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Establishing an online store in the furniture retail business

Case study of Lähdesmäki Oy

Thesis

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Thesis Abstract

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This thesis describes the process of establishing an online store for a Finnish furniture retailer. The development of electronic commerce as a means of business is introduced as the force driving furniture retailers to establish an online presence.

The theory of electronic commerce is presented and analyzed in terms of differences compared to sales via a conventional store. The development of electronic furniture retailing is analyzed by researching furniture retailers in Finland and the stage of their online development.

The process of designing, developing and establishing an online store done by Lähdesmäki Oy, a private Finnish furniture retailer, is used as a case study to research the process of establishing an online store. The process of establishing an online store is described step by step to form a cohesive view of completing the establishment of an online store for a company used to operate via conventional store sales.

As a result of the research the thesis presents information for businesses planning to establish an online store. The research concluded that establishing an online store requires both technical expertise and understanding of electronic commerce. Issues such as staffing, managing the logistics of an online store and online marketing are areas needed to be taken into consideration before commencing the process of establishing an online store.

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Tämän opinnäytetyön tarkoitus oli tutkia, selventää ja kuvata huonekaluliikkeen verkkokaupan perustamista. Työssä tutkittiin sekä verkkokaupan perustamiseen liittyvää yleistä prosessia että alakohtaista huonekalujen jälleenmyyntiin vaikuttavia seikkoja. Työssä käsitellään sähköisen kaupankäynnin kehittymistä yleisesti sekä huonekalujen jälleenmyynnissä. Sähköisen kaupankäynnin eroja perinteiseen kivijalkamyymälän toimintaan käsitellään ja vertaillaan. Huonekalujen jälleenmyyjien sähköisen kaupankäynnin kehitystä seurataan vertailemalla alalla toimivien liikkeiden toimintaa sähköisessä ympäristössä.

Käytännön tutkimus toteutettiin työskentelemällä verkkokaupan perustamisprosessin vastuuhenkilönä. Työssä kuvataan Lähdesmäki Oy:n verkkokaupan suunnittelu – ja perustamisprosessia alkuperäistavoitteiden asettamisesta toteutuneen verkkokaupan hallinnointiin ja käyttämiseen. Verkkokaupan perustamisprosessin eri vaiheet ja niiden toteutuksen kokonaisvaikutusta verkkokauppaan tutkitaan.

Tutkimuksen tuloksena esitetään prosessin eri vaiheisiin liittyviä ohjeita ja ehdotuksia, joiden avulla perustamisvaiheessa esiin tulevia ongelmia voi minimoida ja välttää. Verkkokaupan perustaminen vaatii sekä teknistä osaamista että sähköisen kaupankäynnin erikoispiirteiden hallitsemista asetettujen tavoitteiden saavuttamiseksi. Henkilökunnan koulutus, logistiikan järjestely sekä sähköinen markkinointi ovat tekijöitä, joihin tutkimuksen perusteella tulee kiinnittää huomiota ennen verkkokaupan perustamisprosessin aloittamista.

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1 INTRODUCTION

The aim of the research is to investigate the process of establishing an online store from initiating the idea to managing online operations on a daily basis. The theoretical part explains the development of electronic commerce as a trend in business as well as focusing on the furniture retail business as a market for online commerce. The topic for this thesis came upon working as an intern at the case company Lähdesmäki Oy.

The theoretical part contains descriptions of the current stage of development of electronic commerce. The basic principles of establishing an online store are presented. The theoretical part includes detailed information of market specific characteristics of the furniture retail business affecting the development of electronic commerce in this sector.

Lähdesmäki Oy sought to increase sales and improve brand recognition by establishing an online store to support the conventional store. The company had no previous experience in electronic commerce, but wanted to invest in an area of business seen to have future potential. Thus the presented case is study is a study of an actual business development. As electronic commerce is an increasing way of doing business the topic of establishing an online store for a case company fits the requirements of a thesis study.

The practical part of the thesis is an actual detailed description of the designing, developing and establishing an online store. The author has been the person responsible of this process making the description of the process authentic.

1.1 Background

The topic of this research is the establishment of an online store. This thesis consists of analyzing the challenges establishing an online store presents for a company used to operate via a conventional store. As an investigation to purpose was to comprehend the general process of entering e-commerce via an online

store and to understand the special characteristics of the furniture retail business in terms of operating online.

In order to understand the basic principles of establishing an online store theoretical material of the subject was studied. This material was used as a framework to identify the issues arising on each step of the development process. As the company had no previous experience of the subject matter and lacked any level of competence to operate in the dimension of e-commerce the need for detailed information of the process at hand became obvious.

1.2   Research problem

The general problem this research tackles is the challenge of establishing an online store with no previous experience of knowledge of the subject. In order to present information for future developing business a detailed description of the process is required with conclusive investigation of different areas requiring notice.

Secondly as the research answers questions existing companies have regarding taking their business online as Lähdesmäki Oy has a history of retailing furniture via conventional stores before establishing an online store.

1.3   Sectioning the research

The research has been sectioned into two main parts: the theoretical part and the practical development part. The theoretical part is sectioned into describing the development of electronic commerce, presenting the principles of establishing an online store and analyzing the development of electronic commerce in the market of furniture retailing. The theoretical part is based upon written sources as well as online sources.

The practical development part consists of a detailed description of the process of establishing an online store from design to publishing to managing the store on a daily basis. As the topic of electronic commerce is vast the focus is on describing the process from a point of view focusing on a business-to-consumer point of view.

Thought the case company operates in the field of furniture retailing the description of the process is structured to describe the process of establishing an online store understandable to companies operating in other fields of business-to-consumer trade.

1.4 Commonly used terms

This chapter clarifies the commonly used terms in the thesis. The following list includes the main terms used. The terms are in alphabetical order and explained in detail.

E-commerce. Purchasing and selling via online methods. The seller and buyer interact by using information technology without meeting in real life.

Online consumption. Consumer behavior taking place in virtual stores operating online.

Online store. A virtual store operating online.

2 E-COMMERCE

Computers, information technology and networking have revolutionized the way of doing business in the past two decades. The wired world of today is not about technology itself, but rather about sharing information via sophisticated interlinking between multitudes of counterparts made possibly by technology. Businesses cannot ignore the potential provided by this development. (Awad 2006, 1.)

Electronic commerce or E-commerce is commerce done by buyers and sellers connected via information technology. The interaction is done completely online without a tangible contact between counterparts. (Awad 2006, 2). Electronic commerce is connection without contact and thus increases in effectiveness the longer the distance between the interacting parties is.

The development of the World Wide Web, the internet, was the greatest stimulant in challenging sellers and buyers to expand to do business electronically. Having an international network of a countless amount of computers made it significantly faster and more convenient to find information and to interact with virtually anyone living on this planet. (Awad 2006, 2.)

The internet offers a business the tools to reach a much wider audience with significantly less investments compared to traditional marketing routes. Sellers use the internet to make their offering present for potential customers using the internet as a tool for searching information. A company utilizing the internet to its full potential is able to access a much larger audience in less time than before the internet was possible. (Awad 2006, 2.)

2.1 Increase of online consumption

Online shopping has been increasing in popularity. This development is predicted to be far from reaching its peak. Online purchasing is expected to double in the following five years to reach an annual worth of 323 billion in 2018. In a survey conducted in 19 European nations the northern part of Europe including Norway and Sweden had the highest consumption of online goods per consumers

compared to surveyed nations from other regions of Europe. (Verkkokauppa kaksinkertaistuu viidessä vuodessa 2012.)

According to two surveys conducted by consulting agencies specialized in e-commerce online shopping is predicted to further increase in the 2010s. The amount of online purchasing has been expanding despite the economic recession slowing trade across all industries. As online shopping grows in popularity the consumers demand more fluent and easy-to-use online shopping services. An online store has also the potential to increase the sales volume of the traditional store as consumers browse the available selection online. Typical items bought online include holiday trips, CD's and tickets to event. According to survey specialist Monika Hellberg the survey signals future increase of e-commerce in the furniture retail business, home appliance business and recreational items business. (Verkossa ostaminen kasvoi myös taantumassa 2010.)

