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# Action Plan for Developing an E-Commerce Business Model:

A Proposal for an Aspiring Online Entrepreneur

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## **Preface**

It seemed like yesterday when my wife and I were packing all our stuff and deciding which ones to send back home to the Philippines and which ones to bring with us. After spending a little over a decade in Qatar, it was time to leave and set forth on a new adventure. It was time for a new place to explore while I further my education in Finland, a country that is so unlike our previous locales. We wanted something different, somewhere distinctive. So off we went.

Time flew.

Now, after months of comprehensive studies where I learned business acumen that ranges from business process development to performance management to strategy, management and leadership; after specializing in customer oriented service business and supply chain management; and taking up technical sales as an elective class; the culmination is this, right here.

It was challenging but through the unwavering direction of my thesis advisor, Dr. James Collins; the generous guidance to my professional language by Ms. Sonja Holappa; the constructive feedback of the thesis panels, Dr. Thomas Rohweder and Dr. Sami Sainio; and the encouragement of fellow students; I have completed this project. I will forever be grateful to these esteemed individuals.

My appreciation extends to the rest of the Industrial Management Faculty, Dr. Juha Haimala, Dr. Jarmo Toivanen and Ms. Ira Keskitalo, who graciously shared their knowledge to us.

To Mika Fisk, thank you for agreeing to be my business coach despite the circumstances. You took a chance on me when others didn't see the need to. I am indebted to you and Yritystehdas.

Shout out to my family especially to my mom and to a brother who's always been my lifeline.

Lastly and most importantly, to my travel buddy, my best friend, my better half, the love of my life, my wife – Cai. You have always been there in front, beside or behind me, just right where and when I need you to be. Thank you for being with me in this, all the past and future chapters of our life.

To all of you, Kiitos Paljon!

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## Abstract

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This study sprung from an aspiring entrepreneur's desire to establish an online business in Finland. Although the aspiring entrepreneur has an overview of how she will run the business and what direction she wants the company to follow, it is not fully developed and still undocumented. As such, the objective of the project is to create an action plan for developing an e-commerce business model.

The research method used in order to achieve the desired result is applied action research using qualitative method. The study went through four (4) stages. The 1st stage is data gathering where related literatures were reviewed to understand what business models are, their building block components and how to create them. This resulted to a conceptual framework for the starting analysis. Stage 2 is the starting analysis where, through an interview with the aspiring business owner, the "present" and "absent" entrepreneurial ideas according to the conceptual framework were revealed. The 3rd stage is the co-creation of action points on the different business elements that were needed to be put in place to fill the gaps on the entrepreneurial ideas. Finally, the 4th and last stage is the validation of the proposal where a consultation with an external business coach and with the aspiring business owner occurred to get improvement ideas. Additional action points were recommended, action points that are part of other point's scope were deleted and the different action points were prioritized during the discussion. These feedbacks were thought through after the meeting which led to the final action plan.

The output of the study, when implemented and put in place, would be a business model that will be the foundation of the company which sets the development path of the business. Although the final output is unique to the aspiring entrepreneur's company, the process can be followed and the result will be useful as reference to others who aspire to develop a similar e-commerce business model of their own.

Keywords: E-Commerce, Business Model, New Entrepreneur

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## List of Abbreviations

Ads:	Advertisement both print and electronic.
App:	Application. It is a software program that is created to execute a specific function for a user.
B-Web:	Business webs. These are networks for the production and marketing of electronic products and services.
CRM:	Customer Relationship Management
Eco-friendly:	Anything that is produced to have little or no harmful effect to the environment.
E-Com:	Electronic Commerce. Business transactions conducted through computer telecommunications network otherwise known as the internet.
E-Commerce:	Refer to E-Com.
Ecosystem:	A complex network or interrelated and interconnected system.
ERP:	Enterprise Resource Planning.
E-shop:	Electronic Shop. It is a website or application where goods or services are sold over the internet.
Etc.:	Used at the end of a list to indicate that similar other items are included but not mentioned.
HR:	Human resources.
I.E.:	Stands for the Latin phrase "id est" which means "that is". It is used to elaborate on something already mentioned.
I.G.:	Stands for the Latin phrase "exempli gratia" which means "for example" It is used to give samples of something mentioned.
IPO:	Initial Public Offering. The process of tendering Private Corporation shares for the first time to public in a new stock issuance.
IT:	Information technology. It is the use of any physical devices such as computers, infrastructure such as software, and processes to create, keep, secure and exchange all forms of electronic data.
PC:	Personal Computers
QA/QC:	Quality Assurance / Quality Control.
R & D:	Research and Development
Telecom:	Telecommunications. It is the exchange of information by electronic means over considerable distance.

# 1 Introduction

There are many factors that enable a company to be successful. One can even argue that a company's success cannot be quantified since each have different products or services and in different industries thus, each have their own measures of success. However, most of these successful companies have one thing in common. They have a solid plan on how their business will be run. They have an outline that keeps the company on track ensuring that their operations, growth and direction ultimately serve the core objectives established during the creation of the business. Indeed, one part of every company's success is having a road map which shows the best way to execute a business idea in order to reach their end goal.

As such, having a business plan is one of the major requirements in establishing a business and one of the important components of a business plan is a business model. Business models are one of the foundations of a company which sets the development path of the business by identifying their customer and giving value to their needs in an appropriate cost. According to Amit and Zott (2001: 493-520), a business model utilizes business opportunities to generate value by outlining the transaction content, structure and governance. Simply put, business models can be considered as the company's strategy on making profits while serving the customer.

This study focuses on creating an action plan to develop a business model of a new e-commerce being established.

## 1.1 Business Context

A private individual who is a recent immigrant in Finland is aspiring to establish a company. She comes from a small province in the Philippines where fashion items such as bags, hats, sandals, baskets, decorative items etc. are handcrafted by artisans, particularly women, using harvested plant fibres. These

items are mostly made of abaca, a biodegradable and sustainable fibre which is considered as the strongest of natural fibres. It is durable but can be easily formed into beautiful and attractive pieces.

Due to the growing sustainability awareness that the world is experiencing, especially after being exposed to Finland's sustainability principles, she wants to be a part of the movement by introducing and bringing to the Finnish market these sustainable yet beautiful and durable hand-woven fashion items. She plans to import these products and sell them locally through an online store.

By establishing a small-scale e-commerce business, she aims to showcase the handcrafted products of her province, support the craftswomen manufacturing these items, encourage sustainable fashion and ultimately achieve financial success.

## 1.2 Business Challenge, Objective and Outcome

At the moment, the company is in the very early stage of its development. Although the aspiring entrepreneur has an overview of how she will run the business and what direction she wants the company to follow, it is not fully developed and still undocumented. All she has is her desire to start a business that would hopefully be successful.

Since there is no company yet and the aspiring entrepreneur is still deciding the development path of the business, this is the most opportune time to create a framework for the business to follow in order to align its strategy with its goals and objectives. At this point, it is useful and makes business sense to have an organized business plan which requires a business model. A business model is very important to be created at this stage in order for the direction of the company to be clear from the very start.

As such, the objective of this study is to create an action plan for developing an e-commerce business model for the aspiring entrepreneur.

The outcome would be an action plan on how to develop a business model of the new e-commerce company.

### 1.3 Scope and Outline of the Study

To create an action plan for developing an e-commerce business model for the new company that is grounded analytically, this study is developing the outcome in four (4) stages.

The first (1<sup>st</sup>) stage is data gathering. Relevant literature is studied in order to collect key information concerning business models and its creation. Key elements of a business model and a conceptual framework of starting analysis is derived from the review of books, journals and other scholarly publications related to business models.

Then, starting analysis of the new business is done using the framework. Interview with the owner determines the position of the company with regards to the different parts of a business model. Based on those data, the “present” and the “absent” entrepreneurial ideas will be determined. The “present” are the good business ideas that the aspiring entrepreneur has while the “absent” are the missing ideas. These gaps needs to be filled based on the best professional business ideas. As such, these missing ideas will serve as the guideline in creating the action points necessary in developing the business model.

The next stage is the creation of the initial action plan for developing the e-commerce business model. Based on the position of the new company to the different business model building block key components and having analysed the “present” and the “absent” business ideas of each key element, the action points for each building block key component to tackle the gaps and develop the e-commerce business model will be co-created.

The last stage is validation of the initial business model. Feedback and comments from the aspiring entrepreneur and a business advisor are used to

improve the initial business model and produce the final outcome. It is best to note that involvement of an external business coach does not only seek points that might be unclear or missing but perhaps, more importantly, validates the ones that were not commented on or changed.

There will be seven (7) sections in this study. Section one (1) is the introduction. It describes the study and provides the background, objective, anticipated outcome and the process of the study. Section two (2) is the project plan. It shows how the study is approached, the methodology and the process involved. Section three (3) is the review of relevant literature. It summarizes the gathered information from scholarly publications, books and journals regarding business models and its creation. Section four (4) is the starting analysis of the new business. The company's position in relation to the conceptual framework of a business model is collated. Section five (5) is the creation of the initial action plan necessary in developing the business model of the new company. Section six (6) is the validation. Here, feedback to the initial action plan proposal is listed and the final action plan for developing the e-commerce business model is revealed. A comparison between the initial and the final proposal is also highlighted. Section seven (7) is the last section which is the conclusion. An executive summary is found together with the practical next step. A self-evaluation of the study is also discussed in the last section.

The succeeding section describes the details of how the study was carried out in relation to the selected research approach, methodology and data gathering process.

## 2 Project Plan

Now that the business context, challenge, objective and outcome have been explored in the first (1<sup>st</sup>) section, this section details the research implementation. It starts with the selected research approach then describes the research design and lastly, the data collection is discussed.

### 2.1 Research Approach

In order to have an appropriate and reliable outcome, it is important that the research technique, procedure and methodology carried out is suitable to the undertaking. Saunders et al. (2019: 44-46) states that despite having variety and depending on their context and purpose, business and management research projects can be placed on a basic-applied continuum. Since this is a business and management research project, such approach will be followed.

Saunders et al. (2019: 44-46) further defines basic research as that which is embarked on merely to understand the processes of business and management and their aftermath. The results of this kind of research approach are mostly beneficial to the academia and are done primarily to comprehend the subject of the study. Applied research, on the other hand, directly impacts the organization or community that the study was done for. It addresses issues which affect the case company and presents the results in an understandable way that can be readily acted upon.

Furthermore, a choice between qualitative, quantitative and/or mixed research method is also a consideration. Although Saunders et al. (2019: 269) has a broader definition of the three, in simple terms, quantitative method uses numerical data, qualitative method uses non-numerical data, while mixed method combines the two.

Lastly, a research strategy is to be selected. With respect to the applied research's principles, the most applicable strategy is to use action research.

Saunders et al. (2019: 304) defines it as a growing and iterative research strategy that is designed to generate solutions to actual company problems through a participative and collaborative approach. Kananen (2013: 20-22) reinforces the same idea since the strategy combines development and research which are conducted in real organizations in order to improve operations by producing functional and practical solutions to current issues.

Given the above definitions, the selected research approach for this thesis is applied action research using qualitative methods. The issue at hand is specific to the new company being set-up and there is no statistics required. The objective is personal and the outcome is unique to the case company without any impact to the academic community. Although the process and result might be useful as precedent to others in the long run, at this point in time, the outcome is only applicable to the case organization.

## 2.2 Research Design

The objective of this study is to create an action plan for the development of an e-commerce business model of a new company that will be established. There are necessary steps to be done in order to achieve the required outcome. Thus, after establishing the research approach, a systematic order of phases is planned to guide the proceedings of the study. A total of four (4) stages are included. Figure 1 on the next page shows the Research Design of this project.

As seen in Figure 1, the first (1<sup>st</sup>) stage is data gathering. To be able to create action points for developing an e-commerce business model for the new company, key information regarding business models and its creation needs to be known. Relevant books, professional academic journals and other business-related literature are explored to identify the different elements of a business model. The findings are analysed and developed into the conceptual framework for the starting analysis of the new company.

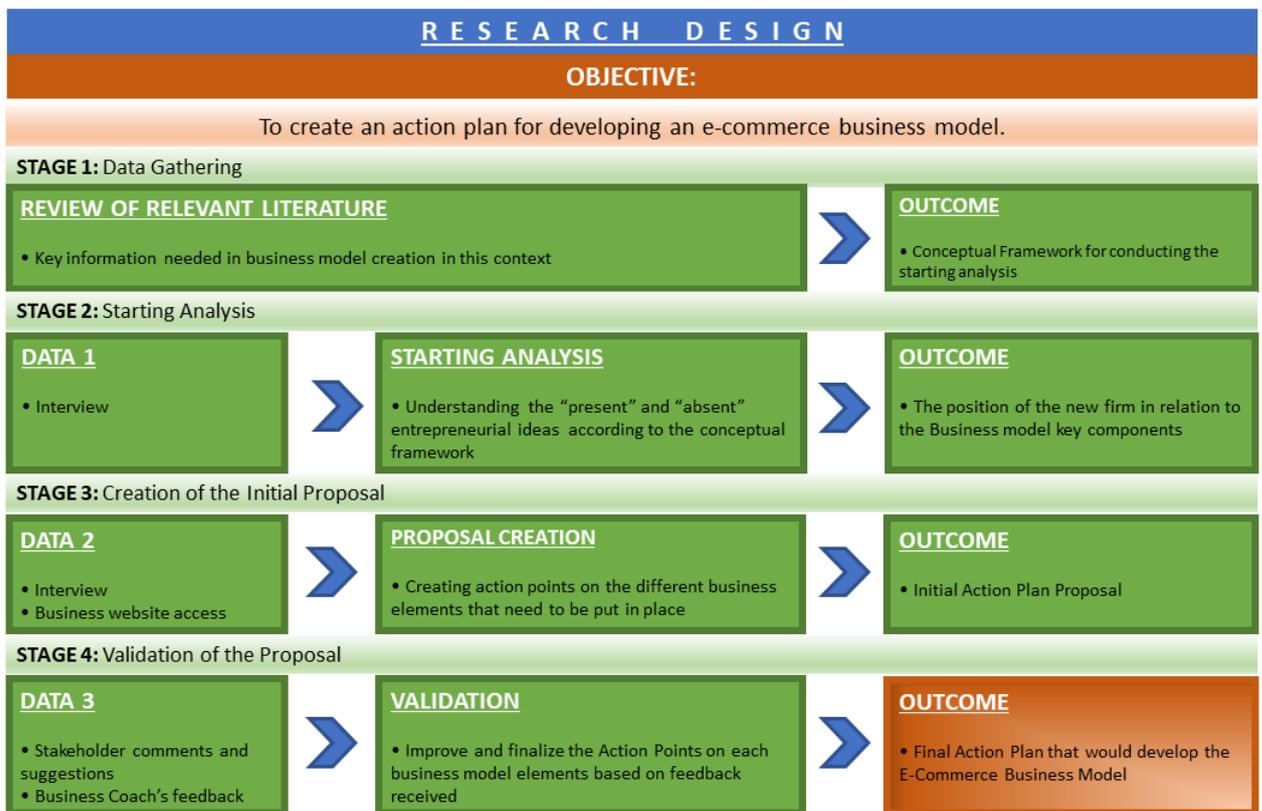


Figure 1. Research Design

The second (2<sup>nd</sup>) stage, as shown above, is the starting analysis. It starts once the conceptual framework for conducting the starting analysis is prepared then the future business owner is interviewed and asked questions based on it. Through a one-on-one discussion, information on the company’s position related to the business model key components and requirements of the business model is gathered and analysed. The collected, analysed and summarised findings are used to build the initial action points proposal for developing an e-commerce business model.

The third (3<sup>rd</sup>) stage is the creation of the initial action plan for developing an e-commerce business model. Using the “present” and the “absent” entrepreneurial ideas gathered and analysed in the previous stage, the action points are created based on the best professional business ideas. Different elements are filled out based on the missing answers by the future owner. Finnish government business websites were also accessed to clarify and verify

some information. The outcome of this stage is the initial action plan proposal for developing an e-commerce business model.

The fourth (4<sup>th</sup>) and final stage, as shown in Figure 1 in the previous page, is validation of the initial proposal. The finished initial action plan proposal is presented to the future business owner and an external business coach. Comments, feedback and constructive criticisms are requested from them. These recommendations are used to update and adjust the business model resulting to an improved action plan for developing an e-commerce business model that is considered to be the final output.

### 2.3 Data Plan

To achieve the outcome of this study which is action plan for developing an e-commerce business model for a new company to be established, key information concerning the business is essential. These data are gathered from stakeholders through interviews and access to Finnish Government business websites. The collection of data is divided into three (3) rounds based on the research design discussed previously. Table 1, found in the next page, shows the Data 1 to 3 collection details.

Table 1 in the next page shows the first (1<sup>st</sup>) round of data collection which is a face-to-face interview with the aspiring entrepreneur to gather the company's business objectives, goals and projections based on the different elements of a business model. This collected information helps in understanding the "present" and "absent" entrepreneurial ideas according to the conceptual framework.

The second (2<sup>nd</sup>) round is a combination of personal interviews and access to Finnish government business websites. The intended manufacturer and supplier of the company products is based in the Philippines, as such, interviews were held through Microsoft Teams software. The data gathered from the future business owner and the manufacture/supplier as well as the collected business principles and logic for each business model elements are

used to co-create the initial action points that would fill the gaps and missing ideas that would develop the e-commerce business model.

Table 1. Data 1 to Data 3 Collection Details

	CONTENT	SOURCE	PARTICIPANT	DATE	DOCUMENTATION	OUTCOME
<b>DATA 1</b> Starting Analysis	Understanding the “present” and “absent” entrepreneurial ideas according to the conceptual framework	Face-to-Face Interview	Aspiring Entrepreneur	February 2023	Recorded / Field Notes	Detailed summary of the “present” and “absent” entrepreneurial ideas
<b>DATA 2</b> Initial Proposal Creation	The best professional practice ideas that would fill the gaps to create the action points to develop the different business model key elements	Face-to-Face Interview Finland Government Business Websites	Future Business Owner And Manufacturer / Supplier BusinessFinland.com yrittajat.fi uusyrityskeskus.fi	March 2023	Recorded / Field Notes	Initial Action Plan Proposal
<b>DATA 3</b> Validation	Feedback / Improvement ideas on the Initial Proposal	Face-to-Face Presentation	Future Business Owner and Business Expert / Advisor	March – April 2023	Recorded / Field Notes	Final Action Plan

The third (3<sup>rd</sup>) and last round of data collection, as seen in Table 1 above, is held to validate the initial business proposal. A face-to-face presentation is held with a business coach and the future business owner to receive feedback on

the initial business model proposed. The recommendations received from them are used to update and finalize the business model.

This section expounded on the research approach, research design and the data collection. In the following Section 3, findings from related literature are discussed which will serve as the conceptual framework for conducting the starting analysis of the new company.

### **3 Review of Related Literature**

This section provides business model ideas found in essential literature such as books, publications and journals. It is necessary to understand what a business model is in the first (1<sup>st</sup>) place, how to build it, the different types, its key elements, and its development in order to create an action plan for developing an e-commerce business model.

The first (1<sup>st</sup>) part would be an overview of business models then followed by examples of e-commerce business models. These relevant business models will be evaluated in order to discover the key elements and components that they have in common. The findings will be used as the framework for conducting the starting analysis of the new company and will be utilized later in developing the proposed action plans for developing an e-commerce business model.

#### **3.1 Overview of Business Models**

To understand business models, it is important to know what they are and how they came to be. Definitions from literature are then compiled and the process of creating business models is explored.

##### **3.1.1 Definitions**

Almost every author of business model related literature has their own definition of business model. Depending on the purpose and specific considerations of the material, the business model definition then follows that focus. Even a number of academic papers specifically intended to come up with a business model definition that could be generally accepted have already been published yet the definitions are still subject to much debate. As such, there is still no exact definition; however, for the purposes of this project, some prominent definitions are encapsulated in Table 2 below including a separate column that showcases the definition's focus.

