working capital, total	500.00
Cash reserve (EUR)	100.00
Need for capital, total	1,850.00
Financing	
Own cash investments	1,000.00
Apport Property	
Shareholder loan	0.00
Others' investments in the company	990.00
Financing, total	1,990.00
Loans	
Bank loan	0.00
Finnvera loan	0.00
Other loan	0.00
Loans, total	0.00
Available financing, total	1,990.00
Summary	
Shortage of financing/financing surplus	140.00

TABLE 7. Profitability of the Company

	Month	First year
Result target		
Personal earnings (net)	0	0
Taxes	0	0
Repayments of loans		
Financing need	0	0
Interest on company loans	0	0
Operating margin need	0	0
Fixed business expenses (exclusive of VAT)		
YEL premium	0	0
Other insurance policies		0
Employee wages		0
Non-wage labour costs (approx. 40%)	0	0
Rents		0
Electricity, water and heat		0
Telephone, Internet and IT	20	240
Accounting		0
Office expenses		0
Travel and/or car expenses	80	960
Marketing	50	600
Unemployment fund and membership fees		0
Repairs	20	240
Any other expenses	5	60
Fixed costs, total	175	2,100
Sales margin need	175	2,100
Variable business expenses		
Purchases (exclusive of VAT)	259	3,104
Business profit target		
Required turnover	434	5,204

TABLE 8. Sales of the Company

All products, product categories or services combined	
Total sales (exclusive of tax)	392.00
Total purchases (exclusive of tax)	258.65
Sales margin, €	133.35
Sales margin, %	34.02

(Continues)

TABLE 8. (Continues)

Name of the product or service	Products with average price of 10 €
Unit price (exclusive of tax)	10.00
Purchases and costs/unit (exclusive of tax)	6.20
Sales estimate per month, quantity	10.00
Wastage or other variable total costs, €	5.00
Total sales	95.00
Total purchases	62.00
Sales margin, €	33.00
Sales margin, %	34.74
Product, product category or service	
Name of the product or service	Products with average price of 5 €
Unit price (exclusive of tax)	5.00
Purchases and costs/unit (exclusive of tax)	3.10
Sales estimate per month, quantity	30.00
Wastage or other variable total costs, €	3.00
Total sales	147.00
Total purchases	93.00
Sales margin, €	54.00
Sales margin, %	36.73
Product, product category or service	
Name of the product or service	Mediatory services
Unit price (exclusive of tax)	50.00
Purchases and costs/unit (exclusive of tax)	34.55
Sales estimate per month, quantity	3.00
Wastage or other variable total costs, €	
Total sales	150.00
Total purchases	103.65
Sales margin, EUR	46.35
Sales margin, %	30.90

12 CONCLUSION

I didn't have any significant problems during writing of the thesis, since the topic of the thesis is very interesting for me, and it corresponds to my aims and objectives. The greater part of information was received during previous year, when I decided to implement the idea of online shop in practice. Another part of information was received during actual writing of the thesis from various sources related to entrepreneurship. Thesis helped me to organize all the information I had about establishing a business, and I believe it will guide me with establishing of my future projects. I have tried to describe all important stages and issues during establishing a company, which I had to pass and I realized that Finland offers friendly environment for entrepreneurs' activity.

I decided to write thesis about online shop, because I have tried to implement my knowledge from university and technical skills from college. I had to remember information gained during lectures of bookkeeping, marketing, logistics, planning and other subjects. And, what is more important, I understood how those subjects can be implemented in practice, what knowledge gaps I still have to fill in those subjects, and what I have to learn from beginning. So it is really final work for me, which sums up four years of studying and organizes the knowledge in right order. It also reflects my addiction to web technologies, and I have got new skills there as well during writing of the thesis. I believe it will be useful in future for me, since I want to work in e-commerce area, because I like it and I think more and more companies will expand their activities to the internet.