Purchasing online has become a part of everyday consuming in Finland. According to a survey conducted by TNS Gallup the value of online purchased by Finns in 2011 was approximately 10 billion Euros. From this amount the share of goods was 44 %. From the total amount of online purchases made by Finns 18% was from foreign stores. According to a survey by Smilehouse 70 % of surveyed Finns stated the nationality of the online store being Finnish being an important or quite important factor when planning the purchase. (Lahtinen 2013, 15-16.)

The estimated growth of online purchasing in the beginning of 2011 in Finland was 15%. This signals online consuming to continue to rapidly increase. Comparing the estimate of 10 billion sold in 2011 to an estimate by Statistics Finland of 400 million sold in 2007 presents a sense of the speed of online purchasing increasing. Factors of the rapid increase in popularity of online consumption are the positive experienced Finnish consumers have received from online purchasing and the ongoing increase of selection available to be purchased online. (Lahtinen 2013, 16.)

2.1.1   Mobile consumption

Purchasing online using a mobile phone is increasing. Smartphones have the technical capabilities of traditional PC's providing consumers the option to shop while "on the go". Mobile purchasing is most popular among consumers actively purchasing online. Males are more likely to purchase via mobile compared to females. Consumers use smartphones in affect to search for information about store location, opening hours and product properties and prices. Mobile browsing can thus be used as a channel to support the traditional store by means of performing online. (Lahtinen 2013, 16.)

2.2   Advantages and disadvantages of selling online

For a retailer such as Lähdesmäki Oy establishing an online store provides several advantages compared to a conventional store. Location of the store is unimportant when operating online where as it is crucial to any retailer's traditional store. Similarly the size of the business does not matter when competing online. A small business can compete equally for customers with a large retailing chain as consumers can use the internet to access any online store at any given time. Geographical boundaries do not exclude customers from making purchases when interacting via an online store. An online store can be used to place orders 24/7 where as a conventional store is limited to its opening hours. The maintenance costs of an online store are also lower in terms of wages of staff. As businesses focus more on utilizing the internet for engaging with the consumers a retailer cannot afford not to participate in this development without the risk of losing customer potential. (Dennis 2005, 4).

A large obstacle for retailers going online is the lack of know-how and understanding of technology. Establishing an online store requires investments as do all expansions of business. A combination of not fully comprehending the concept of technology required to operate online combined with the demand to invest resources demotivates business to fully engage in electronic retailing. Managing the logistics of selling items to customers from a larger geographical is an additional cause of fearing the creation of an online store. Compared to

retailing from a conventional store an online shop lacks the face-to-face contact between the customers and the seller. For some businesses the contact is seen as an essential part of the sale and thus selling via an online store is not believed to be successful. There exist legal differences in terms of consumer rights when comparing a conventional store and an online store. For a business with a history of retailing via conventional stores the concept of establishing an online store is a leap of faith as traditional expertise and tricks of the trade do not apply in the online dimension of e-commerce. (Dennis 2005, 3).

2.2.1 Legal differences in customer rights

Online purchases differ from purchases made at a conventional store in terms of the consumer rights stated in the Consumer Protection Law of Finland. Based on article 6:15 consumers have the right to cancel an online purchase within 14 days of making the deal. The consumer is not required to give any specific reason for cancelling the deal. The store is obliged to return the cost of the item to the customer within 30 days of cancelling the deal. This aspect of consumer law in online purchases is different from the law in force when selling from a conventional store. The legislation protect consumers since items bought online cannot be tangible evaluated as can item bought from a conventional store. From a retailers point of view the legislation emphasizes on providing online consumers sufficient amount of information and accurate pictures of items in order to avoid customers making wrongful perceptions of items leading to cancelling deals. (Lahtinen 2013, 89-90.)

The law of consumer protection further states that the store selling the item online is required to refund the expenses arising from returning the purchased item. However this applies for items of "standard" size, a measurement based on the measurement standards of the postal service Itella. Furniture's for example exceed this size limit and thus the customers are required to pay for the possible costs occurring when returning an article. (Lahtinen 2013, 90-91.)

The right of cancelling the deal within 14 days is a reason demotivating retailers to commence in online sales in fields of business such as furniture retailing where

prices of items can be relatively high and cancelling a sale requires resources in terms of logistics. In these cases the consumers is obligated to pay for the shipping of a returning item (Lahtinen 2013, 90-91), but re-stocking the returning item into the inventory is problematic as an item sold and delivered cannot be re-sold as a brand new item as it often been used by the customer before returning. The law states that an item can be **tested**, not **used** after returning it to the store (Lahtinen 2013, 90-91). In the case of furniture retailing testing and using are similar in nature making the law ineffective in prohibiting customers to use the item before returning thus lowering the retail value of the item.

Faults in products are legislated by same terms as in operating from a conventional store and are not a factor in increasing or decreasing the willingness of retailers selling online. The articles sold via the online store have to be presented as they would be sold from the conventional store with every detail of information available for the online consumer. The consumers have to be made aware of the features and proper use in order to avoid reclamation caused due to misusing or misunderstanding the product properly. (Lahtinen 2013, 90).

2.3 Principles of establishing an online store

An online store is a channel of sales as is a conventional store. There exist however significant differences in establishing, operating and managing an online store compared to a conventional store. Based on the theory of e-commerce the areas of significant difference are:

- Volume of audience

- Marketing

- Selection of goods

- Profitability

- Stock management

- Pricing policy

- Perception of reliability

Each of these areas differs when comparing an online store to a conventional store. In order to successfully establish and operate an online store the differences have to be understood and managed. (Lahtinen 2013, 28-68.)

2.3.1 Unlimited markets of the Internet

An online store has an unlimited market based on the opportunity for any consumer to access the store via the internet. Not every consumer will access the store, but anyone could, opposed to a conventional store where location determines whether a consumer can enter the store. To have an unlimited market for a store had the potential to increase sales significantly, which is a leading motivator for business to open online stores. However an unlimited market equal to unlimited rivalry between companies operating via online stores. The consumer can access each online store and make an instant comparison before making the decision to purchase. (Lahtinen 2013, 28).

Unlimited rivalry forces business establishing online stores to enhance their competitive strategy in order to gain a competitive edge. This competitive edge has to establish the unique, superior features of the store making it more attractive to the consumers. A consumers browsing the internet and comparing online stores needs to find a particular store to somehow be different from all the other online stores in order for him or her to place a purchase. (Lahtinen 2013, 28).

There exist several identified differentiation strategies for online stores, some of which apply partly to conventional stores as well. The general established rule is that no store can be unique in all aspects of the business. Instead a company needs to focus on certain unique selling points. The selling points do not have to be flashes of unbelievable brilliance. Instead they most commonly are simple aspects of business performed in different way compared to the majority of operators in the markets. (Lahtinen 2013, 29).

Common areas of differentiation are:

- Specialization (in a narrow field of business)

- Pricing policy

- Pre – and aftersales service

- Nativity vs. being foreign

(Lahtinen 2013, 29-30).

2.3.2   Marketing online

An online store cannot rely on location when attempting to attract customers. There is no tangible location to work with. Therefore in order for an online store to gain customer marketing efforts have to be made. Before an online store is established the marketing strategy should be created and enhanced. A critical error is to establish an online store without a marketing strategy.

2.3.3   Selection of goods

The selection of goods provided at any store is a crucial part of any business strategy. This applies to e-commerce as well. The items sold online have to be goods worth buying online. Should the consumer be able to purchase a similar item from his or her local grocery the consumer will likely do so. On the other hand items sold online must not be common enough for a large enough consumer base to desire them. (Lahtinen 2013, 32).