Table 2. Prominent Business Model Definitions and Focus

AUTHOR/S	DEFINITION	FOCUS
<b>Timmers (1998: 4)</b>	Definition of a business model: <ul style="list-style-type: none"> <li>• An architecture for the product, service and information flows, including a description of the various business actors and their roles; and</li> <li>• A description of the potential benefits for the various business actors; and</li> <li>• A description of the sources of revenues.</li> </ul>	<ul style="list-style-type: none"> <li>• Product</li> <li>• Network</li> <li>• Value Proposition</li> <li>• Revenue</li> </ul>
<b>Amit and Zott (2001: 511)</b>	A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Key Processes</li> <li>• Value Proposition</li> </ul>
<b>Afuah and Tucci (2003: 4)</b>	The first determinant of a firm's performance is its business model. This is the method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so. It details how a firm makes money now and how it plans to do so in the long term. The model is what enables a firm to have a sustainable competitive advantage, to perform better than its rivals in the long term. A business model can be conceptualized as a system that is made up of components, linkages between the components, and dynamics.	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Value Proposition</li> <li>• Revenue</li> <li>• Finance</li> <li>• Strategy</li> </ul>
<b>Osterwalder et al. (2005: 3)</b>	A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore, we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Network</li> <li>• Channels</li> <li>• Customers</li> <li>• Value Proposition</li> <li>• Finance</li> </ul>
<b>Meier and Stormer (2009: 45)</b>	Business models for electronic business can be characterized according to positioning, customer benefits, products and services, choice of business web, and profit model.	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Product</li> <li>• Channels</li> <li>• Revenue</li> </ul>
<b>Osterwalder and Pigneur (2010: 14)</b>	A business model describes the rationale of how an organization creates, delivers, and captures value	<ul style="list-style-type: none"> <li>• Value Proposition</li> </ul>
<b>Bock and George (2017: 6)</b>	Business models have something to do with how organisations function, specifically in terms of the structures and relationships that govern behaviours and activities. In other words, a business model is the organisational design used to exploit an opportunity and create value.	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Network</li> <li>• Key Processes</li> <li>• Value Proposition</li> </ul>
<b>Wirtz (2021: 315)</b>	A business model is a simplified and aggregated representation of the relevant services, processes, and activities of a company describing how information, products, and services that create additional value are developed and managed while also considering strategic and processual as well as demand components to support sustainable value creation.	<ul style="list-style-type: none"> <li>• Key Processes</li> <li>• Value Proposition</li> <li>• Strategy</li> <li>• Customers</li> </ul>

The definitions above indeed vary depending on the author especially if read separately. However, once gathered together, similar focuses can be uncovered. These common components will later be analysed and evaluated in Section 3.3 since they will be an integral part of the conceptual framework for the starting analysis of the company and the business model creation.

### 3.1.2 Creating a Business Model

Magretta (2002: 88) compared creating a business model to writing a new story. Most, if not all stories, are re-imagining of an old narrative that keeps the underlying theme at its core. Similarly, creating new business models follows two-part steps that are variations of the underlying value chain of businesses. The first (1<sup>st</sup>) part consists of activities that create something – designing, procuring raw materials, fabrication, and so forth. The second (2<sup>nd</sup>) part is about selling something – attaining customers, executing a sale, and delivering the product or service. They could be something new that answers an unmet need or something old that is innovated and turned better. Those something could be a product or a service.

According to Meier and Stormer (2009: 20-21) in building a business model, it is necessary to clarify certain issues such as products and services; target customers and sales markets; evaluation and selection of suitable business webs; organization of business processes; price model and methods of payment; and creation of a security policy.

Setting up a business model depends on the organization's specific needs but the design approach has five phases: Mobilize, Understand, Design, Implement, and Manage. To mobilize is to prepare and be aware of the necessity of the endeavour. To understand means that the team responsible for creating the business model should be knowledgeable about the different components by collecting information and immersing themselves to their product, customers, environment and technology. To design is to use the gathered information, select the most appropriate business model pattern and develop it to suit the

business need. To implement is to apply the created design in the field. To manage means that the task does not end after creating the business model. Monitoring, evaluating, adapting or transforming the business model in response to the market should be continuously done. These phases do not necessarily progress in a linear manner, they may overlap and be done in parallel. (Osterwalder and Pigneur 2010: 250.)

Based on the above concepts, it is indeed essential to understand the different business models prevailing in the e-commerce market in order to analyse the elements and components and use them to build a personalized business model that reflects the company's mission, goals and vision.

## 3.2 Relevant Business Models

There is a countless number of business models currently active in different markets around the world. Although, grounded on the company's requirements, business model types, much like the definitions, also vary depending on the author that perpetuates it. Having established the requirements of this project, only the most relevant and related business models are reviewed. Aside from the most famous business model canvas by Osterwalder and Pigneur (2010), most of the business models reviewed are related to e-commerce. Below is a list of selected business models with a short narrative describing their flow, benefits and other information with the aim of finding the key elements that the business model is built upon in order to find the most common which will then be used as the framework of this project.

### 3.2.1 E-Shop or Storefront Model

The most basic e-commerce business model is called E-shops by Timmers (1998:5) while Deitel et al. (2001: 28-29) coined it as Storefront. This model is only an electronic re-implementation of traditional ways of transacting business. The same interaction between seller and buyer from selection of items to buy,

information storage and payment that were personally done before are now moved online. (Deitel et al. 2001: 29)

For the company, benefits are increased demand, low-cost channel to international presence, and reduced promotion and sales expenditure. For the customers, advantages come as more choices, better information, convenience of choosing, buying and delivery. Revenues are from reduced cost, increased sales and cheaper marketing. (Timmers 1998: 5)

Key elements that Deitel et al. (2001: 55-80) mentioned are Products, Customers, Finance, Strategy, Process, and Supply-Chain. These are discussed in Section 3.3 to Section 3.5, the Key Elements of Business Models.

### 3.2.2 Internet Business Model

Afuah and Tucci (2003: 51-73) states that a company's business model is essential to its ability to achieve and sustain a competitive advantage which in turn results in profitability. The success of this business model will be based on different value parameters. It can be the type of value it offers to customers and the kind of customers it is offering the value. The variety of products or services that contains the value and how the value is priced also matters. The types of revenue sources it pursues and the system that creates the value are another parameter, as well as, the implementation of the activities and value creation. The capabilities and strategies used to maintain the company's competitive advantage also determines the result. Similarly, the utilization of the factors that make its industry pleasant or unpleasant is also an important consideration. Figure 2 below shows Afuah and Tucci's Internet Business Model.

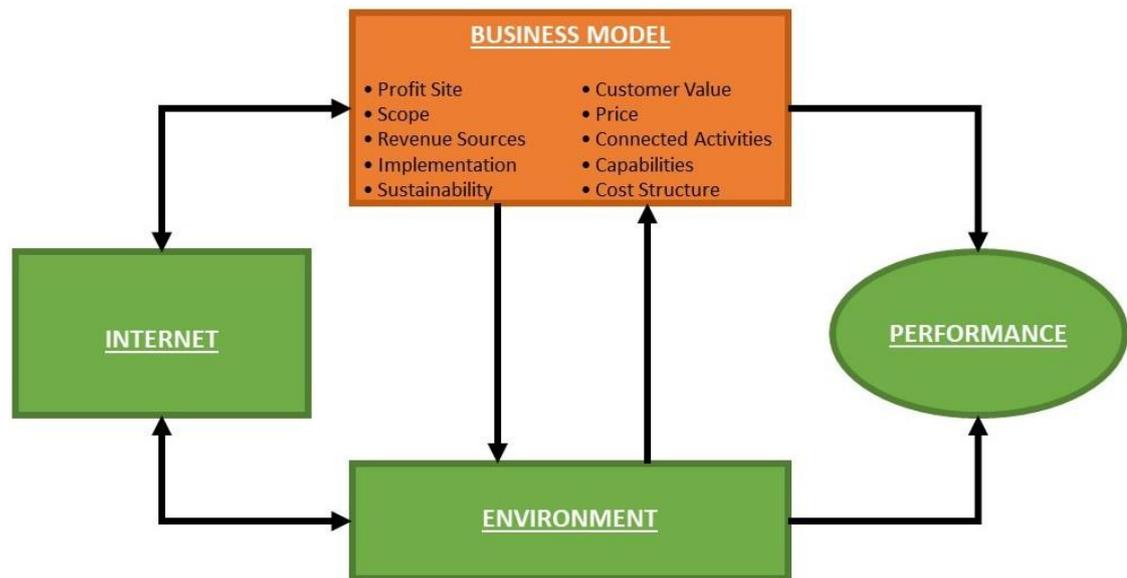


Figure 2. Internet Business Model

Figure 2 above shows the components and linkages to the Internet Business Model of Afuah and Tucci (2003: 52). The company's performance is affected not just by the business model but also the environmental factors that surrounds the industry which is also a determinant of the business model and the internet itself.

The different business model elements in this type are Profit Site, Customer Value, Scope, Price, Revenue Sources, Connected Activities, Implementation, Capabilities, Sustainability, and Cost Structure (Afuah and Tucci 2003: 51-73). These are individually discussed in Section 3.3 to Section 3.5, the Key Elements of Business Models.

### 3.2.3 Tapscott Web Models

Because of the movement of physical stores to virtual market space, the internationalization of many business activities, and the constant improvement of information technology, companies must develop their business models with concentration on core competencies and network formation with capable

partners. Meier and Stormer (2009: 26-37) expounded the Business Web Classifications originally written by Tapscott (2000).

### 3.2.3.1 Agora B-Web or Marketplace

Agora or Marketplace model provides a platform where sellers and buyers meet to openly negotiate the price of the products or services being offered. The platform is neutral and is just a space where trading occurs. Figure 3 below shows a marketplace model transaction flow based on Ebay.

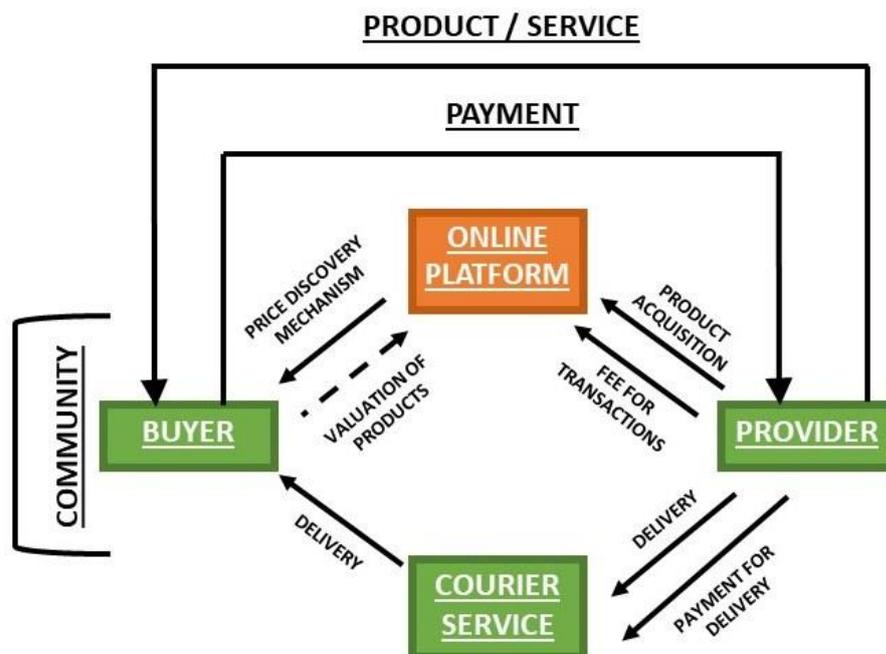


Figure 3. Marketplace Model Inspired by Ebay (Meier and Stormer 2009: 27)

As shown in Figure 3 above, the online platform serves only as an intermediary between the buyer and the provider. Most of the work, cost and associated risks are performed by the users. Dynamic pricing is upheld so prices are not fixed providing benefit to the buyers since there might be many providers offering the same product so they can haggle. The providers benefit since different customers perceive different value in the product thus, the process can be increased with demand. Other benefits of this business model include community development (buyers forms groups), no storage overhead (providers keep their own products until delivery), low marketing costs (the providers write

the description and uploads photo illustrations), reduced delivery costs (sellers and buyers agree with each other the method of payment and delivery), low product liability (buyers carry the risk) and minimal financial risk (provider pays the platform).

### 3.2.3.2 Aggregator B-Web or Supermarket

Aggregator or Supermarket Model selects suitable goods and services from different suppliers, chooses the appropriate customer segments, establishes the prices, and manages the completion of the transaction. Figure 4 below shows a supermarket model transaction flow which is based on Amazon.

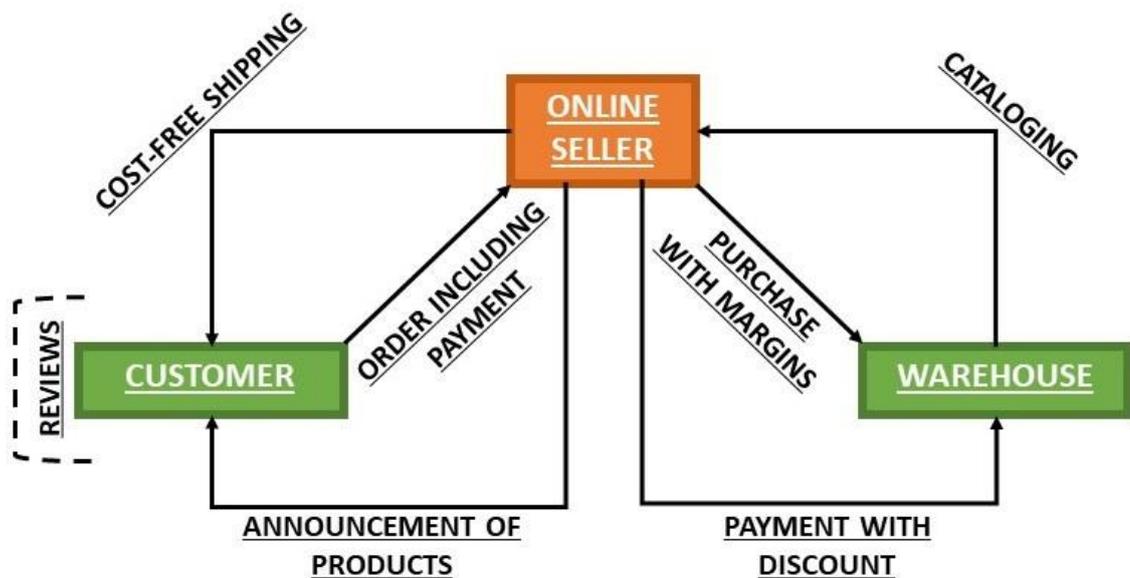


Figure 4. Supermarket Model Inspired by Amazon (Meier and Stormer 2009: 29)

Figure 4 above shows that the full process of procurement, marketing, sales and fulfilment is performed by the online seller itself. Through this business model, advantages are strong negotiation power (the seller decides which product and the sets the price), use of digital recommendations (search and comparison of products are aided by data analytics), objective product assessment (advantages and disadvantages of products are published for transparency), sale incentives (products can be bundled and cross-selling

offers), and shipping cost savings (seller can use shipping cost as incentives or utilize low transaction cost in lieu of shipping expenses.)

### 3.2.3.3 Integrator B-Web

Integrators serve as the main focal point between customers and producers. They do not necessarily produce their own product or service but they put together all components (from single or multiple suppliers) to generate the final output that is desired by the customer. The goal of an integrator is to fulfil the customer's need by organizing a network of value contributors with different expertise such as designers, developers, parts suppliers, operators and other partners. The success of an integrator lies in proper planning and coordination including sufficient knowledge of the available resources. Figure 5 below shows a typical integrator flow based on Cisco.

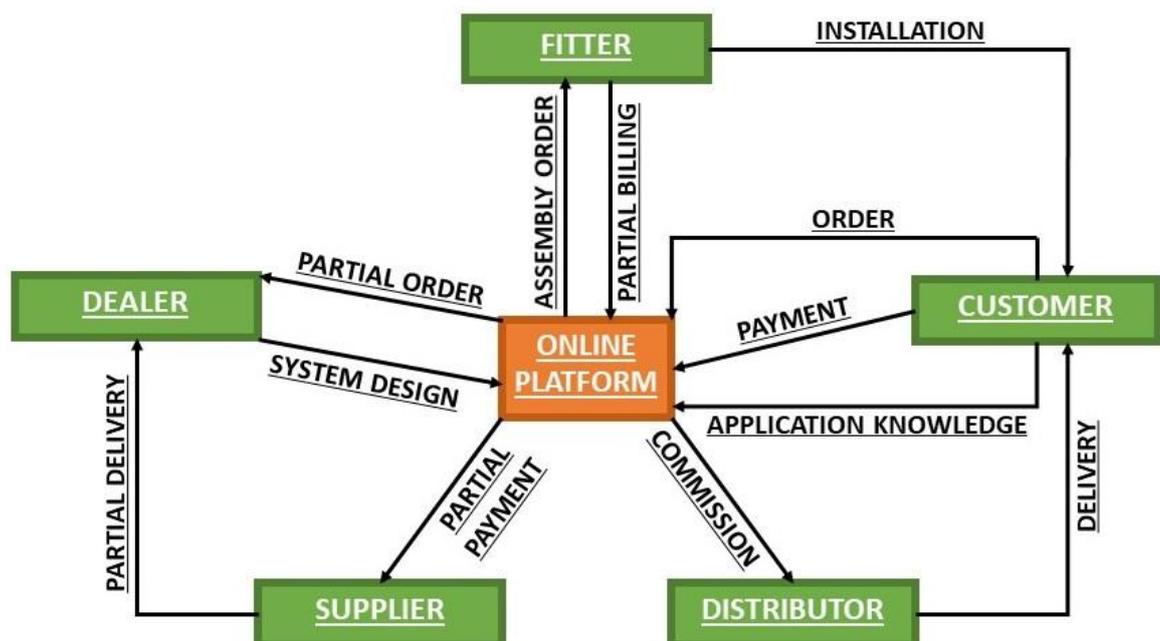


Figure 5. Integrator Model Inspired by Cisco (Meier and Stormer 2009: 32)

As seen in the above Figure, the customer contacts the integrator who then connects all the necessary suppliers, dealers, fitters and distributors in order to fulfil the requirements of the client. Benefits includes customer-oriented solution (the product is based on customer requirement and is not produced until an order with initial payment is placed), integrator is the general contractor (full responsibility for the customer order), specialized value chain (selection of partners that will be involved are specific to the customer need), custom-made components (product is unique based on client requirements), and controlled environment (integrator has the full knowledge of the project.)

#### 3.2.3.4 Alliance B-Web or Communities

Alliance is often called communities because they are a group of partners that work together to develop the product. Individually, the company does not have the full competency to provide complete solution to a client's need so they form a loose partnership with other similar type companies in order to work together in forming the product required. Each member both perform roles of producer and consumer within the community. In this way, no partner dominates the other. By exchanging and sharing knowledge, they develop the solution and share it amongst themselves. The alliance is usually voluntary and temporary but is motivated by mutual respect and driven by their common goal. Figure 6 below shows an example of an alliance model inspired by Linux.