Writing of the thesis based on real project gave me possibility to see some mistakes and problems in the organization of the business. For example, I didn't write business plan for the company, since I planned it at first in mind, and I started to do it just according to my ideas without any plan or sketch. I thought it would work without any plan, since I decided to implement the idea in practice. But now I realized that even if company operates, it has no future or any significant growth, because it has no goals and objectives, and current situation is not analyzed by the entrepreneur. I decided to fix this mistake, and I have written business plan for the company, where I had to answer on important questions, and those answers draw real picture of company's condition, its goals, risks, organization of business and other important issues. Now I know where I want to see my company after certain pe-

riod of time, which goals I should achieve, and which actions I need to do or correct. I found great online tool for creating of business plans, where the entire framework is done according to the best practices of business plan's creation, and person needs to fill information about his project. It is possible to perform various calculations and see what profit or loss can be received from business activities. There is possibility to calculate taxation, insurance, and labor costs. Definitely, I will use the tool for future projects, and this mistake won't happen again. Thus, I will have a vision of overall business idea, and goals to achieve.

I also analyzed the company using SWOT analysis while writing of the thesis. Now I understand its strengths, weaknesses, opportunities and threats. Also, I have thought on actions how to reduce risks and use the company's strengths to improve its business operations and sales. For example, I figured out how important customs issues are when there is a trade between two countries belonging to different customs unions. I found additional information how to deal with customs, and it is definitely useful knowledge for future development of the company.

I also described in the thesis common steps for establishing a business in Finland. The information is suitable for any enterprise, since such questions are common for all companies. I described registration, taxation, and licensing, funding and other common stages during start up of the company. I used theoretical information from various sources as well as own experience of problems solving. I believe it gives more full impression about establishing of the company, and such information can be used by me in future projects or by other people, who is willing to be an entrepreneur. I described also how online shop is maintained, how its workflow is organized, how the website helps to organize a business and eases the process of interaction with clients.

I had to refresh my memory about logistics and supply chain subjects when I described the supply chain of the company. I used as well a combination of theory and practice, and explained how certain suppliers were chosen, and why nowadays delivery of orders to clients is performed by own transport, which risks it brings and which opportunities it gives to the company. Customs clearance process was also described in logistics section, since it is essential part of goods transportation. I also described my vision of logistics and suppliers in future with increasing of sales, since these processes can and should be reorganized. As I

mentioned in that section, increase of sales gives better opportunities for outsourcing of some activities, and agreements with producers of goods or wholesalers can become a reality.

I also explained marketing methods of e-commerce business. Even though marketing of the company is thesis' topic of my partner, who participates in management of the company, the section about online marketing describes the marketing features for promoting an online shop. I have written about online marketing in general, and also I mentioned own actions for the website's promotion in the search results of search engines. I treat it as very valuable information, since it is suitable for the promotion of any website, and it will be useful for me in future due to my plans of working in the e-commerce business field.

Moreover, I had thought about company's future, whether it will be successful or not. I realized there are a lot of negative factors, including the lack of experience and knowledge, capital needs, competitors, customs, lack of business systems and so on. These issues make me doubt from time to time about my abilities to organize profitable business. Also, sales amount is unstable and there are some months when no one makes an order, and I don't get profit at all. But sometimes I get good deals, and it brings me feeling that the entire project is not a waste of time. Generally, I can't say that the business is unprofitable, since there are no any costs and purchases if there are no orders. E-commerce approach also protects me from losses, since there is no need to rent any places or use labor force to organize sales. This was one more reason for me to launch an online shop, because it is convenient way for inexperienced traders, who are willing to implement own ideas in practice, but also they are afraid of big losses.

I treat the project more like the continuation of learning process, which allows me to try out my knowledge in practice before any serious investments. I also believe the approach of learning by doing is very effective and it will yield results in the future business life. I'm not afraid of doing mistakes in the project, because it can also teach me how to do things right. Such approach is not used in school, where students get worse grades or even fail tests and exams, if they have too much mistakes, and it is understandable why. But in real life we all learn from mistakes, and if one makes a mistake, he can learn how to solve it, and become more experienced. The way how babies learn to walk is a great example of such approach. At first they fall all the time, i.e. they do mistakes, but they try more and

more and finally they start to walk. I believe it works in business as well, and with time my knowledge and experience will be sufficient to establish profitable business and create something useful for the society.

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Name and address of taxpayer
Elizarov Oleg

BUSINESS TAX RETURN FOR BUSINESS OPERATORS AND SELF-EMPLOYED PERSONS

Domicile Dec. 31, 2010
Ylivieska
Business ID or personal identity number
*****_*

916

Has double-entry accounting
Accounting period 01.07.2011 -
31.12.2011

906	Has changed the accounting period	904	Request credit for foreign tax (fill out form 70A)
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This form is for business operators and self-employed persons.