When establishing an online store the business has to determine which types of items can be used as traded goods. The type of the good and the physical size on the good are the main factors when analyzing whether a product can be sold online. Traditionally items sold online have been products with low consumer uncertainty such as concert tickets or CDs. The consumer knows exactly what he or she is receiving when purchasing these types of items. The examples also

present the second factor; they are light in weight and small in size. Thus they can be shipped to the consumer quickly and relatively cheaply. (Lahtinen 2013, 32).

The development of e-commerce has changed the perception of which items can or cannot be sold online. An example of this is the increase on consumers purchasing furniture and home appliances online. These goods have traditionally been sold from conventional stores due to the size and the consumer uncertainty. Businesses have surpassed these limitations by providing the consumer with specific product information, pictures and videos and by offering affordable shipping for items too large to be sent via a postal package. (Lahtinen 2013, 33).

2.3.4 Profitability of an online store

An online store, whether it is a standalone business or a supporting element to an existing business needs to be profitable in order to succeed. The profitability of an online store is not determined by the technical features it is built upon but based on the need of the consumers. The technological framework is a tool to satisfy the need of the consumer, not a way of creating a need for the consumer. (Lahtinen 2013, 35).

Four elements multiplied present the sales profit on an online store:

- Amount of visitors

- Conversion (amount of visitors placing a purchase)

- Average price per purchase

- Average sales profit per purchase

Multiplying these four characters presents the profits, from which the costs of operating an online store are subtracted from. The higher value this equation gives the profitable the online store is. (Lahtinen 2013, 36).

The costs of operating an online store are different compared to running a conventional store. Traditionally the largest costs for any business are caused by

the tangible location of the store. As location is a key competitive element it creates the largest costs in terms of rents and facility maintenance costs. An online store has no or little costs in terms of tangible location. However the costs of maintaining the technical infrastructure and software maintenance costs present an element of "locational costs". (Lahtinen 2013, 36).

The personnel costs of an online store are considered to be lower compared to an online store as consumers browse items online and require no direct assistance from the staff. Managing the incoming orders, packaging goods to be sent and purchasing delivery services create additional costs for an online store. However these costs partly co-exist in traditional stores since not every consumer manages the delivery of the purchased items and requires the store to participate. In this aspect the items available via an online store have to have item matching delivery methods. For example a sofa needs to be shipped via a trucking company where as a pillow can be sent via postal services. Differences in types and sizes of items create additional shipping costs based on different packing requirements. The differences need to be taken into consideration when offering delivery to the online consumer. (Lahtinen 2013, 36-37).

2.3.5 Managing stock

An online store can have an in-house stock or it can operate solely by ordering the purchased items from the producer after the consumer has placed the purchase. An in-house stock provides quick and reliable delivery times to customers as the items can be shipped out directly after the sale is made. However an in-house stock is resource demanding and risky as there is no guarantee of turnover. On the other hand having no stock and relying on suppliers to deliver purchased items requires trust in the performance of the supplier as delays cause havoc among consumers. (Lahtinen 2013, 37).

A common method for online stores to manage their stock is to have popular items in stock for instant shipment and leave the more special products to be ordered after purchasing. This balances the performance of the online store and reduces the resources and risk of a complete in-house stocking. Having items ready to be

shipped increases the perception of delivery speed, which is valued by consumers purchasing online. Naturally the characteristics of an item determine the amount of time consumers are willing to wait for the item. (Lahtinen 2013, 38-39).

2.3.6 Pricing

Pricing policy is a key element for any business. Pricing has to be done cohesively taking all the different elements of the business into consideration such as items, discounts, delivery costs, special services and payment methods. All of these elements have to be taken into account when creating a pricing policy supporting the business strategy. (Lahtinen 2013, 48).

There are two general types of pricing products: pricing based on costs and pricing based on the markets. These apply to pricing items sold via an online store, but with special characteristics based on the nature of operating online. (Lahtinen 2013, 48).

Pricing based on costs requires the business to have knowledge of the total costs involved in selling an item. When applied to an online store the costs of operating the store have to be known, which can be a problem as businesses may lack the clear picture of all costs involved. Without knowing the exact costs involved the policy of pricing based on costs risks selling items with a too low or high price causing damage to the business. (Lahtinen 2013, 49).

Pricing based on the markets requires analyzing the prices rivals post for their products. As the online market is virtually without boundaries and consumers have the power to instantly compare prices posted online, this type of pricing has the opportunity to make or break an online store based on the prices posted compared to other operators on the market. (Lahtinen 2013, 49).

Consumers have a perception of what a certain item should be worth. This consumer's perception of price is important to take into consideration when posting prices to an online store. The more the value the item is considered to have the higher the price perception is. As an online store has no staff to convey the message of added value to the customer the description of the product is

essential when attempting to justify the price of the item. In addition to justifying higher prices for better items the reason for other items being cheap has to be stated to prevent customers from purchasing goods not suitable for their needs. A consumer is willing to pay a higher price for an item he or she believes is of more value. In addition to the product itself other elements of the online store convey either a positive or negative value factor. Reliability of the store, ease of use of the online store, ease of purchasing and speed of delivery all affect the perception of value the consumer has. (Lahtinen 2013, 50-53).

Depending on the type of items sold the delivery costs may vary largely from online store to another. Therefore the pricing policy has to include pricing delivery in accordance. Delivering a large item such as a sofa costs far more than delivering a CD. Thus an online store selling CDs can offer delivery with a relatively low cost without losing profitability whereas a furniture retailer has to price delivery to be more expensive. (Lahtinen 2013, 55).

2.3.7   Customer perception of reliability

The perception of reliability consumers have of an online store determines whether they are willing to place a purchase. As the internet is an unlimited market with a volume of operators an online store needs to gain the trust of consumers. When purchasing online the consumers is buying an items with the promise of the seller to deliver the described item. Should the sellers promise not assure the consumer, he or she will not place the purchase. (Lahtinen 2013, 62).

According to a survey by Stanford University there exist five factors affecting the perceived credibility of an online store.

1. Layout of the site

   The online store has to look good enough for the consumers to take it seriously. The design of the site should be professional and clear without looking too artistic.

2. Structure of the site

The online store should be structured in a way making it easy for the consumer to navigate and browse. Different parts of the store should blend together and create a cohesive online environment.

3. Reputation and level of familiarity

Consumers find an online store reliable had they heard positive comments about it. The level of general knowledge a store name has increases the perception of reliability the online store receives.

4. Information available

Consumers need to find a sufficient amount of information not only about the items sold but also about the online store itself. Information about the business and contact information should be made accessible to online visitors.

5. Level of customer service

The consumer needs to be assured of adequate customer service after the purchase is done or upon returning to purchase from the store. The online store needs to convey the message of caring for the customer and taking care of any problems possibly arising from purchasing an item such as exchanging a faulty item for a proper one.

(Lahtinen 2013, 63-65).

2.3.8 Selecting the online store software

After comprehending the basics of electronic commerce a company willing to establish an online store has to select the software to base the online store upon. This decision is crucial as there exist dozens of online store software. Compared to other types of software the online store programs are high in number due to the relative easiness of programming one. However there are major differences in the

software, which makes choosing the correct one an important decision. No software excels at all the criteria of electronic commerce. A business has to select software suited for the specific needs and aims set when planning on online store. Expensive software can be useless to a company not needing the features it provides whereas the cheapest option may turn out to be lacking and thus hinder the success of the online store. Once a software is chosen it becomes an element of the business as it is used as the base for the entire online store. This makes it difficult and expensive to change the software after the development has begun. (Lahtinen 2013, 260).

When deciding upon which online store software to select the process should include 3 stages. Firstly the strategic elements need to be taken into consideration. This contains the main technical aspects of the software. Secondly the suppliers need to be analyzed and compare. As the online store is meant to be a remaining part of the business the future relationship with the suppliers has to be noted when selecting the program. Thirdly the evaluation and comparison of the product elements offered by different suppliers has to be done. These elements are a direct reflection of the online store software and thus a crucial part when choosing the software. (Lahtinen 2013, 261).