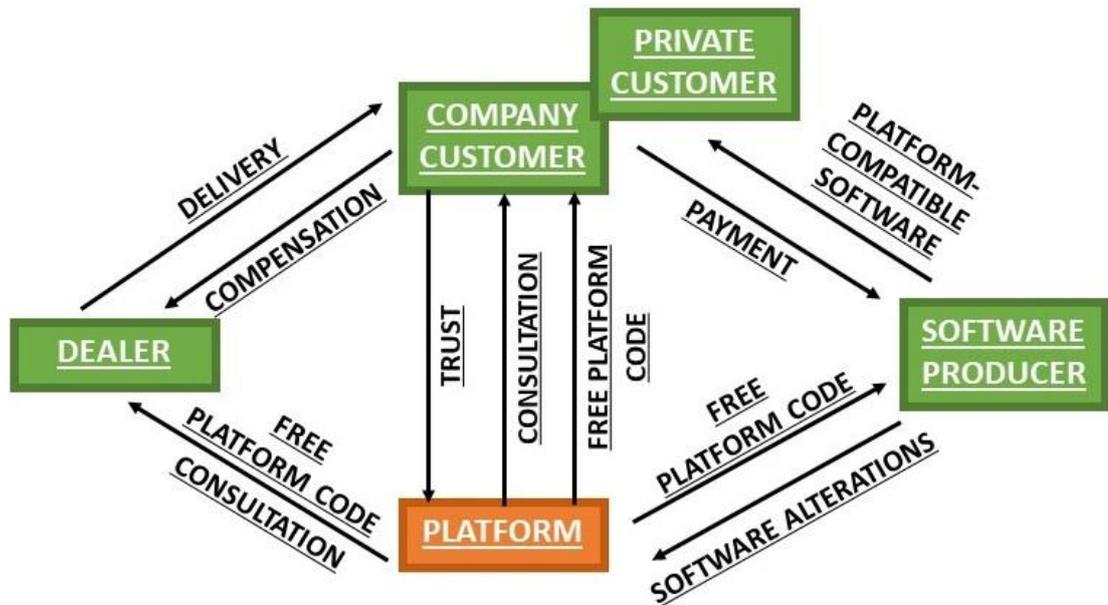


Figure 6. Communities Model Inspired by Linux (Meier and Stormer 2009: 34)

Figure 6 above illustrates how a platform forms an alliance with different partners in order to improve the original product. The advantages of this model includes formed network (partners with equal rights), self-organization (collaboration based on behavioural rules rather than strict policies), simultaneous roles (as producers who supply creative solutions and consumers who demands the solutions), value model (non-physical assets are made together), and idealized motivation (basis of alliance are mutual respect, trust and common goal.)

### 3.2.3.5 Distributor B-Web

The distributor transfers tangible and intangible goods and services from the manufacturer to the user. In its natural form, the distributor model helps the four (4) previously discussed models by ensuring that the exchange between them and the customers are fulfilled. They provide network optimization through the logistic process. The customers are the end users who are recipients of the

exchanged information, goods and services. Figure 7 shows a typical distributor model flow.

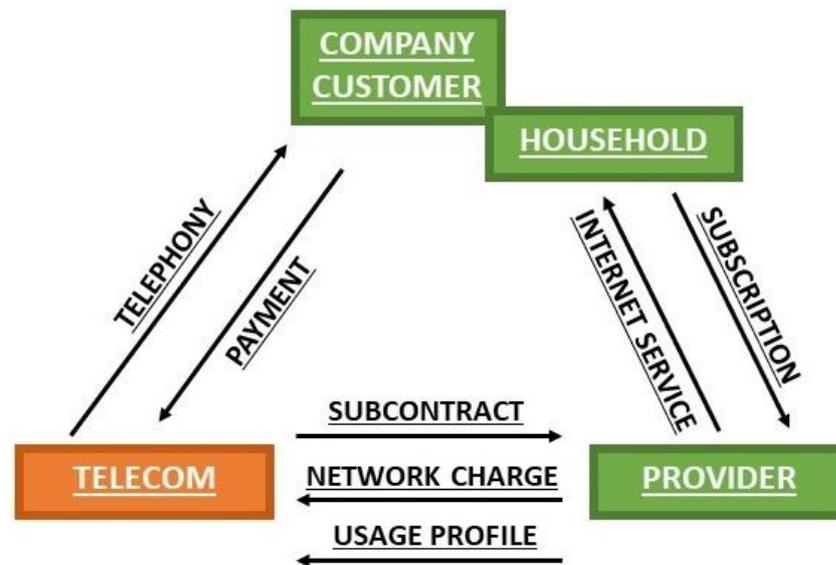


Figure 7. Distributor Model Inspired by Telecom (Meier and Stormer 2009: 36)

The figure above shows the flow of a distributor model based on a Telecom Company. The internet service provider can only supply their service to the client if the client is a user of the telecom service. As such, the telecom acts as the platform that delivers the service to the client. The benefits of this model include global reach (the service can be distributed internationally), scale effects (bundling of services creates larger impact), 24/7 operation (typical around the clock offering by distributors), specialized services (based on the type of goods, distributors offer unique network services), and controls information (protection and management of customer and client data.)

The above five (5) types have their individual differences, however, typical business model elements, which is discussed later in Section 3.3 to Section 3.5, are Products and Services, Customer and Sales Markets, Business Web/Network, Business Processes, Price Model, Payment, Distribution and Security Policy. (Meier and Stormer 2009: 20-21.)

### 3.2.4 Digital Business Model

Weill and Woerner (2018: 7) have created a tool that supposedly guides businesses to be the next generation enterprise. Enterprises offer customers compelling products using technology as vehicles to an online destination that customers want to visit. This digital business model is composed of four distinct types that are framed in a two-dimensional axis. Figure 8 shows the digital business model quadrant.

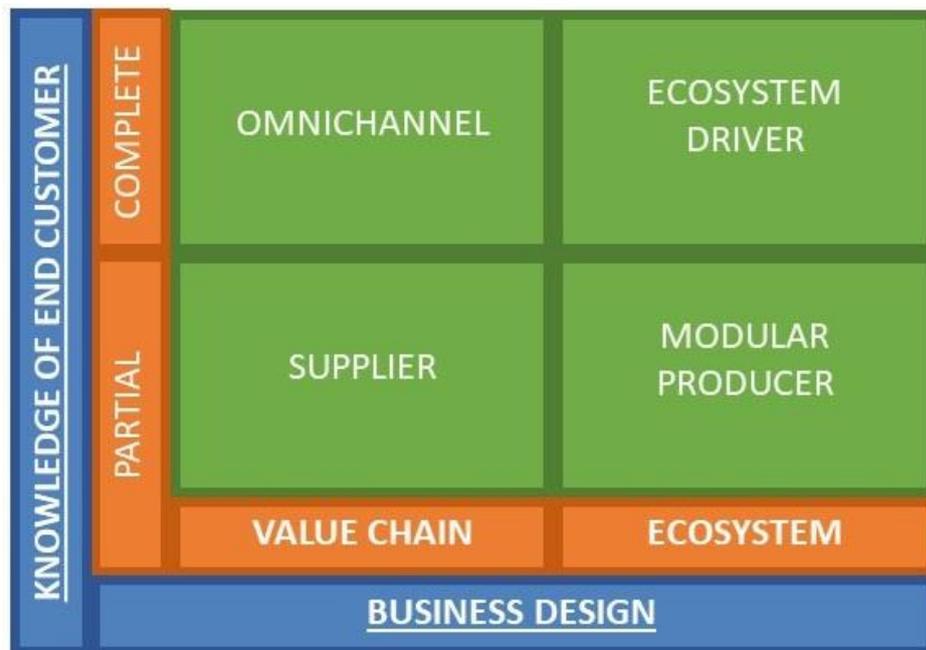


Figure 8. Digital Business Model Quadrant (Weill and Woerner 2018: 8)

As Figure 8 above shows, the axes are knowledge of end customer needs (knowing the identity, purchase history and customer goals) and business design (decision makers which controls brand, contracts, price, quantity, participants and data regulation). The four quadrants are Supplier (has partial knowledge of customers and uses the value chain of another enterprise), Omnichannel (provides customers access to their products through multiple channels with variety of choices and good experience), Modular Producer (best producers of plug-and-play products or services that operate in any ecosystem), and Ecosystem Driver (creates an online ecosystem that coordinates between

different partners who provides value to customers). The ecosystem quadrant is the goal for many companies because it has the best performance on revenue, customer experience and innovation. Customers, Strategy, Finance, Revenue, Network, Products, Process, Ecosystem, and Supply Chain are the key elements of this business model. (Weill and Woerner 2018: 46-52.)

### 3.2.5 Integrated Digital Business Model

For Wirtz (2021: 315), business models should have three (3) major component layers that are overarching and set up a necessary level of detail for an effective and efficient business management. The three major components are the strategic component (defines the long-term operating targets of the company), the customer demand component (external factors that influences the design and operation of the business) and the value creation component (internal factors that influences the value generation of the business). Figure 9 in the next page, illustrates the integrated digital business model.



Figure 9. Integrated Digital Business Model (Wirtz 2021: 316)

As shown above in Figure 9, each component of the integrated digital business model has different elements that play an important role in the business model. The different elements are interdependent and closely intertwined with each other but function separately. The Strategic Component comprises of Strategy Model, Resources Model, and Network Model. The Customer Demand Component are made up from Customer Model, Market Offer Model, and Revenue Model. The Value Creation Component consists of Value Creation Model, Procurement Model, and Finance Model (Wirtz 2021: 315-321). These key elements are individually discussed in Section 3.3 to Section 3.5 below.

### 3.2.6 The Business Model Canvas

Perhaps the most famous amongst all business models, the Business Model Canvas which was created by Osterwalder and Pigneur (2010) is not intended for e-commerce business. However, it is included herewith because the balance of key ideas, the effective visual arrangement of the different elements and the clarity of each element's importance and how they fit together, made this version universally appreciated. Most businesses, whatever industry or market segment they belong to, use (wholly or partly) this business model mapping or are inspired by it. Figure 10 shows the business model canvas design.



Figure 10. The Business Model Canvas (Osterwalder and Pigneur 2010: 44)

The above Figure 10 shows the key elements of this business model namely Key Partners, Key Activities, Key Resources, Value Proposition, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Streams. Section 3.3 to Section 3.5 discusses each item separately.

### 3.3 Strategic Component Key Elements of Business Models

Having encapsulated the different definitions of prominent authors and reviewed appropriate samples of e-commerce business models, finding the common key elements that will be the output of this project's building block is the next step. Since different authors used different names to label the key elements, the most common and appropriate name is used in this project. A description of each key elements and justification of the name choice are expressed below.

As Wirtz (2021: 315) said, business models should have three (3) major overarching component layers that make an effective and efficient business management tool because they provide the necessary level of detail. The first (1<sup>st</sup>) major component is the Strategic Component which defines the long-term operating targets of the company. Below describes each of the key elements that comprise the strategic component building block of an e-commerce business model.

#### 3.3.1 Strategy

Strategy Model was used by Wirtz (2021: 317) to describe the long-term targets of the company. It contains the mission, strategic policies and development outlooks of the company. Leadership standards, operative reliability and growth potential should be taken into account (Wirtz 2021: 322). The same ideology is behind the Security Policy business model element of Meier and Stormer (2009: 21). It is meant to consider possible risks in order to ensure that existing resources and means are enough or if additional investment is needed to maintain the company.

Afuah and Tucci (2003: 70-72) labelled the three strategies (Block, Run and Team-up) as sustainability. One, a combination, or all of these three strategies are means of sustaining the company. Block strategy such as gaining intellectual property rights to products (preventing imitation) and/or ensuring the product price is low enough that competition will be discouraged, is when a company creates barriers around its product market space. Run strategy is when innovations have to be done in order to re-invent and offer better value to the customers. Team-up strategy is when alliances, joint ventures, acquisitions, and/or stronger equity position is pursued.

Considering these different labels that have the same purpose – to establish a continuing plan that would ensure the company's development, it is deemed that strategy is the most appropriate term to use.

### 3.3.2 Competencies

Osterwalder and Pigneur (2010: 34-35) calls this building block as Key Resources. These are assets that create substantial value so they are considered as the most important requirement to make a business model work. They can be physical, intellectual, human, and/or monetary. On the same note, Wirtz (2021: 317) also uses the term Resources Model to describe the list of all relevant internal and external assets and core competencies that are value-creating input factors. The examples range from warehouses and logistics infrastructure, patents and copyrights, experienced scientists and skilled sales force, cash and/or line of credit.

Despite having the same description and/or function, Afuah and Tucci (2003: 69-70) prefers to call this key element as Capabilities. They re-iterated that in order to accomplish the company's activities, resources that are tangible, intangible and human are needed. However, he recognises that resources on its own will not function without being turned into what the customers want. The competence of companies to convert the resources is also important. Only after

these resources, through competence, have been turned into something that customers need will the company achieve its competitive advantage.

Indeed, resources are important but unless they are developed into something that solves a customer's need, the resources would be wasted. As such, competencies seem to be a more suitable label for this key element since it already includes resources at its core.

### 3.3.3 Network

Meier and Stormer (2009: 20) labels the network that is used to create and market products and services as business webs while Afuah and Tucci (2003: 67-68) simply calls this element as people. For them, individuals, teams or organizations play key roles in the success of an innovation idea. They categorized them as idea generators (thinks of new or improves a product/service), gatekeepers (connects the company to external sources), boundary spanners (links internal sources within the firm to each other), champions (takes new or improved ideas from thoughts to actions), and sponsors (serves as coach or mentor which provides behind-the-scenes support). These five types when working together effectively ensure full recognition and realization of a business' potential.

The name Osterwalder and Pigneur (2010: 38-39) gave to this business model building block is key partners. This is the group of partners and suppliers that bring in external resources and activities. An alliance can be formed to optimize the use of each other's infrastructure and reduce cost, to lower risk in a competitive environment by working together in a certain area while still in competition on another field, and to acquire information and/or access to certain licenses rather than developing internally. This partnership can be categorized as strategic alliances between non-competitors, competition (strategic cooperation between competitors), joint ventures, and buyer-supplier relationship to ensure reliable supplies.

Wirtz (2021: 317) agrees with the above logic and calls this element as network model. He further adds that network provides vital connections that significantly influence business success and therefore management and control of different partners should be maintained.

While key partners seem appropriate, the term network brings more substance as label to this building block since the purpose of this key element is not just to identify partners but to recognize the kind of alliance needed to be built in order to properly manage and control it for the benefit of the business.

### 3.4 Value Creation Component Key Elements of Business Models

The next major component of the business model building block is Value Creation Component which is internal factors that influence the value generation of the business. Since different authors used different names to label the key elements, the most common and appropriate name is used in this project. Description of each key elements and justification of the name choice are expressed below. Based on the prominent examples evaluated, the key elements of this component are discussed below.

#### 3.4.1 Procurement

Procurement is a building block key element that is not present in any business model definitions and examples reviewed except for one. However, the importance of this element is implied in Osterwalder and Pigneur's Key Activities, in Afua and Tucci's People, and Meier and Stormer's Network. Only Wirtz (2021: 318) allocated Procurement as a separate building block element. He stated that a structured procurement process is essential because of the volatile market structure and market behavior especially if done electronically. The arrangement and sources of raw materials for the production of goods and services should be well defined including, but not limited to, the specific procurement phases of initiation, agreement, and processing.

Since the case company will be importing goods and will go through electronic procurement methods, this element is an essential building block in the desired business model output.

### 3.4.2 Finance

All the costs that will be incurred in the operation of the business will fall in this business model key element which Osterwalder and Pigneur (2010: 40-41) calls Cost Structure. They further explain that cost structures are characterized by being fixed costs (cost will be the same no matter the volume of products), having variable costs (cost varies in proportion to the volume of produced products), economies of scale (lower purchase costs for bulk orders), and economies of scope (lower marketing costs considering the larger reach of multiple products). Cost structures can either be cost-driven (focuses on minimizing costs) or value-driven (not concerned about cost but the value created) however, most fall between the middle of these extremes.

Price model is what Meier and Stormer (2009: 21) labelled this element which they deemed necessary to be examined since price formation, price differentiation and price bundling are profit generators. Afuah and Tucci (2003: 58-62) names this as Pricing Strategy. They argue that the correct pricing strategy leads to profits but a bad one can not only leave money on the table but can also kill the product and suppress its success. They offered different types of pricing such as menu pricing (prices are fixed), one-to-one bargaining (a seller negotiates with a buyer until both finds the price appropriate), auction pricing (seller solicits bid from buyers and sells to the best bid), reverse auction (buyer proposes a price for a product and the seller decides to fulfil the potential order), and barter (swapping goods for goods, goods for services, and/or use of goods or service. Similarly, Osterwalder and Pigneur (2010: 33) discussed pricing mechanism with two types, the fixed menu pricing (predefined pricing based on static variables) and dynamic pricing (prices change due to market demand).

Wirtz (2021: 319) on the other hand calls this building block as Finance Model. He reasons that capital arrangements, financial planning, and not just cost structure should be examined in order to control the frictionless flow of finances.

Following the same logic, the next key element of business model building block is labelled simply as Finance.

### 3.4.3 Key Processes

Business Processes is what Meier and Stormer (2009: 21) names the business model building block where activities that are to be carried out either automatically or manually are organized. They include distribution process, arrangement of supply chain, and other important procedures that need to be clearly laid out in order to avoid mismanagement.

Wirtz (2021: 318) on the other hand calls it Value Creation Model, not to be confused with Value Proposition (which is discussed in the next section), this key element focuses on how and under which conditions value can be generated. As such, this focuses on the activities and processes involved.

Which activities to be perform and when to perform them is the concept behind the Connected Activities business model element of Afua and Tucci (2003: 63-66.) In order for value to be delivered to different customers, a company must organize their processes to be consistent with the offer. If the company is offering 24 hours service, not only should the business have the right software but also the logistics to deliver their products on time.

Osterwalder and Pigneur (2010: 36-37) labelled the same concept as Key Activities. For them, these are the most essential actions that a company must do in order for a successful operation. They categorized the different processes into Production (designing, manufacturing and delivering a product in significant quantity and/or best quality), Problem Solving (coming up with new and/or

updated solutions to customer issues), and Platform (management of business platforms such as website, software, interface, etc.)

Key processes seem most appropriate name for this building block as it encapsulates not just the key activities but the full progression as well.

### 3.5 Customer and Market Component Key Elements

The last major component building block of business models is Customer and Market Component. These are the external factors that influence the design and operation of the business. Since different authors used different names to label the key elements, the most common and appropriate name is used in this project. Description of each key elements and justification of the name choice are expressed below. After the evaluation of the different prominent business model examples, below are the key elements of this component.

#### 3.5.1 Revenue

Afua and Tucci (2003: 62) called this building block as Revenue Sources since it will determine where the profit of the business will come from. They emphasise the importance of understanding where revenue will come from in order to make better strategic decisions. In the same manner, Wirtz (2021: 319) claims that there are many different ways that revenue can be generated, not just through the product/service but also indirect means. He labelled this as Revenue Model since all possible streams should be taken into consideration.

Osterwalder and Pigneur (2010: 30-31) named this as Revenue Streams with two (2) major types: Transaction Revenues (results form one type client payment) and Recurring Revenues (repeating payment based on post-purchase services or other value proposition to the customer.) They gave many examples of ways to generate Revenue Streams which include Asset Sale (selling ownership of a physical product), Usage Fee (payment for the use of a certain product/service), Subscription Fees (selling continuous access),

Lending/Renting/Leasing (granting of temporary but exclusive right to use a certain asset for a period of time in return of a fee), and Licensing (payment for granting client the permission of use intellectual property products.)

Out of all the definitions and business model samples that were reviewed, only this element has a unanimously agreed name – Revenue.

### 3.5.2 Channels

Channels, as Osterwalder and Pigneur (2010: 26-27) named this key element, describes the way a company communicates with and how they reach their customers. This is the first (1<sup>st</sup>) interaction a customer will have with the business so it is very important in the customer experience. There can be direct and indirect forms of channels as well as owned or partnered. The five (5) channel phases that should be performed are: Awareness (customers should learn about the products and services), Evaluation (customers should be able to appraise the value proposition), Purchase (make it easy for customers to acquire the product/service), Delivery (easy fulfilment of the order), and After Sales (services post-purchase to support the customer.) Whether the channels are used individually, mixed or all together, the essential matter is to complete the five (5) phases and find the right balance to maximize revenue and establish a great customer experience.

Afuah and Tucci (2003: 53) gave this building block the name Profit Site. It is the location where the business to customer exchanges. Understanding where competition forces are strong enables companies to improve their value offering and locate their profit site to where it can be cultivated and be profitable. Wirtz (2021:318), on the other hand, included this customer touchpoint where offers, both products and services, are displayed to reach the customer as part of the Customer Model building block, however, with the given description that is similar to both Osterwalder and Pigneur as well as Afuah and Tucci, this key element is deemed to be part of Channels.