5
2011

Line of business 47912 Vaatt. postimyynti ja verkkokauppa	
Address of place of business (if not the same as taxpayer's postal address)	908 Has changed business address
Additional information given by	Telephone

I Calculation of taxable income A Business income

	Accounting		Tax assessment	
	euro	cents	euro	cents
Net sales / Net profits from self-employment		300	338	50
Received public subsidies ¹⁾		318	990	00
Other additions		301		
Use of business assets for private purposes, if included in business accounting				
Automobiles (Item V A on page 3)		313		
Goods or merchandise		314		
Other private use		315		
Receipts of dividend and interest on cooperative capital				
Receipts of dividends	319			
Taxable portion		320		
Interest on cooperative capital	321			
Taxable portion		322		
Receipts of interest		323		
Relieved write-offs and reserves		312		
Other taxable income (off-P/L)		324		
TOTAL TAXABLE BUSINESS INCOME		316	1328	5

Tax-exempt income included in P/L	317		
--	-----	--	--

1) Only itemize the public subsidies included in P/L.

B Business costs

	Accounting		Tax assessment	
	euro	cents	euro	cents
Purchases, changes in inventory			333	235 65
External services			334	
Payroll costs Wages, salaries, fees			335	
Pension and other contributions			336	
Depreciation (Item IV or specified in form no 62)	337			
Deductible portion (§ 24, § 30-34, § 36-41, Business Tax Act)			338	
Travel and Entertainment (T & E)	341			
Deductible portion 50 % (§ 8,8, Business Tax Act)			342	
Rental costs			343	
Other deductible business costs			344	208 64
Interest paid	346			
Deductible portion (the interest in VII below is not deductible)			347	
Other financial expenses			349	
Increases of write-offs and reserves			353	
Additional deductions (item VI B1 and B2 on page 3)			364	136 4
Deductible costs (off-P/L)			354	
TOTAL DEDUCTIBLE BUSINESS COSTS			355	580 69

Non-tax-deductible costs (none of these amounts can be included in 'B' above)			
Direct taxes	365		
Fines and other sanctions	366		
Other nondeductible expenses	367		

BUSINESS PROFIT (if subtraction line 316 - line 355 is positive)	358	747	81
BUSINESS LOSS (if subtraction line 316 - line 355 is negative)	359		

II Business loss, deductible from capital income as demanded

Amount of deductible loss, which is demanded to be subtracted from capital income If both spouses work for the business, the request for deduction of loss will be considered a joint request, made by both spouses.	373		
--	-----	--	--

III Division of business income between spouses

If Entrepreneur and Spouse divide business income, please fill out all fields.

	Entrepreneur		Spouse	
		%		%
Share of net business assets (percentage)	369		370	
Share of work in the business (percentage)	371		372	

IV Depreciation on moveable fixed assets ¹⁾

	euro		cent	
(§ 30, § 31, Business Tax Act)				
Undepreciated (tax) acquisition cost at start of tax year	800			
Increase during the tax year	801			
Sales proceeds and insurance indemnities	802			
Depreciation for the tax year			804	
Additional depreciation (§ 32, Business Tax Act)			805	
Undepreciated acquisition cost at end of tax year			806	

1) Fill in only if all assets consist of moveable fixed assets. If other fixed assets (than moveable) exist, use form 62. VEROH 3,49

V Itemization of private use of business-related assets**A Itemization of automobile costs included in fixed assets, of leased vehicles, and other, partly privately used vehicles.**

(Do not include any costs and kilometres for company cars given to employees as fringe benefits.)

379 Fixed assets include 1 Passenger car(s)	2 Van(s) or pickup(s)	3 Passenger car(s) and van(s) or pickup(s)		4 Other automobiles
Business (ms)	Total expenses (actual expenses + depreciation or leasing fee)	381 euro	cents	38 (
Private <ms)	Expenses on average / km (total expenses divided by total kilometres)			1 Driver's log 2 Other clarification
Total kilometers (ms)	Portion of private kms (private kms x expenses on average / km)	382		39 1 Private kms were included in business costs (and recouped on page 1) 2 Private kms were not included in business costs

B Cash withdrawals and cash investments as recorded in accounting

For business operators and self-employed professionals with double-entry accounting only.