3 DEVELOPMENT OF E-COMMERCE IN THE FURNITURE RETAIL BUSINESS

3.1 Chain of distribution in the furniture markets

The role of an online store in any retail market depends on the role the retailer has in that specific market. The element of added value the retailer provides by taking part of the chain of distribution has to be taken into consideration when strategizing about the online store. (Lahtinen 2013, 22.)

Manufacturers of furniture have not shifted towards using online store to directly connect with the end customers. Bypassing retailers has the potential of causing a conflict of distribution. The chance of conflict increases based on the importance retailers have in selling the manufactured items. (Lahtinen 2013, 20.)

Möbeltrio Oy is an example of a Finnish furniture manufacturer continuing to rely on the retailers selling the manufactured items. The company has an online catalogue of all the items it produces at www.mobeltrio.fi. The items cannot be purchased on site, the consumer is instead referred to contact the retailers provided.
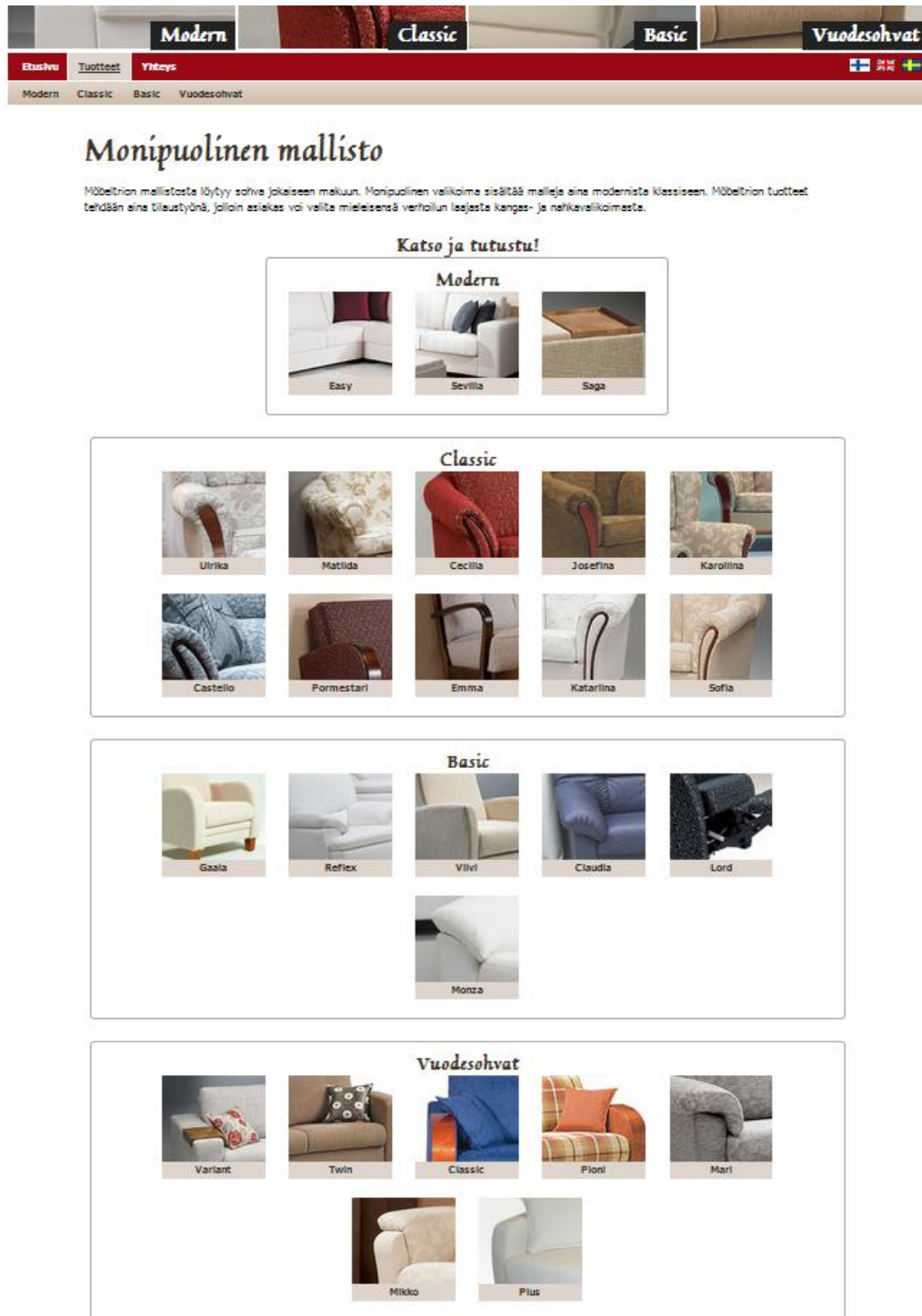
Figure 1. Online catalogue of Möbeltrio Oy.

There are exceptions such as Tempur. This company manufactures beds and mattresses using a unique method of conforming and molding foam. Tempur is a global brand (Tempurin historia, ref. 28 August 2013). The company has an online store at www.tempur.fi.

Figure 2. The Tempur online store.

3.2 Types of furniture retailers operating online

In the online B2C furniture retail business in Finland exist two types of companies:

1. Companies without conventional stores focusing purely on sales via their online store (Lahtinen 2013, 18).

2. Companies utilizing their online store to support the conventional store (Lahtinen 2013, 18).

An example of the first type operating only online is www.on24.fi. This retailer has no traditional stores and sells its selection of goods only via the online store it has. The success of the company is determined directly from the success of the online store.

Lähdesmäki Oy represents the second type of furniture retailer providing goods via an online store. The company has been operating as a traditional store for more than 40 years. Lähdesmäki Oy has launched an online store to compliment and support the existing traditional store. Establishing an online store to co-exist with the traditional store has become more common as consumers increase purchasing online (Lahtinen 2013, 18).

Presented in table 1 are the major furniture retail chains of Finland with addresses to the homepages of these companies. Each company has an online catalogue of items accessible by online visitors. Approximately half of the listed companies host an online store providing consumers the opportunity to purchase items online. The consumer trend of increasing amounts of online purchases within a relatively short amount of time has been driving furniture retailers to take action towards utilizing the potential of online consumption. Kruunukaluste for example opened an online store in the spring of 2013 (Kruunukalusteen verkkokauppa avattu, ref. 28 August 2013). Kruunukaluste as Lähdesmäki Oy is a company with a long history in the Finnish furniture retail business. It has relayed on sales via conventional stores and now compliments these efforts with the new online store (Kruunukaluste – Aina IN, ref. 28 August 2013).

Name	Online catalogue	Online store	Url
Asko	Yes	No	www.asko.fi
Ikea	Yes	Yes	www.ikea.fi
Isku	Yes	No	www.isku.fi
Jysk	Yes	Yes	www.jysk.fi
Kruunukaluste	Yes	Yes	www.kruunukaluste.fi
Masku	Yes	No	www.masku.com
Porin Vaihtokaluste	Yes	No	www.porinvaihtokaluste.fi
Sotka	Yes	No	www.sotka.fi
Stemma	Yes	No	www.stemma.fi
Veken Kaluste	Yes	Yes	www.vekenkaluste.fi
Vepsäläinen	Yes	Yes	www.vepsalainen.com

Figure 3. Listing of major Finnish furniture retailers presenting their selection of goods online or hosting an online store.

3.2.1 Commercial mechanisms

The commercial mechanism for online stores of furniture retailers in Finland is based on a fixed-price sale. This mechanism is used by all electronic retailers as the means of transacting online with customers. Consumers view the items with listed prices and purchase or do not purchase. Fixed-price catalogues can be static or dynamic based on whether the prices are updated constantly or whether they remain the same over a longer duration. (Chaffey 2007, 57.)