### 3.5.3 Value Proposition

The closest element from Wirtz (2021: 317-318) is called Market Offer Model. It is concerned with fulfilling the demands of external stakeholders after analysing their needs, desires and behaviors. Competitors, market opportunities, and technological developments are also considered in formulating the company's value offering. Meier and Stormer (2009: 20) agrees that market and reception of existing or desired customers should decide whether the existing range of products and services should be supplemented, changed or prolonged. On the other hand, Afuah and Tucci (2003: 55-56) calls this element as Customer Value. They state that a customer would buy a product from a company only if the product has something that the product of competitors does not have. This is mostly achieved by offering products at a lower price if the production cost is low. However, they suggest other ways that a company can create a unique value offering such as unique product features that competitors does not have, being first (1<sup>st</sup>) to be introduced in the market, differentiate the product by the ease of access to it, fast and reliable after-sales service, offering mix of products, association with other product or company, and company brand-name, reputation and recall goes a long way.

Indeed, Value Proposition is a relatively broad business model building block. Osterwalder et al. (2014) even had to make a specific book about understanding and creating it. Simply put, Value Proposition describes the benefits customers can expect from the company's products and services. Osterwalder et al. (2014: 277)

There are a number of steps required to create value proposition. To make it easier, they created a tool called Value Proposition Canvas. Figure 11 in the next page shows the illustrated tool.

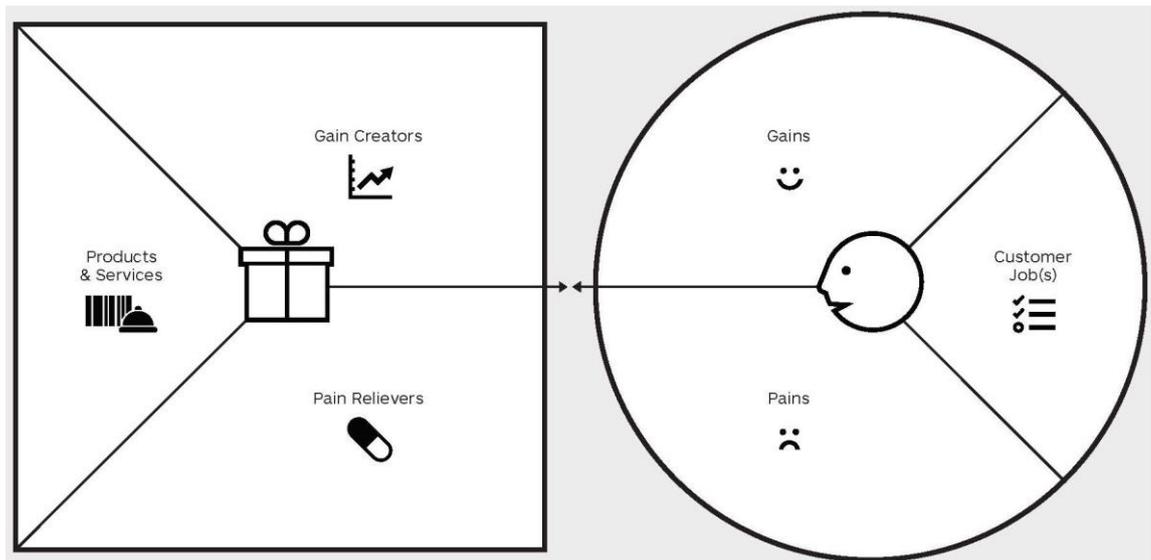


Figure 11. Value Proposition Canvas (Osterwalder et al. 2014: 61)

As shown in the Figure above, this tool has two (2) sides, a Customer Profile Side (on the left) where the understanding of customers come in, then the Value Map side (on the right) where description on how value will be created for that customer is located (Osterwalder et al. 2014: 3). Understanding of the customer's jobs, pains and gains helps in designing the value that the company's products or services need to possess in order to give what the customers really want, what they crave and what they long for (Osterwalder et al. 2014: 190-193). The essence of value proposition is striving for fit where the products and services of the company produces pain relievers and gain creators that matches the most essential jobs, pains and gains of the customer (Osterwalder et al. 2014: 4-53).

### 3.5.4 Customers

Afuah and Tucci (2003: 57-58) names this element as Scope. They state that every company's decision must consider the different market segments and geographical areas they offer their value to. Within the business markets, there are different industries which have different technical complexity and within each continent or country, there are varying beliefs and interests, as such, a

business must know their target so they can actually fulfil the needs of their customers.

Osterwalder and Pigneur (2010: 20-21; 28-29) had two (2) separate business model key element that pertains to Customers. The first (1<sup>st</sup>) one is the Customer Segments where the different groups of people that the business wants to reach is identified based on their needs, how they can be reached, types of relationship required, different profit abilities, and amount they would be willing to pay for the value of the product/service. Five (5) major customer segments include Mass Market (for general population), Niche Market (for specific type of people), Segmented (for different levels of customer types), Diversified (for same customer types but different offers), and Multi-sided Platforms (for products/service that needs interdependent but different markets). The second (2<sup>nd</sup>) element is Customer Relationship which describes the type of interaction a company establishes with each specific customer segment. The relationship can range from personal to automated and with different motivations such as customer acquisition, customer retention, and upselling. Several categories of customer relationship are: Personal Assistance (interaction is between a live person), Dedicated Personal Assistance (special clients are assigned a specific customer service representative), Self-service (customers help themselves), Automated Services (an elevated form of self-service where automation assists clients), Communities (community members assist each other), and Co-creation (companies create value through customer reviews and feedback.)

Since both elements affect each other, Customer Segments and Customer Relationships can actually be just combined into a more comprehensive building block – Customers. Wirtz (2021: 318) seems to agree because he only made one specific business model element for customers and called it Customer Model. It is actually a combination where customers are defined and allocated to different segments which becomes the target groups of campaigns based on their specific preferences. He reiterates that efficient and effective

data gathering and management is necessary to ensure that suitable strategies are applied to each customer type.

### 3.6 Conceptual Framework of Starting Analysis

From the literature reviewed where definitions and prominent business models were collated and evaluated, the relevant building block key elements that will be used to form a conceptual framework for the starting analysis is created. The illustrated conceptual framework is shown in Figure 12 on the succeeding page.

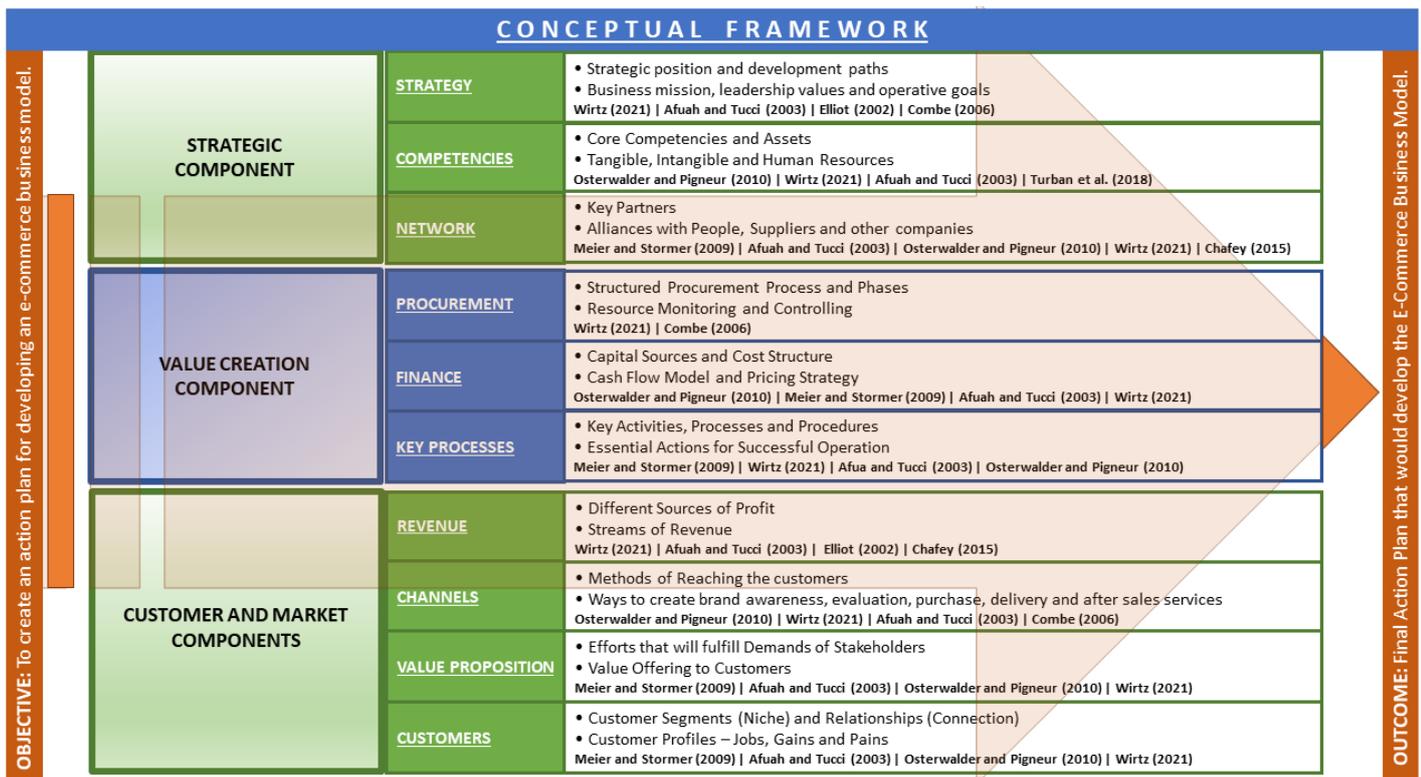


Figure 12. Conceptual Framework for Starting Analysis

The above figure shows the conceptual framework which will serve as a tool for the starting analysis of the new company. To create an action plan for developing an e-commerce business model, the position of the company in regards to the different building block components have to be determined.

Although it can be done in any order, starting with the first (1<sup>st</sup>) component, Strategic Components, would be the more organized choice. The strategic

component includes the strategy (the company's mission, strategic positions and development paths, possible risks, sustainability strategies, and leadership values and goals), the competencies (core competencies, core assets, and the tangible, intangible, and human resources), and network (key partners, suppliers, people, and alliances). The next component, value creation component includes procurement (structured procurement process and phases, purchasing information analysis, and resource monitoring and controlling), finance (capital sources, cost structure, cash flow model, and pricing strategy), and key processes (key activities, processes and procedures, and essential actions for successful operation). The last component, customer and market components include value proposition (efforts that will fulfil demands of stakeholders, value offering to customers, and value proposition canvas), revenue (different sources of profit and all possible streams of revenue), channels (methods of reaching the customers and ways to create brand awareness, evaluation, purchase, delivery and after sales services), and channels (customer segments/niche and relationships/connections, and customer profiles – jobs, gains, and pains).

Once the new entrepreneur discloses the company's stance on the different key elements based on the conceptual framework, the information gathered will be evaluated to determine the "present" and the "absent" entrepreneurial ideas of the company which will then be the guide in creating the action plan for developing the e-commerce business model. The starting analysis process and outcome are discussed in the next section.

## 4 Starting Analysis

In the previous section, relevant literatures were reviewed in order to understand what Business Models are and the key elements which are its building blocks. After exploring and formulating the conceptual framework, the second (2<sup>nd</sup>) stage of this project now starts.

In this section, the starting analysis was conducted to gather the business objectives, goals and projections of the new business using the conceptual framework. These data were organized and classified into the different business model key elements that they depict. Once categorized, the “present” and the “absent” entrepreneurial ideas were determined to serve as the guideline in creating the action plan for developing the e-commerce business model.

### 4.1 Overview of the Starting Analysis

In order to achieve the objective of any study, knowing the current status of the company is integral. In this particular case however, since the client is just an aspiring entrepreneur and the company is yet to be formed; only a starting analysis can be done. Unlike a current state analysis where the established business processes, documents and other important matters are evaluated, a starting analysis will focus on the company’s hypothetical business logic that is yet to be tested. By knowing these, action points based on actual business practices and techniques can be created so that the aspiring entrepreneur will have a guide in developing the company’s business model.

The starting analysis comprised two (2) phases. The first (1<sup>st</sup>) phase was the discovery of the company’s position on the different business model building block key elements. Through an interview with the aspiring entrepreneur, the objectives, goals and projections of the company, based on the conceptual framework were uncovered. These data were then organized and grouped together based on the different business model key elements. The pre-prepared interview questions are shown in Appendix 1.

The analysis of these data, to determine the good ideas and missing ideas that were not considered by the aspiring entrepreneur were done next. The analysis revealed the “present” and the “absent” ideas of the aspiring entrepreneur’s business sensibilities. The result of that evaluation will guide the creation of the initial action plan and final outcome proposal of this project.

## 4.2 Position on Strategic Components

Based on the collated and evaluated prominent business models and from the literature reviewed, this project determined three (3) major components of an e-commerce business models. The first (1<sup>st</sup>) is the Strategic Component which determines the long-term operating capabilities and targets of the company. It has three (3) key elements – the Strategy, Competencies and Network Element.

### 4.2.1 Strategy

The aspiring entrepreneur’s reason for wanting to establish a company is solid and clear. According to her, the company aims to:

*“Be a part of the growing sustainability awareness movement that the world is experiencing, especially in Finland, by bringing in the country an environmental friendly yet beautiful and durable hand-woven fashion items handcrafted by artisans, particularly women, using harvested plant fibres.” (SA Interviewee 1)*

However, aside from the mission, the aspiring owner did not think further than opening the company. Strategic positions and development paths have not been thought out. Potential risks and possible solutions were not evaluated. Sustainable strategies are not yet planned. And since there are no employees yet, leadership values and goals are not yet determined.

Although the motive is genuine, long-term targets are not explored by the company.

#### 4.2.2 Competencies

The company's resources are mostly intangible and product-based. Since the target customers are environment-conscious, the emotional appeal and sentimental value of the product is an asset. There is also a large variety of product designs to choose from. When asked about the current resources that the company have, the new entrepreneur's response is:

*"We are at the early stage of development so to be honest, we do not have any resources yet aside from the suppliers existing equipment that they use to harvest the fibres and manufacture the products. Whatever assets we will need have yet to be determined and considered." (SA Interviewee 1)*

As per the interview, the only tangible resource is the manufacturer/supplier which employs talented artisans with more than 10 years of experience bringing in expertise and skill. The down-side however is that they are not actually direct employees of the company. There is just an agreement between the manufacturer/supplier but other than that, the company does not have any other control over the weavers. Full human resources team is missing. There is no infrastructure yet. Original designs are not patented.

There are many issues that need to be addressed in order for this company to have enough competencies to be successful and have longevity.

#### 4.2.3 Network

The aspiring entrepreneur has already established an alliance with a manufacturer/supplier. Through this agreement, the company's products will be produced and shipped to Finland by the manufacturer. That is the extent of the company's network.

Having only one supplier/manufacturer can be a good thing but it poses risks as well. Other key partners have not been formed such as partnerships with local and international shipping company. Possible distributors, aside from the web

store, are also not yet considered. Infrastructure, delivery services, payment portals and other important networks are still missing.

Although there are some present entrepreneurial ideas, gaps are more evident in the Strategic Component of the business. These missing ideas have to be filled and turned into action points in order to guide the aspiring entrepreneur for developing the new company's business model.

### 4.3 Position on Value Creation Components

Value creation components are the factors that influence the value generation of the business. These aspects, although generally connected with the outside considerations, are mostly internal and are within the control of the company. This includes Procurement, Finance, and Key Processes.

#### 4.3.1 Procurement

Much like the others, the procurement method of the case company, depends solely on the manufacturer/supplier. The aspiring entrepreneur explained that:

*“The agreement I have with the supplier is a full-service arrangement. I will provide them with my designs, they will buy the necessary materials, they will manufacture the product and I will receive them ready to be shipped.” (SA Interviewee 1)*

As such, a lot depends on the manufacturer/supplier including raw material sourcing and quality assurance. Even though this has a positive side, like giving more time for the business owner to focus her attention to other departments like marketing and sales, being too dependent on a single entity for many aspects makes the company vulnerable.

Aside from the product itself, there is also no system in place yet for monitoring and controlling the inventory. Sources of other services necessary to run the business has not been finalized either. Examples of these missing sources are website host, payment system, and fulfilment paraphernalia, among others.

### 4.3.2 Finance

The operational financial structure of the company as of the moment is quite clear. The capital will all come from personal investment of the aspiring entrepreneur so there will be no starting debt. Cash flow would be secured since payment will be received first (1<sup>st</sup>) before the products are delivered to the customers. The costs, both variable and fixed are known despite not having the exact amount yet. The variable costs are the product payment to the manufacturer/supplier, the shipping cost from the Philippines to Finland, the export taxes of the Philippines, and the import taxes of Finland. The fixed costs are the employee salary including benefits and taxes, marketing costs, storage rent, and website licenses.

The unknown item is the pricing strategy. Establishing the best price for the product is something that has to be developed and carefully considered in order to find the perfect balance of not losing valuable revenue without overly pricing as well.

### 4.3.3 Key Processes

When asked if the company already has the different processes associated with the business mapped out, the aspiring entrepreneur said that she has an overall idea of the full operation.

The design would be coming from her since she wants to offer unique choices. Once the design has been finalized, it will be sent to the supplier where they will purchase the necessary raw materials and manufacture the product. Once the batch has been completed, the shipping company will transport them to Finland. While the production is on-going, marketing will also start locally so that once the product arrives, an actual photo will be taken, uploaded to the website and ready for customers to click and buy. After the customer's order has been placed, the physical product will be boxed and brought out for delivery to the client. Other products will be stored in a warehouse until ordered. This process

will be done around four (4) times a year since the company wants to launch a collection of new product designs every season. Other aspects such as sales and marketing have not been thoroughly planned but the aspiring entrepreneur already has some ideas to develop.

Even though they have been thought about, the key processes are not yet defined to an acceptable level. Even the production process, which is tried and tested by the manufacturer since they have been doing the same procedure with other companies they supply to, is not properly documented.

#### 4.4 Position on Customer and Market Components

Customers and the market in general affect any business in many ways. The design and operation of business normally follows the current market trend and customer needs. Although there are companies that have stood the test of time, their key to survival is adaptability and flexibility to new developments in technology and society as a whole. As such, Customer and Market Components are major parts of any business model. The key elements that comprise this are Revenue, Channels, Customers, and Value Proposition.

##### 4.4.1 Revenue

The sources of profits by the company are called revenue. These are the different ways of generating income both direct and indirect means. As of now, the aspiring entrepreneur only considered direct revenue from product sales through the e-shop; however, she plans to add more:

*“As of now, the main source of profit will be the product sales from the website store. But I have plans of offering after-sales services especially that the main material of the product is natural fibres, there are special ways on cleaning that customers might not be familiar so I plan to offer cleaning services once we have established the company.” (SA Interviewee 1)*

It is a strength that other avenues where profits can be acquired are being pondered upon especially that the aspiring entrepreneur is considering not only physical products but other means as well.

#### 4.4.2 Channels

The main way of reaching customers is through an electronic store or e-shop which will be set up. This will feature the current products on sale containing important information about the product such as the dimensions, available colors, price, and delivery schedule. A reviews portion will also be available so previous buyers can influence new customers. The aspiring entrepreneur also added that:

*“I plan to have a strong social media presence. I know that at this point in time, constant presence online, especially viral posts will go a long way in introducing our products to the market, keeping customers informed and establishing relationship with them.” (SA Interviewee 1)*

It is good that both of these crucial outlets are considered. However, other possible means, which might be useful in ensuring that customers have a great experience, encourage exchange, and cultivate loyalty, are missing.

#### 4.4.3 Value Proposition

Based on the customer segment that the aspiring entrepreneur would like to focus on, the corresponding benefits of the company’s products would be the emotional fulfilment it brings. The materials are environment-friendly so it satisfies the customer’s desire of being a part of the sustainability movement. The natural fibres are strong and have been tested for durability which fulfils the client’s desire of a long-lasting product. Designs would be unique, beautiful but take into consideration the purpose of each item. These ensure that there would be a wide variety of design choices without sacrificing functionality. The aspiring entrepreneur also added:

*“I believe that another important feature that would bring value to our customers would be a user-friendly website store. The hope is to have a simple but efficient e-shop where the customers will not be overwhelmed by the pages. Each product would have complete information such as specifications, delivery timing etc. It would also have photos to show possible uses and a video that demonstrates the different functions.” (SA Interviewee 1)*

All these positive value propositions mentioned above are strengths when implemented properly. However, the matter of affordability is not properly addressed since the variable cost of shipping is yet to be carefully studied and planned.