	Euro	cents		euro	cents
Cash withdrawals during calendar year 2011	384		Cash investments during calendar year 2011	385	

VI Other itemization of business expenses A Declaration of use of home for business purposes

Total sq metres	of which used for business purposes	Total rent / maintenance fee for premises	Used for business purposes	
		euro	cents	euro
m ¹	m ²			386

B Additional deductions

B1 Declaration of increased living expenses due to temporary business travel (§ 55.1.1. Business Tax Act)

Type of travel	Days travelled	Maximum amt./day of travel 1)		1 Total maximum amount		2 Deducted in bookkeeping		3 Additional deduction (1-2)	
		Euro	cents	euro	cents	Euro	cents	euro	cents
Over 10 h									
Over 6 h									
Travels abroad									
Total						387		388 ²⁾	

B2 Use of private car for business purposes (§ 55.1.2. Business Tax Act)

Vehicle use data based on log	other clarification								
Total km	Maximum amount/km ²⁾		1 Total maximum amount		2 Deducted in bookkeeping		3 Additional deduction (1-2)		
389 km	Euro	cent	euro	cent	Euro	cents	euro	cents	
Business use 390 310 km		0 44	122 76		391		392 2)	136	4

VII Calculation of non-deductible interest expenses (relating to the business source of income), when equity is negative due to cash withdrawals (§ 18.2. Business Tax Act)

For business operators and self-employed professionals with double-entry accounting only.	euro	cents
Negative equity as shown in the balance sheet (Do not use minus sign)		
Add Revaluations included in equity		
Deduct Loss for financial year		
Losses from previous financial year not offset by accumulated earnings		
Adjusted negative equity ³⁾ =		
Non-deductible interest on business income	383	
Adjusted negative equity Basic interest rate + 1 %		

1 Transfer to page 2, **B Business costs**, Additional deductions.

2 The official decision (1182/32/2010)

3 Transfer to line 747 on page 4. However, the amount to be transferred cannot be higher than line 725, Total business liabilities.

VIII Calculation of net worth

1 Business assets		euro	cents
Fixed assets			
Real property and buildings (Itemized on form no 18B)	703		
Machinery and equipment	704		
Securities (Itemized on form no 8B)	705		
Other fixed assets	706		
Current assets			
Finished goods inventory	708		
Other current assets and inventories	709		
Financial assets			
Accounts receivable	711		
Cash in hand (no bank acc.)	714		
Securities (Itemized on form no 8B)	745		
Other financial assets (no bank acc.)	716		
TOTAL BUSINESS ASSETS	718		

2 Business liabilities

Current liabilities	749		
Non-current liabilities	750		
Subtract			
Adjusted negative shareholder's equity	747		
TOTAL BUSINESS LIABILITIES	725		

3 Net worth of the business

POSITIVE NET WORTH OF THE BUSINESS	733		
NEGATIVE NET WORTH OF THE BUSINESS	734		

IX Development of equity

If negative, use minus sign (-). For business operators and self-employed professionals with double-entry accounting only.

1 Equity; Beginning balance	748		
2 Cash withdrawals / Cash investments (for private use)	741		
3 Profit / loss for the year (as shown by bookkeeping)	742		
4 Equity; Ending balance	743		

X Operating reserve ¹⁾

Operating reserve for 2011 taxable year	871		
---	-----	--	--

XI Wages paid

Wages / salaries paid during the 12 months preceding the end of tax year 2011.	394		
--	-----	--	--

XII Capital gains for selling securities, real property and buildings

Total capital gains from sales of business-related securities, real property and buildings (not including any appropriations to 'Reserves for replacement')	393		
---	-----	--	--

XIII Spouses' joint demand concerning the tax treatment of business income

2)

395

I, We demand that the maximum amount of capital income

We demand that the jointly taxable income be fully 2 taxed as earned income.

be 10 % of net worth.

The spouses are making this joint request, shared by both spouses.

915 Enclosures	2	Other
1 Tax forms	X	enclosures
Date	29.03.2012	

Signature and printed name

OLEG ELIZAROV