With the mechanism of a negotiated deal the customer bargains with the retailer before purchasing (Chaffey 2007, 57). This mechanism also applies for certain online furniture retailers in Finland. Consumers access items not sold directly via the online store due to customization option available for the product. For example a sofa can be ordered with any surface material from a selection of hundreds of leathers and fabrics. A customer may browse the online store and see the model of a product with a price including a certain fabric. The customer can contact the store and make an offer for that product or ask for an offer based on using another fabric.

4 THE PROCESS OF ESTABLISHING AN ONLINE STORE

4.1 Selecting the software for the online store

Lähdesmäki Oy had been managing their webpages for several years. The function of the pages was to inform consumers about the company and deliver price and inventory information to potential customers. There was no online purchasing possibilities, instead consumers contacted the company via email or phone and placed orders. Thus there was an element of e-commerce, but it was a secondary function where the mission of delivering information and igniting the consumer's interest to visit the store was the main purpose.

Because the old site offered no possibility for consumers to place orders, the inventory and pricing of items was not updated on a regular basis. Managing the site was a secondary task not categorized as vital. This caused the prices, the items in stock and the description of articles to be outdated. There had been so systematical way of entering and editing the content presented on the previous site. It had been done by several employees over duration of years. Because of this the inventory presented on the site was not properly categorized, same articles of items had been added several times and the written style varied depending on who had been updating the content. No clear guidelines had been established and used in order to unify the presented content. There was no single person in charge on supervising and monitoring the final edit.

After the decision was made to launch a new site with full e-shopping possibilities for visitors Lähdesmäki approach several service providers asking quotes for an e-commerce system. Several offers were made by various service providers in the field of online software development and production. Negotiations took place with the providers offering the most attractive package based on the following points of importance:

1. Ease of management in order to fluently operate the system after without daily contact with the provider.

2. Search engine optimization compatibility of software code.

3. Overall browser compatibility.

4. Support provided by the service provider after establishing the site.

5. Consulting and training in use of the software included in the overall package offered.

4.1.1 Magento

Magento is an e-commerce software based on an open source code. The software has been translated into several languages and it utilized as a base for e-commerce operations among enterprises around the globe. The Magento software is flexible towards user specific customization, which allows modification based on the needs and demands of the enterprise. Thus Magento can be used to present web pages with informational content alongside the online store content. The software can be fully modified to suit the needs of the enterprise. (Magento e-commerce, ref. 20 August 2013.)

Magento has two user interfaces. It includes the online store view presented on the web site accessible by consumers browsing the internet. The software also has an admin panel view which is used to manage the online store. The admin panel is accessed via a login requiring a user account and password. The admin panel includes tools to create report of online activity by visitors of the page. Reports include figures of sales, amount of views per items, listing of popular items among purchases and a register of customer information used to purchase items. (Magento e-commerce, ref. 20 August 2013.)

4.2 Editing the inventory for the new online store

One criterion for choosing the service provider delivering the new online systems was the possibility to transfer the contents of the existing pages to the new module. The difficulty was the technological gap between the old programming

used to code the existing page compared to the technologically advanced newer software on which the new online store was based upon. The existing content was updated and managed solely based on text input. Product information was placed on a field on text. This text was supported by a picture, which was added as an image insertion acting as a hyperlink, a gateway which when clicked upon lead to the actual site hosting the image as a fully sized picture. This way the existing online structure was coded meant that there was no actual database to transfer. There was no transferring surface to enable a direct delivery of data from the old content to the new software system.

Despite the information on the old pages being outdated, illogically presented and being in a format difficult to extract and import the need to conduct the transfer existed because of the amount of information required to launch the new site. With an inventory of over 2500 items and thousands of pictures the task of adding each item with complete product inventory and matching pictures was seen by management as a timely and inefficient resolution. A large amount of the information on the old page was valid and accompanied by appropriate pictures. To discard this data and to start from absolute nothing in terms of editing the content of the new site was not an option.

4.2.1   Excel conversion

After consulting with the supplier of the new system the decision was made to use an excel sheet as the medium for transferring the data from the old site into a form which could be imported to the new program. The data had to be first extracted from the old site and converted into an excel file.

This sheet had to be further modified because of the inconsistencies of the old site. The sheet used for the conversion was a basic excel file with different field of values. These fields were by type either plain text, of numeric value or of an external address. The fields of plain text were used to transfer the product information placed on the old site. The ones with numeric values represented different elements of the new system such as type of product. Different values indicated how the new software would handle the converted information. The fields

with external addresses were the picture elements of the old site. The pictures were transferred by supplying the new host with the address of the server hosting the images. This decision eliminated the need to manually transfer the images to the service provider. Secondly this method enabled to match the product with its correct picture. The images on the server had filenames not matching the products name itself, which would have made matching pictures with products a majorly time consuming process. Adding the address of the image into the excel sheet required to manually separate the different addresses given as a continuous line of text by the original conversion. This task was a way to avoid the more resource consuming way of identifying each of the thousands of pictures and matching them with the corresponding product.

The service provider agreed to conduct a single large importation of the data on the excel sheet into the new system. Because of the unique opportunity to retain valuable information and avoid creating the same data again the information on the excel sheet had to be as accurate as possible. This forced the editing of the converted data because the exported information was not formatted in a singular and cohesive way. As mentioned above, the information on the old site was partly outdate and presented in an illogical way. The excel sheet had to be scrutinized in order to confirm the information imported to the new system was accurate and presented in a meaningful way.

The excel sheet was an artificial medium of transferring the information from the old site into the new e-shopping system. Upon consultations with the service provider it was found to be the only viable method due to the technical differences between the old plain coding used in the old site and the new WYSIWYG based system. However because of the excel sheets artificial nature there existed uncertainty how the different elements presented as fields on the sheet would be displayed on the new site.

The excel sheet had a field of numeric values representing the type of the products. The type of product in this instance means in which of six different categories of e-store items the product fits. The categorization is essential when managing the inventory in the Magento environment. Defining and editing the categorization in the system is self-explanatory and user friendly. However in the

case of portraying it as a field of numeric value on an excel sheet it was found to be difficult to use on an optimal level. The element of selecting a type for the item at this point was not feasible, because the products could not be managed in the system this categorization essential to use on.

Because the categorization based on product type was not completed on the excel sheet in a satisfactory way the decision was made to use the imported data as a base of information. The items were selected to be inactive after importing them into the new system. Every item had to be edited and activated by using Magentos administrative tools. Thus the conversion and importation was not as beneficial as expected since in order to publish the full inventory range each article had to be edited separately. However the information from the old site could be used as a base to work from. Written information of the product was transferred from the old site and had to be edited instead of a complete rewrite. The images and prices were also transferred further reducing the time required to edit the profile of an item.

4.2.2   Using the old site as a base of information

The conversion of information from the old site to the new system was not as complete as planned. Because of the lack of certain key product information the old archives had to be accessed on a daily bases as long as the product inventory in the new online store was incomplete. The solution was to keep the old site online. This provided the manager of the new online store access to all of the information presented on the old site.

Consumers visiting the old site are informed that the old site is no longer updated nor are the prices valid. A link to the new site was published on the first page to direct consumers to the existing online store. The address www.lahdesmaki.fi was the address to the new site whereas the old site was transferred under the domain lahdesmaki.netikka.fi. The only purpose of keeping the old site published is to provide the manager of the online store the opportunity to use the multitude of information making it more convenient and faster to add information to the item profiles left incomplete after the conversion.

The old site will be kept online as long as the information there can be used to compliment the item profiles of the new site. Upon having all items from the old site completely presented on the new site the old site will be shut down and removed.

4.3   Stock management

The Magento software manages automatically the amount of items in stock based on the given value and subtractions caused by purchases. The reduction caused by purchases to zero items left changes the status of the item into being out of stock. This is illustrated with a red text in the description of the item in the shopper view of the online store as presented in picture 2. Having the item in stock is illustrated with a green text without stating the actual amount as presented in picture 1.