#### 4.4.4 Customers

When asked about customers, the aspiring entrepreneur seems to be familiar with their target consumers. According to her:

*“The products are for environment-conscious students, professionals, and homemakers. The ones that would prefer to use sustainable fashion goods but have very limited options at the moment since either the items are very expensive, they do not look good and functional, or the products are not durable enough.” (SA Interviewee 1)*

The case company focuses on building relationship with their customer based on the value of their products. It will mostly be an automated service through the e-shop but aims to have an active community through website forums, blogs and events.

The solid customer relationship plan is one of the new business' strength as well as their familiarity with their target customers. However, other customer niches should also be considered. Deeper understanding of customer gains and pains is also missing.

## 4.5 Summary of Findings

The starting analysis revealed that although the aspiring entrepreneur has an indication of how the company would operate, there are still many factors that have to be contemplated. The information she has at the moment is useful enough but needs more input to be able to create and development an efficient business model suitable for the e-commerce industry. The tables below shows the present and the absent entrepreneurial ideas for each business model component as determined from the interview with the aspiring business owner.

Table 3. Summary of Starting Analysis Findings - Strategic Components

COMPONENT	ASPIRING ENTREPRENEUR'S BUSINESS IDEA	 PRESENT /  ABSENT
<b>STRATEGIC COMPONENT</b>		
<b>STRATEGY</b>	<ul style="list-style-type: none"> <li>• <b>Mission:</b> To be a part of the growing sustainability awareness movement that the world is experiencing, especially in Finland, by bringing in the country an environmental friendly yet beautiful and durable handwoven fashion items handcrafted by artisans, particularly women, using harvested plant fibres.</li> </ul>	<ul style="list-style-type: none"> <li> Solid Company Mission</li> <li> Missing Strategic Positions and Development Paths</li> <li> Missing Risk Evaluation</li> <li> Missing Sustainability Strategies</li> <li> Missing Leadership Value Goals</li> </ul>
<b>COMPETENCIES</b>	<ul style="list-style-type: none"> <li>• <b>Emotional Appeal:</b> Eco-friendly, sustainable materials and personally handcrafted products</li> <li>• <b>Human Resources:</b> Talented manufacturer team with +10years of experience</li> <li>• <b>Product:</b> Large variety of product design selection</li> <li>• <b>Equipment:</b> Existing equipment owned and used by manufacturer/supplier</li> </ul>	<ul style="list-style-type: none"> <li> Sentimental Value</li> <li> Expert &amp; Talented Manufacturing Team</li> <li> Manufacturing team is not direct employees</li> <li> Missing Full Human Resources Team</li> <li> No infrastructure</li> <li> Original Designs are not Patented</li> </ul>
<b>NETWORK</b>	<ul style="list-style-type: none"> <li>• <b>Manufacturer / Supplier:</b> Group of artisans under one company</li> </ul>	<ul style="list-style-type: none"> <li> Agreement with a manufacturer/supplier</li> <li> Only one manufacturer/supplier</li> <li> Lacking alliances with other important partners</li> </ul>

As shown in Table 3 above, the aspiring entrepreneur currently has some business logic associated with the different business model strategic component building block key elements. For strategy, the company's mission is sound but strategic positions, developmental plans are lacking. Risks evaluation and their possible solutions have also not been thought of. Sustainability strategies are also missing. And, since there are no employees yet, the leadership value and goals have not been considered yet.

The competencies elements are so far only intangible and based on the product. Main strengths include the emotional value that the products have as well as the variety of designs for customers to choose from. Another one is the manufacturer's skill and expertise learned from more than 10 years of experience. Negative aspect is that they are not directly hired by the case company making their loyalty questionable. Personnel line-up is also not yet planned. No infrastructure yet and original designs are not patented.

For the network component, only agreements with the manufacturer/supplier have been finalized. Other partnerships have not been made.

The next business model building block component is Value Creation. Table 4 on the next page shows the present and absent entrepreneurial ideas of the case company.

The Procurement Key Element is less than desirable with a good and bad effect of being dependent on the manufacturer/supplier. Having them do most of the production process frees more time for the aspiring entrepreneur to focus on other business aspects such as sales and marketing, however, too much dependency on a single manufacturer/supplier leaves the company vulnerable to the whims and caprices of the manufacturer/supplier. There is also the lack of quality assurance plan and missing inventory monitor and control system. Aside from the main product, sources of other important business attributes such as website host and payment system etc. are still unknown.

Table 4. Summary of Starting Analysis Findings – Value Creation Components

COMPONENT	ASPIRING ENTREPRENEUR'S BUSINESS IDEA	 PRESENT /  ABSENT
<b>VALUE CREATION COMPONENTS</b>		
<b>PROCUREMENT</b>	<ul style="list-style-type: none"> <li>• <b>Raw Materials:</b> Procurement is under manufacturer/supplier responsibility</li> <li>• <b>Quality Assurance:</b> Relies on expertise of manufacturer / supplier</li> <li>• <b>Monitoring &amp; Controlling:</b> Manual means</li> </ul>	<ul style="list-style-type: none"> <li> More time to focus on other aspects since procurement is manufacturer/supplier's scope</li> <li> Dependency on single manufacturer/supplier</li> <li> Lacking Quality Assurance Plan</li> <li> Missing inventory monitoring and controlling system</li> <li> Sources of other services is unknown</li> </ul>
<b>FINANCE</b>	<ul style="list-style-type: none"> <li>• <b>Capital:</b> Personal Investment</li> <li>• <b>Fixed Costs:</b> Employee salary, marketing cost, storage rent and website licenses only</li> <li>• <b>Variable Costs:</b> Product cost, shipping cost and import taxes</li> <li>• <b>Cash Flow:</b> Secured. Payment is received first before product is delivered to customers.</li> </ul>	<ul style="list-style-type: none"> <li> No Starting Debt</li> <li> Pricing Strategy not established</li> </ul>
<b>KEY PROCESSES</b>	<ul style="list-style-type: none"> <li>• <b>Design:</b> Internal</li> <li>• <b>Production:</b> Established with manufacturer / supplier</li> <li>• <b>Shipping:</b> Every start of the season</li> </ul>	<ul style="list-style-type: none"> <li> Production process is determined with the manufacturer/supplier</li> <li> Many other processes are not yet defined</li> </ul>

Table 4 above shows the defined position of the company based on the Value Creation Components. The finance elements have a more established stance with the capital, fixed costs, variable costs and cash flow already known. However, it is not detailed yet and should be developed. The pricing strategy is also missing.

On the other hand, the key processes need more attention. Although the aspiring entrepreneur has an overall view of the operation, only the production

process is established with the manufacturer/supplier but it is not yet documented. Many other processes are not yet defined.

The last business model component is the Customer and Market Component. The company's positions on these key elements are summarized in the table below.

Table 5. Summary of Starting Analysis Findings – Customer and Market Components

COMPONENT	ASPIRING ENTREPRENEUR'S BUSINESS IDEA	 PRESENT /  ABSENT
<b>CUSTOMER AND MARKET COMPONENTS</b>		
<b>REVENUE</b>	<ul style="list-style-type: none"> <li>• <b>Sources of Profit:</b> Product sales from E-shop website</li> </ul>	<ul style="list-style-type: none"> <li> Secured source of profit.</li> <li> Missing other possible revenue streams</li> </ul>
<b>CHANNELS</b>	<ul style="list-style-type: none"> <li>• <b>Methods of Reaching the Customers:</b> E-shop website and Social Media</li> </ul>	<ul style="list-style-type: none"> <li> Modern Channels</li> <li> Other possible channels were unidentified</li> </ul>
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>• <b>Customer Segments:</b> Environment – conscious students, professionals, and homemakers who prefer to use sustainable fashion goods but have very limited options at the moment since either the items are very expensive, they do not look good and functional, or the products are not durable enough</li> <li>• <b>Customer Relationship:</b> Value-based Relationship with automated services and active communities (website forums/blogs/events)</li> </ul>	<ul style="list-style-type: none"> <li> Solid customer relationship plan</li> <li> Familiarity with customer niche</li> <li> Other customer segments are not considered</li> <li> Missing Customer Gains and Pains</li> </ul>
<b>VALUE PROPOSITION</b>	<ul style="list-style-type: none"> <li>• <b>Products:</b> Sustainable, Functional and Durable, Beautiful designs with unique handmade properties</li> <li>• <b>E-shop:</b> User-friendly</li> </ul>	<ul style="list-style-type: none"> <li> Unique Product Value</li> <li> Missing Value Map – Gain Creators and Pain Relievers especially affordability</li> </ul>

As shown in the Table above, Customer and Market Components have present and absent business ideas to consider. The sources of profit only considered the physical products. Other sources of revenue were not yet considered.

The case company, being an e-commerce business will make use of modern technology as its main Channel to reach customers. Website and social media, when used properly can bring more awareness to the products and business as a whole than any other means. However, having alternative methods would supplement any short-comings.

Customer segment and their associated relationship is one of the company's strengths. The aspiring entrepreneur knows its target customers and what their their pains and gains are. However, the case company should also consider other segments that can be possible customers.

Much like the Customer Key Element, Value Proposition Key Element of the company is well suited for the known target customer. It is based on the emotional value that the product provides. The need to explore other possible customer niche means that value proposition for that particular segment should be developed. The use of Value Proposition Canvas would be helpful in this regard.

Having determined the position of the new company in relation to the different business model building block key components and having analysed the present and absent entrepreneurial ideas the aspiring business owner have for each key element has, the next section generates action points for each building block key component to fill the gaps and develop the e-commerce business model.

## 5 Creation of the Initial Action Plan

Having performed the starting analysis in the previous section, it is now clear what the position of the future company are in regard to the different building block key elements of a business model. Based on those standpoints, the present and missing business ideas of the aspiring entrepreneur have been determined. Using those finding, action points are then created to fill the gaps in the business ideas and to facilitate the development of each building block key element of an e-commerce business model.

In this section, the process of creating the initial proposal is discussed starting with an overview followed by the different action points recommended for each building model component then in the end the proposed initial action plan for developing an e-commerce business model is presented.

### 5.1 Overview of the Initial Action Plan Creation

With all the necessary data gathered and after determining the present and the absent ideas of the future company's different business inclinations, the next step in order to achieve the objective of this study is to build the initial action plan.

Creating the action plan that would serve as a guide in developing an e-commerce business model comprised four (4) phases. The first (1<sup>st</sup>) phase involved revisiting relevant literature to find suggestions and recommendations that would supplement the missing ideas. Business websites that are locally recognized by both the exporting country (Philippines) and the importing country (Finland) were also accessed. These websites gave more information about regulations and considerations needed in conducting business in the respective nation. The gathered data from these sources were collected and allocated to its appropriate business model building block.

The next phase required the participation of the future company stakeholders to discuss and brainstorm with each other the possible action points to be proposed. Aside from the aspiring entrepreneur, as of the moment, only the supplier/manufacturer is on board. No other employees have been hired and no other stakeholders are concerned. Through a virtual meeting, the author, aspiring entrepreneur and the supplier/manufacturer discussed matters that involve the manufacturer/supplier such as procurement, manufacturing process and shipping.

The third (3<sup>rd</sup>) phase has to happen because there were some issues that should only be discussed privately with the aspiring entrepreneur since the manufacturer/supplier is not a direct employee.

The last phase is the compilation of the different action points of each key element, combining and arranging them in order to present the data as a single e-commerce business model with action plans on each individual building block key element.

## 5.2 Action Points for Developing the Strategic Components

Strategic Components defines the long-term operating targets of the company. The three key elements are Strategy, Competencies, and Network. Based on the starting analysis, although the aspiring entrepreneur has an overview of the business trajectory, action points still need to be done in order for the company to have a building model that has a clear strategic component.

### 5.2.1 Strategy

The first (1<sup>st</sup>) key element of the strategic component is Strategy. Company growth and sustainability are the main concerns that need to be addressed by this building model block. Table 6 below shows the starting analysis results and the corresponding action points proposals.

Table 6. Proposed Action Points for Strategy Key Element

STRATEGY	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>+</b> <b>MISSION:</b> To be a part of the growing sustainability awareness movement that the world is experiencing, especially in Finland, by bringing in the country an environmental friendly yet beautiful and durable hand-woven fashion items handcrafted by artisans, particularly women, using harvested plant fibres.</p>	<ul style="list-style-type: none"> <li>• <b>Keep mission statement short but concise.</b></li> <li>• <b>Needs to answer:</b> <u>Why does the company exist?</u></li> </ul>
<p><b>-</b> <b>MISSING STRATEGIC POSITION AND DEVELOPMENT PATHS</b></p>	<ul style="list-style-type: none"> <li>• <b>Make a challenging but realistic and measurable Vision Statement.</b></li> <li>• <b>Needs to answer:</b> <u>What is our ultimate overall business target in 3-5 year time?</u></li> </ul>
<p><b>-</b> <b>MISSING RISK EVALUATION</b></p>	<ul style="list-style-type: none"> <li>• <b>Risk Assessment and Management should be done:</b> <ul style="list-style-type: none"> <li>○ IT related – system failure, maintenance issues, viruses, hacking, etc.</li> <li>○ Policies and Procedures – operation not aligned with business strategy, inefficient business processes, etc.</li> <li>○ Customer Relationship – unhappy customers, delivery issues, etc.</li> <li>○ Competitive Environment – new entrants to the industry, bargaining power of suppliers and buyers, threat of alternative products, intensity of competition, etc.</li> </ul> </li> </ul>
<p><b>-</b> <b>MISSING SUSTAINABILITY STRATEGIES</b></p>	<ul style="list-style-type: none"> <li>• <b>Choose business areas that are maintainable. Answers the following:</b> <ul style="list-style-type: none"> <li>○ What are the company's products?</li> <li>○ To whom is the company selling the products?</li> <li>○ Where is the company selling the products?</li> </ul> </li> <li>• <b>Decide on the growth strategy:</b> <ul style="list-style-type: none"> <li>○ What is the market-share target of growth?</li> <li>○ What are the ways of realizing the growth?</li> </ul> </li> <li>• <b>Adopt a competitive strategy:</b> <ul style="list-style-type: none"> <li>○ How will the company compete?</li> <li>○ How to positively differentiate the company from the competition in the eyes of the customer?</li> </ul> </li> </ul>
<p><b>-</b> <b>MISSING LEADERSHIP VALUES AND GOALS</b></p>	<ul style="list-style-type: none"> <li>• Set an appropriate organizational structure where tasks, responsibilities and duties are clearly detailed.</li> <li>• Attract and recruit people with the correct combination of skills, capabilities, values and attitude that are aligned with the company's.</li> </ul>

As shown above in Table 6, the company's mission is defined; however, it is a bit long and verbose. Mission Statements should be short, concise, must give the reason why the company exists, and should concentrate on the needs and wants of customers (Elliot 2002:69).

Strategic position and development paths of the company are missing. A challenging but realistic and measurable Vision Statement would suffice to give an outlook of what the company hopes to be in the future. The aspiring entrepreneur should be able to give a quantitative 3-5 year business target.

Risk evaluation should also be included in the strategy key element. An assessment of potential threats and how to manage them should be done including, but not limited to, IT issues, policies and procedures, customer relationships, competitive environment, etc. As Combe (2006:202) pointed out, typically, risks that have to be considered revolves around operational, technical, managerial, legal and customer-oriented functions.

Aside from mission and vision, it is also important to know how to keep the company running for a long time. Sustainability strategies map this out. Maintainable business areas have to be chosen. Target growth that is realistic should be decided too as well as the way the company will compete and realize the desired development. Questions to guide in determining these are in the Table 6 above.

Finally, leadership values and goals of the company and its employees should be determined at this point. Organizational structure with clear designations and tasks should be established. This value and goals will also be the determining factor in hiring the team. Alignment of ethics and principles will result in harmonious relationship and overall success of the company.

## 5.2.2 Competencies

Properly utilized assets become the company's competitive advantage. These competencies are the company's resources that could be tangible, intangible, and human. Table 7 below summarizes the assets the company currently have and the suggested action points relating to its resources.

Table 7. Proposed Action Points for Competencies Key Element

COMPETENCIES	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>+</b> <b>Emotional Appeal:</b> Eco-friendly, sustainable materials and personally handcrafted products</p>	<ul style="list-style-type: none"> <li>• Cultivate the emotional appeal of the products and the company in general</li> </ul>
<p><b>+</b> <b>Human Resources:</b> Talented manufacturer team with +10years of experience</p>	<ul style="list-style-type: none"> <li>• <b>Hire Personnel:</b> <ul style="list-style-type: none"> <li>○ Administration Assistant</li> <li>○ Accountant</li> <li>○ HR Personnel</li> <li>○ Customer Service Representative</li> <li>○ IT Specialist</li> <li>○ Sales and Marketing Staff</li> <li>○ R&amp;D Designers</li> <li>○ Purchaser</li> <li>○ Production Supervisor</li> <li>○ QA/QC Personnel</li> <li>○ Craft-workers (in the future)</li> </ul> </li> </ul>
<p><b>+</b> <b>Product:</b> Large variety of product design selection</p>	<ul style="list-style-type: none"> <li>• Research &amp; Develop new designs for every season</li> </ul>
<p><b>+</b> <b>Equipment:</b> Existing equipment owned and used by manufacturer/supplier</p>	<ul style="list-style-type: none"> <li>• Acquire equipment in parallel with independence from sole supplier/manufacturer.</li> </ul>
<p><b>-</b> <b>MISSING PATENT OF ORIGINAL DESIGNS</b></p>	<ul style="list-style-type: none"> <li>• Apply for copyright and patent all original designs</li> </ul>
<p><b>-</b> <b>MISSING INFRASTRUCTURE</b></p>	<ul style="list-style-type: none"> <li>• <b>Obtain Physical Resources such as:</b> <ul style="list-style-type: none"> <li>○ <b>Small warehouse</b></li> <li>○ <b>Production Factory</b> (in the future along with internal crafts worker)</li> <li>○ <b>Warehouse</b> (small to start with but has potential for expansion)</li> <li>○ <b>Physical Store</b> (optional)</li> </ul> </li> <li>• <b>Acquire Scalable Tech Resources such as:</b> <ul style="list-style-type: none"> <li>○ <b>Hardware</b> (PCs, Laptops, Printers, Office Equipments, etc.)</li> <li>○ <b>Softwares</b> (Website, Shopping Cart, Payment Processing Software, etc.)</li> </ul> </li> </ul>

Table 7 above shows the business ideas of the aspiring entrepreneur and the missing ideas that need to be filled through action points. The major intangible asset of the company is the emotional effect the product brings to clients. Aside from its usefulness, the fact that these products are made of sustainable materials have psychological benefits to environment-conscious person. Their desire to be a part of the sustainability movement is achieved, in part, by purchasing the company's products. As such, it has to be cultivated and promoted in order to not lose value. Turban et al. (2018:577) said that intellectual properties are viewed as owning intangible assets such as inventions, ideas, and creative works. Thus, since designs of the products will be done internally, it is important that patent and copyright be applied in order to protect the company's intellectual property rights. New designs have to be developed for every season to have large variety of product selection too.

Tangible resources that the company should obtain are warehouse that are expandable and scalable technological hardware and software. Both should be immediately acquired since the imported products need storage while waiting to be sold and being an e-commerce business, IT is essential. Other physical assets than can be attained while the company is already running are production factory (once the decision to have internal crafts workers progress), and a physical store can also be an option as future expansion.

For the human aspect, certain roles have to be filled in order for the operation to proceed. Suggestions on what positions to hire are in the Table 7 above. A gradual independence from the sole manufacturer/supplier should be planned. Internal craft-workers, own production factory and raw material supplier alternatives should be an integral path to take in order for competencies of the company to be fully attained.

### 5.2.3 Network

Partnerships and alliances enable companies to enhance their value to the public. Chafey (2015:60) states that forming partnerships gives an opportunity

of expanding reach and taking advantage of existing organizations. If done properly, any limitation a company have will be supplemented by a network leading to a more functional operation. As of this moment, the aspiring entrepreneur has only forged an agreement with a manufacturer who would also supply the raw materials. No other partnerships have been formed. Table 8 below shows the proposed action points to be done in order to strengthen the network building block key element of the e-commerce business model.

Table 8. Proposed Action Points for Network Key Element

NETWORK	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><span style="color: green;">+</span> <b>Manufacturer / Supplier:</b> Group of artisans under one company</p> <p><span style="color: red;">-</span> <b>Only one supplier</b></p>	<ul style="list-style-type: none"> <li>• Find alternative manufacturers and suppliers (immediate)</li> <li>• Connect with Raw Material Suppliers (in the future)</li> <li>• Hire and train crafts worker to have internal staff (in the future)</li> </ul>
<p><span style="color: red;">-</span> <b>Missing partnership with Shipping Company</b></p>	<ul style="list-style-type: none"> <li>• Establish an alliance with multiple shipping companies (immediate)</li> </ul>
<p><span style="color: red;">-</span> <b>Other Partnerships to have</b></p>	<ul style="list-style-type: none"> <li>• <b>Make an agreement with an I.T. Company for the following:</b> <ul style="list-style-type: none"> <li>○ Website Hosting</li> <li>○ Online Security</li> <li>○ Database (Inventory system, etc.)</li> </ul> </li> <li>• <b>Arrange Online Payment System</b> <ul style="list-style-type: none"> <li>○ Paypal</li> <li>○ Apple Pay</li> <li>○ Mobile Pay</li> <li>○ Google Wallet</li> <li>○ Klarna, and Others</li> </ul> </li> <li>• <b>Partner with Local delivery services</b> <ul style="list-style-type: none"> <li>○ Wolt</li> <li>○ Posti</li> <li>○ UPS</li> <li>○ Fedex</li> <li>○ DHL</li> <li>○ Matkahuolto, and Others</li> </ul> </li> </ul>

The above Table 8 summarizes the network that the company already have and the proposed action points that will guide in forming partnerships. Having one (1) reliable and trusted manufacturer and supplier has advantages. Consistency

of product output is one of them as well as built trust. However, relying entirely on a sole partner for raw material supply and production may cause disadvantages in the future. In case any disruption happens within the manufacturer, the company's operation will also be interrupted. Chances of raising production cost cannot be well negotiated if there are no other options. As such, at the early period of the company, it is acceptable to have confidence in this agreement with the manufacturer/supplier; however, as the business finds its footing, it is important that alternative manufacturers and suppliers be found. Hiring internal crafts worker is also a good option so that dependency to external partners can be lessened.

Shipping company is another alliance that has not been established. It is one of the most important partnerships that the company should have since cost of shipping will largely determine the product selling price. The aspiring entrepreneur should build a relationship with multiple shipping companies both local and international in order to have options when choosing the freight company. A long-term deal would probably result with a cheaper cost but it must be carefully studied. Another consideration would be the shipping company's customs connection. Having a good rapport with customs would certainly make exporting and importing goods easier.

Other partnership to have includes an agreement with an I.T. company who would provide the hosting of the website. Bundled services of online security, inventory database, data protection and other important features would lessen the company's expenses. Online payment system should also be arranged. Listed in Table 8 above are some possible options. Priority to local, like Klarna, and major international systems should be done. Same as with above, alliance with local delivery services like Wolt, Posti, Matkahuolto as well as internationally famous names like UPS, Fedex and DHL should be done. These companies might offer reduced shipping and delivery charges which the company can impart to the customers adding more value to the business.

### 5.3 Action Points for Developing the Value Creation Components

The Value Creation Components of a business model shows how the company generates value through internal influences. It is composed of Procurement Key Element, Finance Key Element, and Key Processes Key Element. Through the starting analysis, good entrepreneurial ideas that the aspiring business owner have were uncovered, however, missing ideas were also revealed. Thus, action points have to be performed in order for the e-commerce business model to have an effective value creation component.

#### 5.3.1 Procurement

Procurement is the first (1<sup>st</sup>) key element of value creation component. Table 9 below shows the proposed action points related to the sourcing and obtaining of necessary materials and services required by the company.

Table 9. Proposed Action Points for Procurement Key Element

PROCUREMENT	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>+</b> <b>Raw Materials:</b> Procurement is under manufacturer/supplier responsibility</p>	<ul style="list-style-type: none"> <li>• Connect with Raw Material Suppliers (in the future)</li> </ul>
<p><b>+</b> <b>Quality Assurance:</b> Relies on expertise of manufacturer / supplier</p> <p><b>-</b> <b>Dependent on the manufacturer / supplier</b></p>	<ul style="list-style-type: none"> <li>• Prepare a Quality Assurance and Quality Control and Implementation Manual (immediate)</li> <li>• Hire an internal QA/QC Personnel who will oversee quality of products before being shipped to Finland</li> </ul>
<p><b>-</b> <b>Monitoring and Controlling:</b> Manual means</p>	<ul style="list-style-type: none"> <li>• Purchase a software system for inventory monitoring and control fully integrated to the web-store.</li> </ul>

Based on Table 9 above and the conversations with the aspiring entrepreneur, most of product-related matters are in the hands of the manufacturer/supplier that the company formed an agreement with. This arrangement is beneficial to

the company in the early stage since it will free up the aspiring entrepreneur to focus her time more on the other core business affairs. In the long run however, especially when product demands increase, it is important that the company does not depend solely on one manufacturer/supplier. Hence, it is imperative that connections with raw material suppliers be established as early, in the future, as possible. An alternative supplier will serve as a safety net when the current manufacturer/supplier decides to increase cost or other issues which might disrupt the normal operations of the company.

Although above is action is not pressing, other points need to immediately be implemented such as hiring an internal QA/QC Personnel to oversee the quality of products before being shipped to Finland. This role is very important since the manufacturer is oversees so any undetected defects means unsalable product. The same applies to a well-recorded and properly prepared QA/QC implementation manual. This document will help the QA/QC personnel in ensuring that the required product quality is achieved.

Lastly, an inventory monitoring and control system should be purchased and fully integrated with the web-store. An easy program that can be used by anyone is best in order to remove the need to hire a separate specialist. Combe (2006:191) suggests the use of Enterprise Resource Planning (ERP) software to electronically manage the procurement needs.

### 5.3.2 Finance

The second (2<sup>nd</sup>) key element of value creation component is finance. Here, the financial structure of the company is determined. Based on the starting analysis, Table 10 in the next page shows the money allocation from capital to cash movement based on the aspiring entrepreneur's business ideas and their associated action points proposed to fill the gaps.

Table 10. Proposed Action Points for Finance Key Element

FINANCE	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>+</b> <b>Capital:</b> Personal Investment. No starting Debt</p> <p><b>+</b> <b>Cash Flow:</b> Secured. Payment is received first before product is delivered to customers.</p>	<ul style="list-style-type: none"> <li>• Consider providing credit line for corporate clients and organization</li> </ul>
<p><b>+</b> <b>Low Fixed Cost:</b> Employee salary, marketing cost, storage rent and website licenses only</p> <p><b>-</b> <b>High Variable Costs:</b> Product cost, shipping cost, export and import taxes</p>	<ul style="list-style-type: none"> <li>• Cost Structure to find balance between cost-driven and value-driven. Strive low cost using economies of scale, minimize cost as much as possible but allocate enough budget on product quality, marketing and customer retention.</li> </ul>
<p><b>-</b> <b>Missing Pricing Strategy</b></p>	<ul style="list-style-type: none"> <li>• Consider a Fixed Menu Pricing since items have to be listed based on individual products.</li> <li>• Allocate variables such as discounts for large volume purchases, sales, corporate client bargaining and market conditions like shipping cost changes due to oil price hike, etc.</li> <li>• Undertake competitor analysis. In the initial period, lower the prices to an acceptable degree to gain market share. Then recover slowly when demand increase.</li> </ul>

Table 10 above shows the summary of the aspiring business owner's entrepreneurial ideas regarding the finance key element and the associated action points co-created to fill the gaps in business idea.

The starting capital of the company will be coming directly from the personal investment of the aspiring entrepreneur. This means that there will be no debts and no liabilities to other investors which is a good thing. There will be no pressure to satisfy others than the business owner.

Since products are paid online before they are delivered to customers, the cash flow is secured. As part of the proposed action plan in Customers which will be discussed in Section 5.4.3 later, corporate companies, organizations and environmental groups should be considered as clients. These customer segments will most probably order by bulk as event souvenirs or corporate give-aways, as such, credit facility or other payment scheme should be devised in order to attract them.

Understanding the costs of operation is essential. The aspiring entrepreneur seems to have an overall idea of what the fixed and variable costs are. The action point proposed is to find a balance between cost-driven and value-driven structure. The company should strive to keep low cost using economies of scale by shipping larger quantities and with less frequency.

However, budget for product quality, marketing, and customer retention should not be sacrificed. To keep costs low, proper understanding of taxes should be done. For export taxes, the aspiring entrepreneur should coordinate with the Philippine Exporters Confederation (<https://philexport.ph>) since they handle these concerns. For import taxes, the Finnish Customs (<https://tulli.fi>) will provide all information required. Another cost that should be taken into much consideration is the salary cost for the employer. Business Finland (<https://www.businessfinland.com/establish-your-business/cost-calculator>) has a calculator that determines the budget a company should anticipate for the employee benefits payable not directly to the employees but to government agencies and other institutions such as insurance companies.

### 5.3.3 Key Processes

Key processes are the activities that companies carry out in order to execute their business. These are the most essential actions that smoothens the daily operation of the company. According to Wirtz (2021:31) efficiency and general accessibility are outcome of business processes and navigational interface

designs. In Table 11 in the next page shows the summarized proposed action points related to key activities.

Table 11. Proposed Action Points for Key Processes Element

KEY PROCESSES	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>— Product Design and Development:</b> Internal. Will be done by the aspiring business owner at the start.</p>	<ul style="list-style-type: none"> <li>• Properly document the product design and development process</li> </ul>
<p><b>+ Production Process:</b> Established with Manufacturer / Supplier.</p>	<ul style="list-style-type: none"> <li>• Record and document the process especially that it is performed by an external unit.</li> </ul>
<p><b>— Many Processes not yet defined</b></p>	<ul style="list-style-type: none"> <li>• Procurement process to be documented</li> <li>• Sales and marketing process to be planned</li> <li>• Website management to be developed</li> <li>• Fulfillment method to be finalized</li> <li>• After-sales services to be created</li> </ul>

Based on Table 11 above, although the design of the company's products will be done internally, the product design and development process should still be properly documented. Creating a record will standardize the process and ensure uniformity. Material specifications used should be well chronicled in order to have proper information for care and cleaning instructions as well as repairs.

The production process should be documented since it is performed by an external manufacturer. Keeping a record will ease future reference especially that the company will slowly detach its dependence on the sole manufacturer/supplier.

Similarly, procurement process has to be recorded in order to have a master list that is easily accessible. Having a directory of materials, suppliers, agreements

and other documents associated with the procurement process ensures that future transactions are in order.

The Sales & Marketing process has to be well planned and organized. Important dates and milestones should be well advertised and promoted in order to generate public awareness that converts to client purchases. Proper design and scheduling of campaigns lead to correct budget allocation and secured finances.

Website management process should be created to ensure smooth and glitch-free operation. This is the main face of the business. Client transactions will go through the website so it is very important to be running uninterrupted.

The last-mile has to be strategically planned. No transaction is complete until the purchased items are in the hands of the customer. As such, fulfillment processes should be created with the fastest delivery option as possible. Partnership with local delivery services, as discussed in Section 5.2.3, would certainly aid in last-mile services.

After-sales services should be developed to ensure that customers are served even after they have received and used the products. Providing repair, cleaning, personalization and other possible services ensures customer relationship and retention. Creating a community of like-minded persons, through meet-ups, seminars, and other events can facilitate more brand awareness, loyalty and thus increased sales. These processes have to be created, finalized and documented to ensure effective and efficient business operations.

#### 5.4 Action Points for Developing the Customer & Market Components

The Customer and Market components of a business model are the external factors that affect the operation of a business. This is composed of four (4) key elements that determine the profit of the business, the interaction between the company and the customers, the benefits that customers can expect from the

products, and the different customer segments and their respective relationships with the company. In starting analysis, the present and absent entrepreneurial ideas of the future business owner were revealed. In order to fill the gap and missing ideas, action points were co-created and are proposed for each key element.

#### 5.4.1 Revenue

This key element deals with the monetary benefits of the business. In the end, a company is only as good as its profit; therefore, strategic decisions have to make in favour of generating revenue. Chafey (2015:60) defined revenue streams as methods by which business derives income, therefore to effectively create a business model, means where sales can be generated should be explored. In Table 12 below, action points were proposed to gain more revenue streams.

Table 12. Proposed Action Points for Revenue Key Element

REVENUE	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><span style="color: green;">+</span> <b>Source of Profit:</b> Product Sales from website e-shop</p>	
<p><span style="color: red;">-</span> <b>Missing other possible revenue streams</b></p>	<p>• <b>Explore Other Possible Revenue Streams like:</b></p> <ul style="list-style-type: none"> <li>○ Distributor sales</li> <li>○ Events sales</li> <li>○ Corporate packages</li> <li>○ Paid after-sales services</li> </ul>

Table 12 above shows that based on the starting analysis, the aspiring entrepreneur only considered product sales through the website as its source of profit. Other possible revenue streams were not considered. The action point proposed is to explore other possible revenue streams.

Letting other people or established stores sell the products can be another source of income. Vetting of these distributors should be done to make sure that they share the same values as the company. These entities should be as passionate about sustainability as much as the aspiring owner. Contradiction with the core values of the business will lead to misperception and drawback to the mission of the company.

Taking part in environment-related events should also be done. An agreement with the organizer for the company to supply the souvenirs would bring extra profit. A chance to showcase the company's products by setting up a booth during the event would also increase brand awareness and additional sales as well. Customization and personalization of the products can entice the organizers and participants too. Likewise, personalized corporate give-aways or bundled packages could attract corporate clients. Special company milestones typically necessitate memorabilia and tokens. Companies are now pushing their image to be green, thus, environment-friendly keepsakes are a perfect solution.

Lastly, offering paid after-sales service is another revenue streams that would also cement customer relationship and retention. Product cleaning and repair can be offered. Personalization and customization can be additional service. Weaving workshops can also be another offering for artistic customers.

#### 5.4.2 Channels

Methods of reaching the customers and the location where business and customers interact are the focus of this key element. Being an e-commerce business, the main method of reaching the customer is through the website and social media channels. As Combe (2006:51) explained, technological developments increased the number of channels through which e-business communications can take place. However, there are other methods and Table 13 in the next page summarizes the action points proposed to fill the missing possible channels.

Table 13. Proposed Action Points for Channels Key Element

<b>CHANNELS</b>	
<b>STARTING ANALYSIS</b>	<b>PROPOSED ACTION POINTS</b>
<p><b>+</b> <b>Method of reaching the customer:</b> Website E-shop and Social Media</p>	
<p><b>-</b> <b>Missing other possible channels</b></p>	<p><b>• Utilize other possible channels:</b></p> <ul style="list-style-type: none"> <li>○ Print Ads (Newspapers, Magazines, Billboards, Brochures, etc.)</li> <li>○ Media Ads (TV, Metro Screens, Malls etc.)</li> <li>○ Internet Ads</li> <li>○ Mobile App</li> <li>○ Distributors</li> <li>○ Event Sponsorships</li> <li>○ Physical Store (optional future expansion)</li> </ul>

The left column of Table 13 above shows the aspiring entrepreneur's original idea of the channels the company can utilize to reach the target customers while the right column shows the action point co-created during the workshop. It is only one (1), to utilize other channels, but with many possible entries.

Advertisements are still the most important way to reach customers. Although an internet-based business, this does not mean that the company cannot make use of printed advertisements. Many are still reading newspapers, magazines, billboards and brochures locally so having print ads will surely increase brand awareness. TV and internet advertisements would bring visibility to the products and services by the company.

Aside from the website's e-shop, having a mobile app is another method of reaching potential customers. At the start of the business, having an own app might be pre-mature so collaboration with famous apps such as Wolt and Klarna can be done. However, in future, this form of channel should not be discarded.

A more physical way of interacting with customers would be through distributors and event sponsorships. Having collaborations and actual contact with customers makes CRM easier and more efficient. Having a block and mortar store is an optional future expansion. Here, customers can actually see, touch and evaluate the products. A space where events can be held would also benefit the company's goal of building a community with the customers.

### 5.4.3 Value Proposition

Value proposition is a key element that deals with fulfilling the needs and desires of the company's customers. Turban et al. (2018:21) refers to value proposition as the total benefits, including intangible ones, that benefits the customer. As such, this is closely linked to another building block, Customers, which will be discussed in Section 5.4.4. Table 14 below summarizes the present and absent entrepreneurial ideas as well as the proposed action points co-created in response to the gaps to strengthen this key element.

Table 14. Proposed Action Points for Value Proposition Key Element

VALUE PROPOSITION	
STARTING ANALYSIS	PROPOSED ACTION POINTS
<p><b>+ Product Offering:</b> Sustainable, fashionable goods such as Bags, Wallets, Totes, Shopping Bags, Home Accessories and Jewellery.</p>	<p>• <b>Consider adding the following products:</b></p> <ul style="list-style-type: none"> <li>○ Event Souvenirs</li> <li>○ Corporate Give-aways</li> </ul>
<p><b>+ Known Gain Creators:</b></p> <ul style="list-style-type: none"> <li>• Materials are made from natural fibers which are strong and long-lasting</li> <li>• Variety of sizes and configuration with unique designs hand-woven by artisans</li> <li>• To lower price, products will be shipped in bulk so freight charges will be distributed to many items</li> </ul>	<p>• Find the gain creators of the proposed new products</p>
<p><b>+ Known Pain Relievers:</b></p> <ul style="list-style-type: none"> <li>• Sustainable fashion goods that are tested for durability</li> <li>• Handbags of different sizes that can fit many items and have a variety of design to choose from</li> <li>• Less expensive</li> </ul>	<p>• Determine the pain relievers of the proposed new products</p>

Based on the starting analysis, Table 14 above shows that the aspiring entrepreneur knows the products the company will offer the customers and its overall value, however, the gain creators and pain relievers are unknown. As part of the product offering, event souvenirs and corporate give-aways are proposed to be added. These would suit the additional customer segments that will be discussed later in Section 5.4.4.

Tangible gain creators are the variety of sizes and configuration with unique designs that are hand-woven by artisans. It is also possible to lower the price by shipping products in bulk so freight charges would be distributed to many items. The intangible gain creator is the value the material brings which are natural fibres that are strong and long-lasting.

Conversely, the pain relievers are the handbags of different sizes that can fit many items and have a variety of design to choose from, the sustainable fashion goods that are tested for durability, and the items being less expensive compared to other environment-friendly products.

With these aspects determined, the most important action point to be done is to finalize the value model side of the value proposition canvas.

#### 5.4.4 Customers

Customers are the target users of the products. They are a set of people, organizations, and/or entity that will use the offering of the company. It is important to understand the customer's profile because as stated by Meier and Stormer (2009:146), the most valuable customers should be recognized early and captured into a long-term customer relationship. This can be done by ensuring that their wants, needs and other requirements are met by the company's products. Thus, is it interrelated to the Value Proposition Key Element discussed earlier in Section 5.4.3. Table 15 below shows the aspiring entrepreneur's knowledge about their target customer and co-created action points to fill the missing ideas.