Figure 4. Caption of an item profile when in stock.

Figure 5. Caption of an item profile when out of stock.

The online store system is standalone. The software is not synchronized with the warehouse management system of Lähdesmäki. The warehouse management is conducted by manually managing the arrival and departure of goods. Thus the inventory of the online store requires manual updating upon inventory re-stockings. Items sold outside the online store require manual subtraction from the online inventory.

In order to prevent sales exceeding the amount of items in the inventory the number of stock is kept below the actual amount held. The safety margin is 15-20 percent of the total amount of a specific item. Thus the risk of sales exceeding the amount of stock due to failing to manually reduce the amount of items caused by lack of time or communication between employees is minimized.

4.3.1 Items to be ordered for customers

Lähdesmäki Oy offers items to be ordered for the customers after the purchase is made. These types of items are not kept in stock due to the close proximity of the supplier, slow rate of turnover or due to lack of storage room. Items ordered to the customer after purchasing are sold via the online store. Upon managing the incoming order the supplier of the specific item is contacted and the purchased item is ordered. Items to be ordered are illustrated with a purple text in the item

description. The time it takes for the supplier to deliver the item is also mentioned in the item description.

Figure 6. Profile of an item ordered after sales.

4.4 Product categories

Product categories where discussed in great detail upon designing the presentation of the new online store. The debate was based on whether to have a minimalistic approach with a few broad categories including a large amount of different types of items or whether to have a selection of categories with specific sub-categories to precisely narrow specific products into categories. The first option was seen as beneficial for customer satisfaction in terms of navigation easily to view a wide presentation of products. The downside of this option was the potential difficulty of location an item of precise interest. For example a category named "Sofas" would have included all of the sofas the store has to offer. There would not exist a categorical differentiation between different types of sofas. This would force the customer to browse through the entire selection risking aversion of interest and the consumer exiting the site.

The concept of creating specific sub-categories with exact product specification was chosen as the design for the categorization. This concept was accepted to increase customer satisfaction in terms of directing consumers toward their specific item interests. This option was also supporting search engine optimization of the site by providing additional pages of content with product description increasing the amount of pages for search engines to index.

Figure 7. Caption of the selected style of categorization.

4.5 Methods of payment

A broad variety of payment methods were chosen to be available for the online customer in order to make purchasing as convenient and possible. Providing online shoppers with several options to suit different needs of individual was seen as a method of increasing the chance of converting a visitor of the online store into a customer making a purchasing decision. Surveying the methods other online

stores were using the decision was made to have three options of payment: an e-bank transfer, common credit/debit cards and the option to create a financing account for the customer to complete the payment under certain terms and over a period of time.

4.5.1 Paytrail

For the e-bank transfer and card payment options the service provider Paytrail was selected. It is a service offering to manage the coordination of payments via online bank transfers and cards. The service takes control of the entire payment process utilizing software compatible with most of online store programs including the Magento system (Description of Paytrail 2012). By becoming a client of Paytrail Lähdesmäki transferred the responsibility of technically managing the transfer of payments to a professional service. This decision was made due to the lack of resources and expertise to run a reliable payment service system in sync with different banks and card companies.

For managing all of the financial exchange and directing payments to the company using its services Paytrail charges a monthly fee. In addition it charges a transaction fee for every bank transaction recorded. Thirdly it charges a provision based fee for every card payment taking place under the system it operates. (Description of Paytrail 2012.)

The duration for bank transfers to be directed to the client company is 2 bank days. For card payments the duration for directing the payment to the client is 10 bank days. (Description of Paytrail 2012.)

4.5.2 Klarna

Klarna is a service provider offering online stores payment methods based on creating payment accounts for customer purchasing from client companies. The service enables customers to pay for their purchases over a duration of time via an agreed payment plan. Customers purchasing with a Klarna account can also

select an option to have 14 days to pay for the purchased goods. Thus the adding the Klarna service as a payment option added the amount of payment methods the customer can choose from when purchasing from the online store. Additionally Klarna had been utilized by several high profile online stores such as Verkkokauppa.com which increased the level of credibility of the service. Due to its popularity there was not a need to explain the service in great detail in order to assure customers of the quality of payment methods provided by Klarna. (Service description of Klarna, ref. 5 August 2013.)

The Klarna service provides client companies a software add-on which can be integrated into the online store system. This allows the operator of the online store to manage and monitor Klarna payments directly while running the online store software management panel. This eliminates the need to externally log in onto the Klarna user panel. Integration the Klarna add-on reduces the amount of time it takes to manage and monitor customer payments conducted by using the two payment options provided by Klarna.

The Klarna service does not charge a monthly fee. It costs for the client a percentage of each transaction of payment where a payment option using Klarna is selected. The billing option costs the client company a percentage of the price of the purchased goods. The cost of the goods purchased is transferred to the client company after a period of 2 complete weeks. The payment plan option is free of cost for the client company. Instead Klarna charges the customer purchasing the goods the service fee. This is due to the agreement between Klarna and the client company stating the accounts receivable of customers choosing the Klarna payment plan to be sold to Klarna. Thus Klarna takes full responsibility of collection the payment from the customer and delivering the purchasing price to the client company. The delivery of payments is done three weeks from the time of purchase.

4.6   Delivery of purchased goods

Selecting means of delivering the purchased goods to the client was dictated by two factors:

1. Need to vary based on difference of product attributes.

2. Requirement of cost efficient for both Lähdesmäki and the customer purchasing online.

The first factor is caused by the fact that Lähdesmäki Oy has a variety of products differing in size, weight and need of delicate handling. The exist items of large size and weight, a sofa for example, which needs to be delivered via cargo freight basing the cost of transporting on the cubic meters of the delivery instead of the weight. There are also products of smaller size which can be sent to customer using methods of delivery based on charging the weight of the packaged instead of the size in cubic meters.

In addition the decision was made to present the delivery costs as a separated cost when purchasing goods opposite to the option to include the cost of delivery in the product prices. The option to include the costs in the prices of items was inadequate due to the amount of different delivery methods.

The conclusion was to select a range of delivery methods. The different methods could be assigned to different items based on the type of delivery most suitable. A product was assigned the correct type of delivery, or multiple types of delivery should the product attributes make it feasible to allow the customer to select the method of delivery. Four typed of delivery methods were selected to be used in the online store.

4.6.1   Customer pick-up

The option for the customer to personally collect the purchased goods from the warehouse of Lähdesmäki Oy is available for each item in the store. This option is free of charge. The purchased item is stored to the pick-up warehouse for the

customer to collect. The customer is informed of the location and opening hours of the warehouse and is free to collect the purchased at any given time within the informed opening hours.

4.6.2 Shipping via Itella

The option of shipping the purchased goods via Itella is available for product small in size and light in weight. A minority of items Lähdesmäki holds in their inventory is suitable for this method of delivery. For those items this method holds several options. The item can be sent as a prioritized package or as a normal postal package. The prioritized package reaches the customer faster commanding a higher delivery fee compared to the normal postal package.

4.6.3 Shipping via Matkahuolto

The option of shipping purchased goods via Matkahuolto is available for items too heavy or large by size to be sent via Itella. Some items can be shipping by using either Matkahuolto or Itella. In these cases the customer can select either one as the type of delivery. Shipping via Matkahuolto has three sub options based on the preference of the customer. The goods applicable to delivery via Matkahuolto can be sent to any Matkahuolto service station within Finland, to any Matkahuolto Lähellä – service point or they can be sent as home delivery to the customer. There sub options differ in price the home delivery being the most expensive.

4.6.4 Shipping via Kiitolinja

For the most amount items sold in the online store the option to ship via Kiitolinja is the most suitable for. The cost of delivery for this method is based on the size of the packaged goods in cubic meters. The weight of the package does not affect the price which makes this delivery option viable for any item heavier than 30 kilograms. This method of delivery also includes the items to be delivered directly to the home address of the recipient which further benefits the customer the

heavier the product is eliminating the need to transfer the product from the final terminal of the transport network to the home location of the customer.