Table 15. Proposed Action Points for Customers Key Element

<b>CUSTOMERS</b>	
<b>STARTING ANALYSIS</b>	<b>PROPOSED ACTION POINTS</b>
<p><b>+ Customer Relationship:</b> Value-based Relationship with automated services and active communities (website forums/blogs/events)</p>	
<p><b>+ Customer Segments:</b> Environment-conscious people who prefer to use sustainable, fashionable goods but have very limited options at the moment since either the items are very expensive, they do not look good and functional, or the products are not durable enough.</p> <ul style="list-style-type: none"> <li>• <b>Students</b></li> <li>• <b>Professionals</b></li> <li>• <b>Homemakers</b></li> </ul> <p><b>- Missing other possible customer niches</b></p>	<ul style="list-style-type: none"> <li>• <b>Discover other possible customers:</b> <ul style="list-style-type: none"> <li>○ Environment Groups / Organizations</li> <li>○ Companies</li> </ul> </li> </ul>
<p><b>+ Known Gains:</b></p> <ul style="list-style-type: none"> <li>• Psychological benefits of being environment-conscious</li> <li>• Sustainable fashion products that are not easily broken</li> <li>• Beautiful handbags of different sizes that can accommodate many items</li> <li>• Low purchase cost</li> </ul>	<ul style="list-style-type: none"> <li>• Determine new customer segment gains</li> </ul>
<p><b>+ Known Pains:</b></p> <ul style="list-style-type: none"> <li>• Most organic products are not durable</li> <li>• Needs environment friendly handbags that are functional yet beautiful – can be used for school/work/in the mall which fits all school materials / laptops / groceries but are still looking gorgeous</li> <li>• Most sustainable fashion products are expensive</li> </ul>	<ul style="list-style-type: none"> <li>• Find out new customer segment pains</li> </ul>

Table 15 in the previous page shows the summary of the entrepreneurial ideas of the future business owner regarding their target customer as well as the action points proposed to fill the gaps and missing ideas. Customer Relationship is clearly defined so no further action is needed.

Although environment-conscious students, professionals and homemakers are the main customer target, additional customer segments should be explored since possible customers are available such as other companies, environmental groups and organizations. They might need products to be event souvenirs and corporate give-aways.

The customer gains include psychological benefits of being environment-conscious, products that are not easily broken but sustainable and fashionable, beautiful handbags which have different sizes and can accommodate many items, and lastly, low purchase cost. These gains are in response to the customer pains which mentions that most organic products are not durable, that they need environment friendly handbags that are functional yet beautiful – can be used for school / work in the mall which fits all school materials / laptops / groceries but are still looking gorgeous, and that most sustainable fashion products are expensive.

Similar to the value proposition key element, the last action point to be performed to complete the customer key element and subsequently, the full e-commerce business model, is to finalize the customer profile side of the value proposition canvas.

## 5.5 Proposed Initial Action Plan

After co-creating the action points with the stakeholders based on the best professional business ideas, the next and the last phase to achieve the desired output that would be the guide in developing the company's e-commerce business model is to combined the different action points of each key element since collectively, they form the action plan.

The action points for each key element were organized and collected based on the building block components that comprises a business model. As such, action points that relates to strategy, competencies and network key elements are grouped together in the Strategic Component building block of the business model.

The next business model building block is the Value Creation Component. The key elements labelled procurement, finance and key processes are bundled into this block.

Lastly, the revenue, channels, value proposition and customer key elements are arranged to collectively form the Customer and Market Components.

Figure 13 on the next page will show the combined action points that resulted into the proposed initial action plan which, once implemented, would develop the company's e-commerce business model.

INITIAL ACTION PLAN FOR DEVELOPING AN E-COMMERCE BUSINESS MODEL			
STRATEGIC COMPONENT		VALUE CREATION COMPONENT	
<p><b>STRATEGY</b></p> <ul style="list-style-type: none"> <li>• Make short but concise Mission Statement</li> <li>• Prepare a challenging but realistic &amp; measurable Vision Statement</li> <li>• Conduct a Risk Assessment &amp; Management Plan</li> <li>• Decide on the business areas, growth strategy, and competitive strategy.</li> <li>• Set an appropriate organization structure &amp; recruit people with leadership &amp; goals that are aligned with the company's values.</li> </ul>	<p><b>PROCUREMENT</b></p> <ul style="list-style-type: none"> <li>• Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers.</li> <li>• Prepare a Quality Assurance, Quality Control &amp; Implementation Manual</li> <li>• Hire an internal QA/QC Personnel for implementation</li> <li>• Purchase a software system for inventory monitoring &amp; control.</li> </ul>	<p><b>REVENUE</b></p> <ul style="list-style-type: none"> <li>• Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.</li> </ul>	<p><b>CUSTOMER AND MARKET COMPONENTS</b></p>
<p><b>COMPETENCIES</b></p> <ul style="list-style-type: none"> <li>• Cultivate the emotional appeal of the products</li> <li>• Research &amp; Develop new designs every season</li> <li>• Apply for copyright, patent all original designs</li> <li>• Obtain small warehouse</li> <li>• Construct production factory</li> <li>• Acquire scalable technological resources like hardware and software</li> <li>• Physical Store (optional)</li> <li>• Hire Human Resources</li> </ul>	<p><b>FINANCE</b></p> <ul style="list-style-type: none"> <li>• Cash flow is secured from website customers but consider providing credit line for corporate clients &amp; organizations</li> <li>• Find balance between cost-driven &amp; value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing &amp; customer retention.</li> <li>• Study employee salary allocation especially costs associated to employers.</li> <li>• Take into account the export taxes from Philippines &amp; import taxes to Finland</li> <li>• Consider Fixed Menu Pricing but allocate variables (i.e. shipping costs, corporate client bargaining &amp; organization discount requests, etc.)</li> <li>• Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.</li> </ul>	<p><b>CHANNELS</b></p> <ul style="list-style-type: none"> <li>• Main methods of reaching the customers are website and social media but utilize other possible channels like advertisements, mobile apps, distributors and event sponsorships.</li> </ul>	<p><b>VALUE PROPOSITION AND CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>• Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories &amp; Jewelry but also consider adding products like event souvenirs, corporate packages.</li> <li>• Determine the gain creators of the proposed new products</li> <li>• Find out the pain relievers of the proposed new products</li> <li>• Complete the value model side of Value Proposition Canvas</li> </ul>
<p><b>NETWORK</b></p> <ul style="list-style-type: none"> <li>• Find alternative manufacturers</li> <li>• Connect with raw material supplier</li> <li>• Hire and train internal crafts-workers (in the future)</li> <li>• Establish an alliance with multiple shipping companies both local and international</li> <li>• Make an agreement with I.T. company</li> <li>• Partner with online payment system</li> <li>• Affiliate with local delivery service providers</li> </ul>	<p><b>KEY PROCESSES</b></p> <ul style="list-style-type: none"> <li>• Create, finalize and document different processes such as Product Design &amp; Development, Production Process, Procurement Process, Sales &amp; Marketing Process, Website Management, Fulfillment Methods, and After-sales services.</li> </ul>	<p><b>CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>• Aside from students, professionals &amp; homemakers, explore all possible customer niches like companies and environmental organizations.</li> <li>• Determine the gains of the proposed customers</li> <li>• Find out the gains of the proposed customers</li> <li>• Finalize the customer profile side of Value Proposition Canvas</li> </ul>	

Figure 13. Proposed Initial Action Plan

Figure 13 on the previous page showed the Proposed Initial Action Plan that would guide the aspiring entrepreneur in developing the company's e-com business model. Each action point in the different business model building block component needs to be implemented in order for the business model to be efficient and effective.

The first (1<sup>st</sup>) building block component of a business model is the Strategic Component which is composed of three (3) key elements that collectively defines the long-term operating targets of the company. The strategy key element is concerned about the growth and sustainability of the business. As such action points such as making a mission and vision statement, conducting a risk management plan and making an organization structure, among others, were proposed. Competencies key element is about the tangible, intangible and human resources of the company. Action points like copyright and patent of designs, obtaining infrastructure and hiring personnel are suggested. The last key element for this component is Network. This is about the partnership that supplements the company's needs. Action points such as, but not limited to, finding alternative manufacturers to avoid being dependent, establishing alliance with an I.T company for hardware and software needs, pursuing agreements with online payment system and local delivery service providers were proposed. Detailed discussion about these different action points can be found in Section 5.2.

The next business model building block component is Value Creation. It also has three (3) key elements that characterize how the company's internal factors create value to the business. The first (1<sup>st</sup>) key element is procurement which obviously relates to the sourcing of the products. Action points like preparing QA/QC manual and hiring a QA/QC personnel are some of the suggestions. The next key element is about the finances of the company, as such, it is called finance. Study of employee salary associated with employer costs, account export and import taxes, and undertakes competitor analysis are a few of the action points proposed. The third (3<sup>rd</sup>) key element is key processes which are about the different activities the company carries out as it operates the

business. The only suggested, but very important action point, is to create, finalize and document the different processes the company will have. Section 5.3 has a more in-depth explanation of these action points.

Finally, Customer and Market Component is the last business model building block for this particular company which is comprised of Four (4) key elements that determines the external factors that affects the business. Revenue key element is about the monetary aspects of the business. The only suggested action point is to explore other possible revenue streams since the aspiring entrepreneur is focused only on website sales. The next key element is called channels and is about the methods of reaching the customers. The required action point is to utilize other possible ways for customers to know the company and the products. Then, value proposition key element focuses on how the company fulfils the needs of its customers. The last key element is Customers which is clearly about the target users of the company's offerings. Value proposition and Customers are interconnected since they are in response to each other. Action points include knowing the product's pain relievers as solution to the customer's pains. Determining the customer's gain from product's gain creators is another action point. Ultimately, this two (2) key element should produce the Value Proposition Canvas which is the perfect fit of the customer's profile and the company's value offering. A more detailed look at this action points can be found in Section 5.4.

Now that the co-created action points have been collected, organized and combined to collectively be an action plan, it is best to for this initial proposal to be validated. In the succeeding section, the process of validation, feedback received and the final action plan is discussed.

## 6 Validation

Validation is performed in order to have a credible assessment of the initial output. There are plenty of ways to conduct this process but because of the time constraints, the most feasible method for this project is to have the proposal evaluated in order to obtain constructive feedback that would then be used to improve and finalize the action plan. In this section, the validation procedure is discussed starting with an overview of the process, the list of feedback received, the prioritization scheme, the summary of the findings, and lastly, the Final Action Plan is presented.

### 6.1 Overview of the Validation Process

After completing the initial action plan for developing an e-commerce business model for the aspiring entrepreneur, a validation to get unbiased and trustworthy improvement ideas was conducted before adopting the final action plan.

The validation process comprised three (3) phases. The first (1<sup>st</sup>) phase involved the addition of essential action points. The second (2<sup>nd</sup>) phase is the deletion of similarly scoped action points. The third (3<sup>rd</sup>) and final phase was the prioritization of the action points and combining them into the final action plan.

The first (1<sup>st</sup>) phase started by seeking out a business advisor. A business coach from Yritystehdas (The Company Factory) agreed. His profile can be found in Appendix 2. A face-to-face meeting in their office was held where the context, objective and the initial proposal of the study was disclosed. A pleasant discussion transpired and some improvement ideas were gathered.

After incorporating the additional action points that resulted from the consultation with the business coach, a meeting was set with the aspiring entrepreneur to review the updated initial action plan. After going through the action points, it was noticed that some items are actually included in the scope

of another action point that is already mentioned. As such, these similar items were combined and the redundant ones were suggested for deletion.

The advice of the business coach was again sought out. Through email correspondence and personal meetings, a unanimous decision together with the advisor and the aspiring entrepreneur was made to combine similar action points and to evaluate the remaining ones based on their level of importance and prioritization. This was the last phase and after their suggestions were thought through only did the action plan was finalized.

## 6.2 List of Additional Action Points

The consultation with the business coach was a very encouraging experience. After explaining the background of the study and the rationale for the proposed action points, the feedback received were mostly positive however, there were some additional action points that were added.

### 6.2.1 Strategic Component

For the Strategic Component, the business coach suggested three (3) new action points and one (1) supplementary scope to add. The rationale for their addition will be explained while the rest of the action points were already discussed in their specific segment (Section 5.2).

Table 16 in the next page shows the Strategic Component initial action points with the list of additional action points in purple font color.

Table 16. Reviewed Strategic Component with Additional Action Points

STRATEGIC COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Strategy	Make short but concise Mission Statement
2.0	Strategy	Prepare a challenging but realistic & measurable Vision Statement
3.0	Strategy	Conduct a Risk Assessment & Management Plan
4.0	Strategy	Decide on the business areas, growth strategy, and competitive strategy.
5.0	Strategy	Set an appropriate organization structure & recruit people with leadership & goals that are aligned with the company's values
6.0	Strategy	<b>Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy</b>
7.0	Strategy	<b>Plan possible exit scenarios</b>
8.0	Competencies	Cultivate the emotional appeal of the products
9.0	Competencies	Research & Develop new designs every season
10.0	Competencies	Apply for copyright & patent all original designs and <b>Attain "Design from Finland" mark</b>
11.0	Competencies	Obtain small warehouse
12.0	Competencies	Construct production factory
13.0	Competencies	Acquire scalable technological resources like hardware and software
14.0	Competencies	Physical Store (optional)
15.0	Competencies	Hire Human Resources
16.0	Network	Find alternative manufacturers
17.0	Network	Connect with raw material supplier
18.0	Network	Hire and train internal crafts-workers (in the future)
19.0	Network	Establish an alliance with multiple shipping companies both local and international
20.0	Network	Make an agreement with I.T. company
21.0	Network	Partner with online payment system
22.0	Network	Affiliate with local delivery service providers
23.0	Network	<b>Join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.</b>

The first (1<sup>st</sup>) action point added is to ***prepare a business roadmap that shows where the company will be in the future including the growth***

**strategy and competitive strategy** to reach it. A roadmap is a visualization of the company's business goals, dates to achieve it, and the plans on how to reach it. To be a successful business, all stakeholders should share and understand the big picture. Through business roadmap, these major objectives are easily shared within the company.

The second (2<sup>nd</sup>) action point is to **plan possible exit scenarios**. According to the business coach, knowing what to do with the business if the owner decides to let it go is a good practice since it will affect the overall strategies of the company. Will the owner sell her part of the business? Will a family member take over? Will it be sold? Is an IPO a consideration? What about liquidation or bankruptcy? Typically, exit scenarios are deemed negative but having it is actually a wise move since it simply means that the business is prepared for a successful transition whatever the case maybe.

The first two (2) additional action points were under the strategy key element. The next additional suggestion in the action point falls under competencies key element. Aside from applying for copyright & patent, **attaining a "Design from Finland" mark** is added by the business coach. Suomalainen Tyo Liito (<https://suomalainentyo.fi/en/services/design-from-finland>) is a non-profit and non-partisan association that aims to encourage consumers to choose products and services that are made from Finland. Having a mark that the company's products are locally designed will bring a sense of pride to customers who prefer to consume local items.

The fourth (4<sup>th</sup>) action point is for network key element. Similar to above, the addition is for the company to **join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.** These organizations are meant to support business and promote enterprises. They typically conduct trainings, seminars, and campaigns that develop businesses.

## 6.2.2 Value Creation Component

For the Value Creation Component, one (1) action point was added and three (3) additional scopes in the earlier action points were suggested. The previously included action points were explained in Section 5.3 while the new ones are discussed herewith. Table 17 below shows the summary of the initial action points with the additional ones in purple font color.

Table 17. Reviewed Value Creation Component with Additional Action Points

VALUE CREATION COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Procurement	Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers.
2.0	Procurement	Prepare a Quality Assurance, Quality Control & Implementation Manual
3.0	Procurement	Hire an internal QA/QC Personnel for implementation
4.0	Procurement	Purchase a software system for inventory monitoring & control.
5.0	Finance	Capital is personal investment but <b>explore sources of funds in case needed (optional)</b>
6.0	Finance	<b>Contingency allowance to be prepared.</b>
7.0	Finance	Cash flow is secured from website customers but consider providing credit line for corporate clients & organizations
8.0	Finance	Find balance between cost-driven & value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing & customer retention.
9.0	Finance	Study employee salary allocation especially costs associated to employers.
10.0	Finance	Take into account the export taxes from Philippines & import taxes to Finland
11.0	Finance	Consider Fixed Menu Pricing
12.0	Finance	Allocate variables (i.g. shipping costs, corporate client bargaining & organization discount requests, etc.)
13.0	Finance	Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.
14.0	Key Processes	Create, finalize and document different processes such as Product design & development, Production process, Procurement process, <b>Outsource &amp; Insource Process</b> , Sales & Marketing process, Website management, Fulfillment methods, After-sales services, and <b>Customer Relationship Management Process</b> .

As seen in Table 17 on the previous page, the additional action point is for the finance key element for capital to have **a contingency allowance prepared**. According to the business coach, since the starting capital of the company will be coming directly from the personal investment of the aspiring entrepreneur, having limited funds will diminish the potential growth of the company therefore when preparing the initial capital, a contingency allowance should be arranged.

In connection with funds, the first (1<sup>st</sup>) additional suggestion is for the aspiring entrepreneur to **explore other sources of funds** in case needed. This is an optional suggestion but seemed necessary. Having additional money readily available ensures that there will be no hindrance to any potential development projects.

The next additional suggestions are both for key processes, these two (2) are other processes that need to be created, finalized and documented. The first (1<sup>st</sup>) one is to **outsource & insource process** which is about the different operational aspects of the business that is better of being outsourced and the ones that should be done internally. The other one is the **customer relationship management process**, a very important activity that should be well thought-out and implemented because satisfied customers mean more business.

### 6.2.3 Customer and Market Component

There are one (1) action point added and five (5) additional suggestions for the Customer and Market Component. Table 18 in the next page shows the Customer and Market Component initial action points and the additional action points in purple font color. Section 5.4 has all the explanation for the inclusion of the previous action points while reasons for the new additions will be discussed afterwards.

Table 18. Reviewed Customer and Market Component with Additional Action Points

CUSTOMER AND MARKET COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Revenue	Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.
2.0	Revenue	<b>Devise revenue drivers such as promotions / sales, product bundling, etc.</b>
3.0	Channels	Main methods of reaching the customers are website and social media but utilize other possible channels like advertisements, <b>direct mail</b> , mobile apps, <b>trade fairs</b> , distributors and event sponsorships.
4.0	Value Proposition	Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories & Jewelry but also consider adding products like event souvenirs, corporate packages.
5.0	Value Proposition	Determine the gain creators of the proposed new products
6.0	Value Proposition	Find out the pain relievers of the proposed new products
7.0	Value Proposition	Complete the value model side of Value Proposition Canvas
8.0	Customers	Aside from students, professionals & homemakers, explore all possible customer niches like companies and environmental organizations.
9.0	Customers	Organize focus groups to discover the actual gains to be received by the proposed customers
10.0	Customers	<b>Organize focus groups</b> to find out the <b>actual</b> pains and <b>gains</b> of the proposed customers
11.0	Customers	Finalize the customer profile side <b>and value model side</b> of Value Proposition Canvas

As seen in Table 18 above, the only additional action point is to **devise revenue drivers such as promotions, product bundling, etc.** Although product sales from website e-shop are the most obvious source of profit, creating multiple catalysts of sales would certainly improve revenue.

The additional suggestions include possible channels which are **direct mail** and **trade fairs**. The aspiring entrepreneur suggested that since snail mail is still prevalent in Finland, using the service is a welcome idea. Certain group of people loves receiving direct mails so this would add extra sentimental value.

Possibility of partnering with Posti can also be done to have special stamps to catch the loyalty of stamp collectors. Attending trade fairs is another form of reaching potential customers. Aside from the potential sales from visitors, events like this would bring exposure to the products and company as a whole.

The last two (2) suggestions points into a single goal – to finalize the Value Proposition Canvas. In order to do so, there is a need to **organize focus groups to find out the actual pains and gains that the proposed customers have**. Once these have been found out, **completing the customer profile side and value model side of the value proposition canvas** can be done.

### 6.3 List of Suggested Deletions

After the additional action points that were suggested by the business coach were incorporated into the initial action plan, the result was presented to the aspiring entrepreneur. After thorough review of the different items, it was noticed that some scope of an action point should actually be considered as part of another action point. This finding was consulted with the business coach who agreed to the combine the redundant items into a single action point.

#### 6.3.1 Strategic Component

There are five (5) action points that are proposed to be deleted in the Strategic Component. Four (4) of these action points are redundant which means that the scope can actually be considered to be a part of another action point that is already in place or is closely similar to it. The other one (1) is an action point that contradicts the company's core value.

Table 19 in the next page shows the action points to be deleted in red color with a strikethrough. The reasoning behind the deletion will be explained further.