4.7 Site layout

The old website of Lähdesmäki was designed in the early 2000's. The site had been designed by the graphical standards of that period. Since it was designed the knowledge of online customer behavior has increased. The requirements for a site to be popular among consumers has developed and been refined over the span of more than 10 years. Thus the graphical design of the new site had to be created based on the consumer demands of today instead of copying it from the old site. The content of the old site was up to date. Therefore the aim was to have the new site contain the elements of the old site presented in a contemporary way.

As mentioned previously, the function of the old site was to inform consumers about Lähdesmäki and drive consumers to visit the store or to contact via email or by calling. The new layout had to encourage consumers to not only contact Lähdesmäki but also to purchase directly from the online store. The new site was required to have a more commercial appeal to maximize the potential of a visitor performing a purchase. Compared to the main page of the old site the new version holds a group of items to be sold as presented in picture 6. The products presented on the main page are managed via the Magento admin panel.

Figure 8. Main page of the old side.

Figure 9. Main page of the new site.

4.8 Monitoring consumer activity on site

Google Analytics and Google Webmaster Tools were chosen to be used as the tools to monitor the amount of visitors entering the site and to observe the pattern of behavior of those visiting consumers. These programs by Google deliver information about the amount of visitors entering the site, duration of visits, the pages visitors' view, the source of incoming consumers entering the site and the pattern of navigation visitor's use on site before exiting. This information can be used to improve the site by making changes in layout, presentation or the functioning of interactive elements. Effects of changes made to the site can be monitored by the use of these tools.

5 PUBLISHING THE E-COMMERCE SITE AND COMMENCING ONLINE OPERATIONS

5.1 Setting the date for publication

The date of publishing the new e-commerce site was set to meet the spring period of the outdoor furniture demand. The first goal of the new site was to increase the sales volume of the garden furniture. In order to meet this demand the original publication date was set to be in the beginning of April. As the finalization of the project was delayed the date of publication had to be postponed.

After revising with the party responsible for the technical development of the e-commerce software the deadline was set to be in May. The day was chosen to be a Monday in order to ensure full support capabilities from the service provider regarding any technical difficulties the new e-commerce site might suffer in its infant stages.

5.1.1 Partly missing the summer furniture season of 2013

Due to the forced postponement of publishing the new site with the online store the summer furniture market of 2013 was partly missed. A primary goal for the new site was to increase the amount of summer furniture sales. The original date for publishing the site was set to be early in the spring of 2013 in order to have an alternate channel of selling seasonal items from the beginning of the summer furniture season. Due to the date of publishing the site being postponed part of the primary sales season of summer furniture was not utilized in terms of sales potential via the online store.

As the new site was published in May without a complete inventory of all items available the site was not functioning to its full potential. Customers were not offered the full range of items due to the constant development of adding inventory done on a daily basis after the site was published. Items were added each day as rapidly as possible by the administrator of the site. The inventory was increased

alongside managing the online site and working on other site and online store related issues. Due to this factor the site did not have all of the summer items before late June.

5.2 Overselling of stock

The Magento software used as the program for the online store of Lähdesmäki has an internal stock management function reducing the amount of items automatically based on completed purchases. The same stock is sold at the conventional store and in the online store. The stock sold in the conventional store is managed by manually writing down lists of items left in stock after a consumer makes a purchase. Due to the lack of an electronic stock management software the information of sales done in the conventional store has to be shared to the personnel responsible of managing the stock of the online store.

The line of communication concerning items reduced from the stock by sales from the conventional store has not been absolute. Shifts in the work schedule of personnel causing disruption in the communication pattern of employees and errors done in calculating the amount of items in stock have led to situation where a consumer has bought an item online not actually in stock. The number of these cases has remained few and situations of items not in stock sold to consumers have been solved by negotiating with the customers.

5.3 Seasonal campaigns

A part of the marketing plan of Lähdesmäki is to promote special campaigns of products based on the seasonal demand of specific types of items. An example of this type of marketing is the promotion of summer furniture. This type of product is not sold in the winter season and thus all promotion is done within the spring and summer season as the demand is peaking. Seasonal campaigns are used also within the online store environment to further aid the effectiveness of other marketing routes and to increase the sales of the marketed items directly from the online store.

5.3.1 Summer campaign 2013

As mentioned in chapter 4.1.1 the postponement of publishing the site caused Lähdesmäki to partly miss the primary season for sales of garden furniture. As the sale of summer furniture was one of the first goals of the new site Lähdesmäki required a boost in the remaining seasonal sales via the online store. In order to increase the amount of summer furniture bought from the online store a campaign was launched in July. The campaign was designed to encourage consumers to buy summer furniture from the online store by offering a free delivery for all summer furniture purchased exceeding the value of 500 €. This offer was only valid for purchases done from the online store.

The campaign was promoted by placing a banner on top of the main page of the new site. It was also mentioned in the "what's current" –information box also visible on the main page of the site. The campaign was created by using a discount feature within the Magento software. This did not include any external modification done to the software.

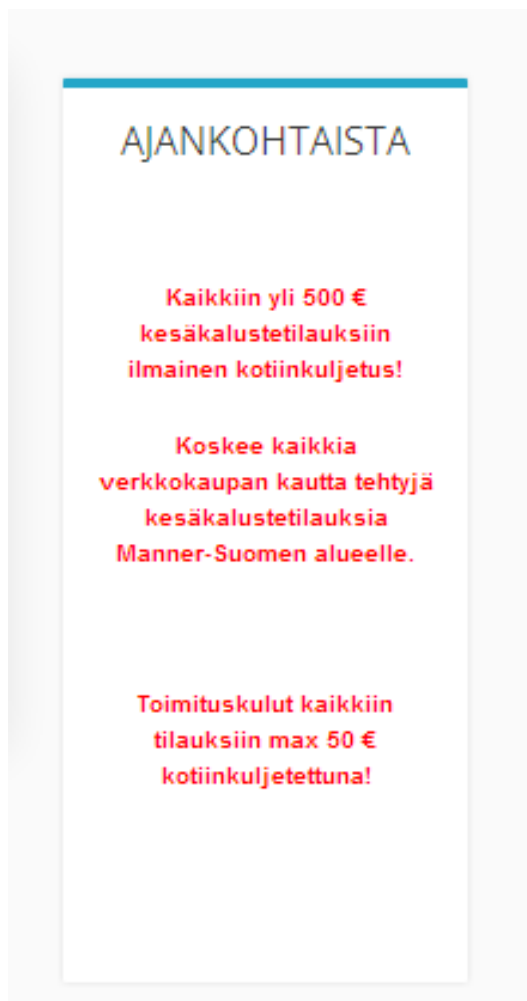Figure 10. Split banner promoting the summer campaign and delivery campaign.

Figure 11. "What's current" – information box located on the main page.

5.3.2 Delivery campaign 2013

In addition to the summer furniture campaign providing a free delivery Lähdesmäki launched a delivery campaign for all purchases via the online store. The goal of this campaign was to promote the online store and increase the amount of sales made online. The campaign was promoted alongside the summer furniture campaign as shown in pictures 9 and 10.

This campaign included a fixed delivery fee of 50 € for all large items to be shipped via Kiitolinja. This reduced the delivery costs by 40 – 60 € depending on the product. This required a minor alternation in the Magento online store software conducted by the software provider Faarao.

5.4 Maintaining the selected style of the site

As the new site and online store was designed the style was selected to be fresh and simplistic. The old site had been informative, but lacking of a clear theme. The new look aimed for was modern conveying a clear message. The management of Lähdesmäki held extremely important the notion of consumers finding the new site to be easy to navigate and clear in delivering the message of Lähdesmäki Oy being a reliable furniture store with a long history in the business.

Various banners were designed to be used on the site depending on which messages were selected to be conveyed to the browsing public. A few of these banners were created by the graphic designers of Faarao Oy as part of the delivery of the online system. The banners required in latter stages were created by an advertisement agency based on the demands of Lähdesmäki. The advertisement agency was not involved in the creation of the new site and store and solely operated on the instruction given by the management of Lähdesmäki when creating the banners. Due to the young stage of the online store the amount of transaction between the advertisement agency and Lähdesmäki was limited to the creation of two banners before August. As depicted in pictures 11 and 12 the style of the banners created by the advertisement agency did not meet the style expected to suit the look of the new site and thus required modification.

Figure 12. A banner created by Faarao matching the style of the site.

Figure 13. A banner created by the advertisement agency not matching the style of the new site.

6 SUMMARY

Management of Lähdesmäki Oy made the decision to launch an online store and update the existing homepages to benefit from the trend in consumer behavior of increasing online purchasing. As mentioned previously the furniture retail business has not been in the forefront of electronic consumerism. It is predicted to increase significantly in the future and to be one of the next areas of consumption to fully utilize the internet as a channel for the retailer and consumer to interact as stated in the previous chapters.

Lähdesmäki Oy invested in the establishment of an online store by searching and finding a service provider with the most attractive online store system to offer meeting the criteria selected for the new online store. Before the selection of the provider of the online store system the management of Lähdesmäki worked with a consulting agency specialized in online marketing and sales to comprehend which criteria were the most important to focus on when establishing an online store. The goal set by the management of Lähdesmäki Oy was to establish a modern online store environment easy to manage on a daily basis, having full search engine optimization capabilities not requiring skill of computer coding and a fresh and modern style presenting items in a sellable highlight. The new site with the online was a necessary update to the outdated pages serving as the online presence of Lähdemäki Oy to the date of publishing the new site.

6.1 Suggestions for future online store management

The management and further development of the online store is an ongoing process as inventory shifts, marketing plans are taken into effect and the amount of consumers visiting the site and purchasing online is attempted to increase. Reviewing the process of developing, launching and maintaining the new site and online has led to observe the process in a holistic perspective enabling the monitoring of results arising from action taken a as part of the process. This observation leads to the conclusion that improvements in certain key elements of the management of the online store have the potential to increase the efficiency of

the daily operations regarding running the online store in order to further increase the amount of sales and customer satisfaction as well as providing enhanced tool for the personnel responsible of the online store and site.

6.1.1   Staffing management

From the beginning of the development of the online store a single employee of Lähdesmäki Oy has been the person responsible for all tasks related to the process of creating, launching and managing the new site and online store. This person has individually worked of every aspect of the online store without assistance. No other member of the staff has been trained to manage the software controlling the online store system. Incoming orders are handled by this single person from when the order is received until the ordered item is shipped out. The site is updated by this single member of the staff along with adding new articles to the online inventory on a daily basis. The person managing the online store is responsible for the entire order process including handling possible reclamations and customer complaints concerning items sold via the online store.

In order to increase the efficiency of managing the site and online store an additional member of the Lähdesmäki staff could be trained to operate the online system to reduce the workload designed to the single person responsible for the time being. Having additional employees acquire the skill to manage simple online system related task increases the speed of handling incoming orders and leads to customers receiving ordered goods faster thus having the potential of increasing customer satisfaction.

6.1.2   Electronic stock management

Lähdesmäki Oy manages the inventory by keeping handwritten lists of items. These charts are kept up to date by the staff subtracting and adding to the amount of items after sales and upon deliveries from suppliers. Different departments have their own lists including the items sold from that particular department. All employees have access to every list of items as sales personnel rotate from

department to department based on the concentration of customers. Each member of the staff has to personally alter the amount of items stated within the inventory list to match the traffic of items taking place by sales or by an order of items incoming. There does not exist any level of authority managing the inventory charts as each member of the staff is required to keep the records valid. Due to the lack of any system of failsafe human errors have the potential to cause a mistake in the inventory lists causing an inaccurate record of items in stock. This leads to overselling the current stock and a general confusion among the staff about what items can yet be sold and which are out of inventory. There problems reflects upon the online store as mentioned in the previous chapters as the online inventory is based upon the item charts. There have been incidents of customers purchasing items online which have been out of stock.

Electronic inventory management software has the potential to reduce the element of uncertainty caused by individuals manually keeping records of items. A system which automatically reduces the inventory level as a sale is recorded provides the staff an updated version of the inventory presented in a clarified making it easy to monitor which items can remain as sellable items. Deliveries incoming would be automatically included to the existing amount in the inventory as shipped stock is registered when received to the warehouse.

The Magento online store software can be synchronized to work with an online store system. This keeps the amount of items updated without the requirement of the staff manually altering the wares of the online store. As Lähdesmäki Oy has taken the step of establishing an online store investing into an electronic stock management system is an option complimenting the decision of focusing on electronic commerce. Investing in an electronic stock management system is larger in cost and duration compared to establishing an online store. Hardware has to be purchased and installed in order to have the infrastructure for a stock management software to function. Employees need to be trained to properly in order to fully utilize the potential as insufficient knowledge of how to operate the new system leads to inefficient results and hinders the potential provided by any software system.

6.1.3   E-commerce marketing

The amount of consumers visiting the online store can be increased by utilizing methods of online marketing. A higher amount of customer browsing the site leads to a potential increase of purchases. Lähdesmäki Oy has not directed any resources towards electronic marketing. Medias such as Facebook and Google have not been used to launch any form of marketing material. Instead Lähdesmäki has relied on search engine optimization as the tool to increase online traffic on site. The new online store has been mentioned in magazine advertisement without specially promoting it. In order to increase sales of the online store electronic marketing can be used to promote the store and to attract a wider audience of consumers. As Lähdemäki Oy is a private company competing against larger furniture retail chains online marketing can be used as a cost effective method of delivering the marketing message to consumers.

Consumers from other geographical regions are cost expensive to reach by classical marketing medias such as magazines. The internet provides a quick and cost efficient way of connecting with customers located all around Finland. Consumers cannot be customers despite the very best pricing and product policy if they lack awareness of the business. In order to compete with retailing chains having larger marketing budgets and a concentrated marketing mix Lähdesmäki Oy needs to utilize the full potential of cost efficient online marketing to further support the new online store.

6.2   Authors personal notes regarding the process

Establishing an online store is a great idea for any business. The potential the internet offers in terms of a market audience is too great for a business to surpass. However establishing an online store and establishing an online store successfully are two different subjects. Being part of establishing an online store for a company used doing business the conventional way in a market not yet hugely popular for e-commerce was an enlightening experience. Understanding the theoretical principles of e-commerce does not guarantee a successful online store. The

necessary expertise has to be complimented by adequate resources and the technological infrastructure to perform a winning combination.

A major part of the process done at Lähdesmäki Oy was performed by experimenting on potential ideas and analyzing the outcomes of decisions made. As there was no reference to make a comparison this method of experimenting and analyzing the results to perform adjustments was the only way to seek out the optimal outcome. This approach applied to the layout of the site, the way items are presented, the delivery and payment methods and the way of communicating with customers.

With the roots in traditional furniture retailing Lähdesmäki made the bold decision to be a forerunner in investing into operating online. A cohesive state of mind was not achieved in all decision concerning the online store making it relatively challenging to implement changes to the online store system by the person responsible for the process. At times the author had to make decision impacting the entire online store as he was the most experienced in the theoretical and practical implementation of electronic commerce. The management of Lähdesmäki had faith the author to deliver the desired end result as they personally lacked the required knowledge.

An online store is never complete. The rule of constant development keeping the business alive applies to online stores as well. Inventories expand, prices fluctuate and competitors imitate successful online stores in order to win customers over. In order to remain successful the management of an online store had to come up with new ideas. Some of these ideas will fail and some will further improve the performance of the online store. At times the most unlikely idea to work can be the one thing guaranteeing success.

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