Table 19. Reviewed Strategic Component with Suggested Deletion

STRATEGIC COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Strategy	Make short but concise Mission Statement
2.0	Strategy	Prepare a challenging but realistic & measurable Vision Statement
3.0	Strategy	Conduct a Risk Assessment & Management Plan
4.0	Strategy	<del>Decide on the business areas, growth strategy, and competitive strategy.</del>
5.0	Strategy	Set an appropriate organization structure & recruit people with leadership & goals that are aligned with the company's values
6.0	Strategy	Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy
7.0	Strategy	Plan possible exit scenarios
8.0	Competencies	Cultivate the emotional appeal of the products
9.0	Competencies	Research & Develop new designs every season
10.0	Competencies	Apply for copyright & patent all original designs and Attain "Design from Finland" mark
11.0	Competencies	Obtain small warehouse
12.0	Competencies	Construct production factory
13.0	Competencies	<del>Acquire scalable technological resources like hardware and software</del>
14.0	Competencies	<del>Physical Store (optional)</del>
15.0	Competencies	<del>Hire Human Resources</del>
16.0	Network	Find alternative manufacturers
17.0	Network	Connect with raw material supplier
18.0	Network	<del>Hire and train internal crafts-workers (in the future)</del>
19.0	Network	Establish an alliance with multiple shipping companies both local and international
20.0	Network	Make an agreement with I.T. company
21.0	Network	Partner with online payment system
22.0	Network	Affiliate with local delivery service providers
23.0	Network	Join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.

As seen in Table 19 in the previous page, the first (1<sup>st</sup>) action point suggested to be deleted is item no. 4.0 "***Decide on the business areas, growth strategy,***

**and competitive strategy**". Because of the addition of item no. 6.0, "Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy", which is a more clear and precise strategic instruction, it is opted to combine both action points and leave the latter on the action plan.

The second (2<sup>nd</sup>) action point that can be combined with another is item no. 13.0 "**Acquire scalable technological resources like hardware and software.**" This competencies directive is already actually part of the scope when the company does item no. 20.0 "Make an agreement with I.T. Company."

The next two (2) action points are related to item no. 5.0 "Set an appropriate organization structure & recruit people with leadership & goals that are aligned with the company's values" as such, item no. 15.0 "**Hire Human Resources**" and item no. 18.0 "**Hire and train internal crafts-workers (in the future)**" are opted to be deleted.

The last deletion is "**Physical Store (optional)**" item no. 14.0 since, even if it was proposed to be optional, it actually contradicts the electronic business concept where transactions should be done online.

### 6.3.2 Value Creation Component

Three (3) action points are suggested to be deleted in the Value Creation Component. These items are considered to be essentially part of the scope of actions points under the strategic component.

Table 20 in the next page shows the action points to be deleted in red color with a strikethrough. Afterwards, the explanation for the deletion will be discussed.

Table 20. Reviewed Value Creation Component with Suggested Deletion

VALUE CREATION COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Procurement	<del>Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers.</del>
2.0	Procurement	Prepare a Quality Assurance, Quality Control & Implementation Manual
3.0	Procurement	<del>Hire an internal QA/QC Personnel for implementation</del>
4.0	Procurement	<del>Purchase a software system for inventory monitoring &amp; control.</del>
5.0	Finance	Capital is personal investment but explore sources of funds in case needed (optional)
6.0	Finance	Contingency allowance to be prepared.
7.0	Finance	Cash flow is secured from website customers but consider providing credit line for corporate clients & organizations
8.0	Finance	Find balance between cost-driven & value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing & customer retention.
9.0	Finance	Study employee salary allocation especially costs associated to employers.
10.0	Finance	Take into account the export taxes from Philippines & import taxes to Finland
11.0	Finance	Consider Fixed Menu Pricing
12.0	Finance	Allocate variables (i.g. shipping costs, corporate client bargaining & organization discount requests, etc.)
13.0	Finance	Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.
14.0	Key Processes	Create, finalize and document different processes such as Product design & development, Production process, Procurement process, <b>Outsource &amp; Insource Process</b> , Sales & Marketing process, Website management, Fulfillment methods, After-sales services, and <b>Customer Relationship Management Process</b> .

Table 20 above shows the items that are connected to the scope of other action points. The first (1<sup>st</sup>) one, item no. 1.0 “***Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers***” is similar to item no. 16 “Find alternative manufacturers” and item no. 17 “Connect with raw material supplier” of the strategic component action point. All three (3) action points deal with dependency to a sole manufacturer/supplier which should be avoided.

Then next action point that is suggested for deletion is item no. 3.0 “**Hire an internal QA/QC Personnel for implementation**” because anything related to human resources should be included in the scope of item no. 5.0 “Set an appropriate organization structure & recruit people with leadership & goals that are aligned with the company’s values” of the strategic component.

Lastly, the third (3<sup>rd</sup>) action point is item no. 4.0 “**Purchase a software system for inventory monitoring & control**” It is connected with I.T. which is item no. 20.0 “Make an agreement with I.T. company” of the strategic component action point.

### 6.3.3 Customer and Market Component

The change in Customer and Market Component does not only involve action points but the key elements as well. The Value Proposition and Customers key elements are ideally separated, however, since the final output concerns both, it makes more sense to combine these two (2) and the four (4) action points that were individually within these key elements, were also merged.

Table 21 in the next page shows the action points to be combined and deleted in red color with a strikethrough. The reason behind the combination will be explained as well.

Table 21. Reviewed Customer and Market Component with Suggested Deletion

CUSTOMER AND MARKET COMPONENT ACTION POINTS		
No.	Key Element	REVIEWED ACTION POINTS
1.0	Revenue	Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.
2.0	Revenue	<b>Devise revenue drivers such as promotions / sales, product bundling, etc.</b>
3.0	Channels	Main methods of reaching the customers are website and social media but utilize other possible channels like advertisements, <b>direct mail</b> , mobile apps, <b>trade fairs</b> , distributors and event sponsorships.
4.0	Value Proposition	Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories & Jewelry but also consider adding products like event souvenirs, corporate packages.
5.0	Value Proposition	<del><b>Determine the gain creators of the proposed new products</b></del>
6.0	Value Proposition	<del><b>Find out the pain relievers of the proposed new products</b></del>
7.0	Value Proposition	<del><b>Complete the value model side of Value Proposition Canvas</b></del>
8.0	Customers	Aside from students, professionals & homemakers, explore all possible customer niches like companies and environmental organizations.
9.0	Customers	<del><b>Organize focus groups to discover the actual gains to be received by the proposed customers</b></del>
10.0	Customers	<b>Organize focus groups</b> to find out the <b>actual</b> pains and <b>gains</b> of the proposed customers
11.0	Customers	Finalize the customer profile side <b>and value model side</b> of Value Proposition Canvas

As seen in Table 21 above, there are four (4) items that were suggested to be deleted but unlike the previous deletions, the cause is not redundancy. These items would have interconnecting results to other action points, as such, instead of having them listed individually, combining them makes more sense.

Items no. 5 “***Determine the gain creators of the proposed new product***”, no. 6.0 “***Find out the pain relievers of the proposed new product***”, and no. 9.0 “***Organize focus groups to discover the actual gains to be received by the proposed customer***” are now combined with item no. 10.0 “**Organize**

focus groups to find out the actual pains and gains of the proposed customers”

Then item 7.0 “**Complete the value model side of Value Proposition Canvas**” is combined with item no. 11.0 “Finalize the customer profile side and value model side of Value Proposition Canvas”

Aside from the action points, the key elements were also combined. Instead of having Value Proposition as a separate key element, it is now joined with Customers to have just a single key element named Value Proposition and Customers Key Element.

#### 6.4 Prioritization

After adding necessary action points then combining and deleting similar action points, the last phase of the validation stage was prioritization. Having defined business model as one of the foundations of a company which sets the development path of the business, it is necessary to set an organized sequence of priority to the different action points. Although most of the action points can be performed simultaneously, there is a level of importance that each action point have. Some has to be done before the company is established while others can be fulfilled after the business is already running.

Through the combined efforts of the business coach, the aspiring entrepreneur and the author, each action point were analysed and assigned a level of importance. Figure 13 in the next page shows all the remaining action points including the building block component and key element they belong to and their designated level of priority.

PRIORITIZED ACTION PLAN			
PRIORITY	ACTION POINTS	KEY ELEMENT	COMPONENT
1	Make short but concise Mission Statement	Strategy	Strategic Component
2	Prepare a challenging but realistic & measurable Vision Statement	Strategy	Strategic Component
3	Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy	Strategy	Strategic Component
4	Conduct a Risk Assessment & Management Plan	Strategy	Strategic Component
5	Contingency allowance to be prepared	Finance	Value Creation Component
6	Create, finalize and document different processes such as Product Design & Development, Production Process, Procurement Process, Outsource & Insource Process, Sales & Marketing Process, Website Management, Fulfillment Methods, After-sales services, and Customer Relationship Management Process.	Key Processes	Value Creation Component
7	Prepare a Quality Assurance, Quality Control & Implementation Manual	Procurement	Value Creation Component
8	Set an appropriate organization structure & recruit people with leadership & goals that are aligned with the company's values.	Strategy	Strategic Component
9	Make an agreement with I.T. company	Network	Strategic Component
10	Partner with online payment system	Network	Strategic Component
11	Establish an alliance with multiple shipping companies both local and international	Network	Strategic Component
12	Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.	Finance	Value Creation Component
13	Find balance between cost-driven & value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing & customer retention.	Finance	Value Creation Component
14	Study employee salary allocation especially costs associated to employers	Finance	Value Creation Component
15	Take into account the export taxes from Philippines & import taxes to Finland	Finance	Value Creation Component
16	Consider Fixed Menu Pricing but allocate variables (i.e. shipping costs, corporate client bargaining & organization discount requests, etc.)	Finance	Value Creation Component
17	Obtain small warehouse	Competencies	Strategic Component
18	Affiliate with local delivery service providers	Network	Strategic Component
19	Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.	Revenue	Customer and Market Component
20	Devise revenue drivers such as promotions / sales, product bundling, etc.	Revenue	Customer and Market Component
21	Apply for copyright, patent all original designs and attain "Design from Finland" mark	Competencies	Strategic Component
22	Aside from students, professionals & homemakers, explore all possible customer niches like companies and environmental organizations.	Value Proposition and Customers	Customer and Market Component
23	Organize focus groups to find out the actual pains and gains of the proposed customers	Value Proposition and Customers	Customer and Market Component
24	Finalize the customer profile side and value model side of Value Proposition Canvas	Value Proposition and Customers	Customer and Market Component
25	Main methods of reaching the customers are website and social media but utilize other possible channels like. advertisements, direct mail, mobile apps, trade fairs, distributors and event sponsorships	Channels	Customer and Market Component
26	Cultivate the emotional appeal of the products	Competencies	Strategic Component
27	Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories & Jewelry but also consider adding products like event souvenirs, corporate packages.	Value Proposition and Customers	Customer and Market Component
28	Find alternative manufacturers	Network	Strategic Component
29	Connect with raw material supplier	Network	Strategic Component
30	Research & Develop new designs every season	Competencies	Strategic Component
31	Join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.	Network	Strategic Component
32	Cash flow is secured from website customers but consider providing credit line for corporate clients & organizations	Finance	Value Creation Component
33	Capital is personal investment but explore sources of funds in case needed	Finance	Value Creation Component
34	Construct production factory	Competencies	Strategic Component
35	Plan possible exit scenarios	Strategy	Strategic Component

Figure 14. Prioritized Action Points

As seen in Figure 14 above, after combining similarly scoped action points and deleting redundant ones, there are remaining thirty five (35) action points. These were then reviewed and analysed based on their implementation importance. After an agreement on the arrangement was reached, these action points were listed according to priority.

Action point 1 to 4, are the backbone of the future business. Items 5 to 11 are actions that would establish the company. Action points no. 12 to 16 are related to pricing the products. Next items up to the last deals more about the operation side of the business.

It is wise to note however that, although some points need a preceding action to be completed, most of these action points can be done concurrently. Furthermore, some actions are necessary to be done before the company is established while others can be performed after the business is already operating. For example, items no. 1 to 4 should be completed pre-business establishment while items no. 34 and 35 can be done once the company have been smoothly functioning.

The prioritization was conducted to organize the different action points and to have a solid road map that the aspiring entrepreneur can follow. However, more important than the specific order is the practical next step that needs to be done which is implementation and putting in place to actually complete the business model.

## 6.5 Summary of Changes

After the different phases of validation have been completed, a noticeable change between the initial action plan proposed and the reviewed action plan. The comparisons between the two (2) are shown in the succeeding photos. Figure 15 shows the original proposed initial action plan while Figure 16 shows the additional action points, the deleted action points and the priority listing.

INITIAL ACTION PLAN FOR DEVELOPING AN E-COMMERCE BUSINESS MODEL		
STRATEGIC COMPONENT	VALUE CREATION COMPONENT	CUSTOMER AND MARKET COMPONENTS
<b>STRATEGY</b>	<b>PROCUREMENT</b>	<b>REVENUE</b>
<ul style="list-style-type: none"> <li>• Make short but concise Mission Statement</li> <li>• Prepare a challenging but realistic &amp; measurable Vision Statement</li> <li>• Conduct a Risk Assessment &amp; Management Plan</li> <li>• Decide on the business areas, growth strategy, and competitive strategy.</li> <li>• Set an appropriate organization structure &amp; recruit people with leadership &amp; goals that are aligned with the company's values.</li> </ul>	<ul style="list-style-type: none"> <li>• Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers.</li> <li>• Prepare a Quality Assurance, Quality Control &amp; Implementation Manual</li> <li>• Hire an internal QA/QC Personnel for implementation</li> <li>• Purchase a software system for inventory monitoring &amp; control.</li> </ul>	<ul style="list-style-type: none"> <li>• Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.</li> </ul>
<b>COMPETENCIES</b>	<b>FINANCE</b>	<b>CHANNELS</b>
<ul style="list-style-type: none"> <li>• Cultivate the emotional appeal of the products</li> <li>• Research &amp; Develop new designs every season</li> <li>• Apply for copyright, patent all original designs</li> <li>• Obtain small warehouse</li> <li>• Construct production factory</li> <li>• Acquire scalable technological resources like hardware and software</li> <li>• Physical Store (optional)</li> <li>• Hire Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Cash flow is secured from website customers but consider providing credit line for corporate clients &amp; organizations</li> <li>• Find balance between cost-driven &amp; value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing &amp; customer retention.</li> <li>• Study employee salary allocation especially costs associated to employers.</li> <li>• Take into account the export taxes from Philippines &amp; import taxes to Finland</li> <li>• Consider Fixed Menu Pricing but allocate variables (i.e. shipping costs, corporate client bargaining &amp; organization discount requests, etc.)</li> <li>• Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Main methods of reaching the customers are website and social media but utilize other possible channels like advertisements, mobile apps, distributors and event sponsorships.</li> </ul>
<b>NETWORK</b>	<b>KEY PROCESSES</b>	<b>VALUE PROPOSITION AND CUSTOMERS</b>
<ul style="list-style-type: none"> <li>• Find alternative manufacturers</li> <li>• Connect with raw material supplier</li> <li>• Hire and train internal crafts-workers (in the future)</li> <li>• Establish an alliance with multiple shipping companies both local and international</li> <li>• Make an agreement with I.T. company</li> <li>• Partner with online payment system</li> <li>• Affiliate with local delivery service providers</li> </ul>	<ul style="list-style-type: none"> <li>• Create, finalize and document different processes such as Product Design &amp; Development, Production Process, Procurement Process, Sales &amp; Marketing Process, Website Management, Fulfillment Methods, and After-sales services.</li> </ul>	<ul style="list-style-type: none"> <li>• Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories &amp; Jewelry but also consider adding products like event souvenirs, corporate packages.</li> <li>• Determine the gain creators of the proposed new products</li> <li>• Find out the pain relievers of the proposed new products</li> <li>• Complete the value model side of Value Proposition Canvas</li> </ul>
		<b>CUSTOMERS</b>
		<ul style="list-style-type: none"> <li>• Aside from students, professionals &amp; homemakers, explore all possible customer niches like companies and environmental organizations.</li> <li>• Determine the gains of the proposed customers</li> <li>• Find out the gains of the proposed customers</li> <li>• Finalize the customer profile side of Value Proposition Canvas</li> </ul>

Figure 15. Proposed Initial Action Plan

COMMENTED INITIAL ACTION PLAN FOR DEVELOPING AN E-COMMERCE BUSINESS MODEL		
STRATEGIC COMPONENT	VALUE CREATION COMPONENT	CUSTOMER AND MARKET COMPONENTS
<b>STRATEGY</b>	<b>PROCUREMENT</b>	<b>REVENUE</b>
<ul style="list-style-type: none"> <li>1 • Make short but concise Mission Statement</li> <li>2 • Prepare a challenging but realistic &amp; measurable Vision Statement</li> <li>4 • Conduct a Risk Assessment &amp; Management Plan</li> <li>8 <b>Decide on the business areas, growth strategy, and competitive strategy.</b></li> <li>3 • Set an appropriate organization structure &amp; recruit people with leadership &amp; goals that are aligned with the company's values.</li> <li>3 • Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy</li> <li>35 • Plan possible exit scenarios</li> </ul>	<ul style="list-style-type: none"> <li>7 <b>Do not depend on the sole manufacturer / supplier. In the immediate future, connect with raw material suppliers.</b></li> <li>7 • Prepare a Quality Assurance, Quality Control &amp; Implementation Manual</li> <li>7 <b>Hire an internal QA/QC Personnel for implementation</b></li> <li>7 <b>Purchase a software system for inventory monitoring &amp; control.</b></li> </ul>	<ul style="list-style-type: none"> <li>19 • Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.</li> <li>20 <b>Devise revenue drivers such as promotions / sales, product bundling, etc.</b></li> </ul>
<b>COMPETENCIES</b>	<b>FINANCE</b>	<b>CHANNELS</b>
<ul style="list-style-type: none"> <li>26 • Cultivate the emotional appeal of the products</li> <li>30 • Research &amp; Develop new designs every season</li> <li>21 • Apply for copyright, patent all original designs and attain "Design from Finland" mark</li> <li>17 • Obtain small warehouse</li> <li>34 • Construct production factory</li> <li>34 <b>Acquire scalable technological resources like hardware and software</b></li> <li>34 <b>Physical Store (optional)</b></li> <li>34 <b>Hire Human Resources</b></li> </ul>	<ul style="list-style-type: none"> <li>33 • Capital is personal investment <b>but explore sources of funds in case needed (optional)</b></li> <li>5 • Contingency allowance to be prepared.</li> <li>32 • Cash flow is secured from website customers but consider providing credit line for corporate clients &amp; organizations</li> <li>13 • Find balance between cost-driven &amp; value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing &amp; customer retention.</li> <li>14 • Study employee salary allocation especially costs associated to employers.</li> <li>15 • Take into account the export taxes from Philippines &amp; import taxes to Finland</li> <li>16 • Consider Fixed Menu Pricing but Allocate variables (i.e. shipping costs, corporate client bargaining &amp; organization discount requests, etc.)</li> <li>12 • Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.</li> </ul>	<ul style="list-style-type: none"> <li>25 • Main methods of reaching the customers are website and social media but utilize other possible channels like advertisements, <b>direct mail</b>, mobile apps, trade fairs, distributors and event sponsorships.</li> </ul>
<b>NETWORK</b>	<b>KEY PROCESSES</b>	<b>VALUE PROPOSITION AND CUSTOMERS</b>
<ul style="list-style-type: none"> <li>28 • Find alternative manufacturers</li> <li>29 • Connect with raw material supplier</li> <li>11 <b>Hire and train internal crafts-workers (in the future)</b></li> <li>11 • Establish an alliance with multiple shipping companies both local and international</li> <li>9 • Make an agreement with I.T. company</li> <li>10 • Partner with online payment system</li> <li>18 • Affiliate with local delivery service providers</li> <li>31 • Join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.</li> </ul>	<ul style="list-style-type: none"> <li>6 • Create, finalize and document different processes such as Product Design &amp; Development, Production Process, Procurement Process, <b>Outsource &amp; Insource Process</b>, Sales &amp; Marketing Process, Website Management, Fulfillment Methods, After-sales services, and Customer Relationship Management Process.</li> </ul>	<ul style="list-style-type: none"> <li>27 • Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories &amp; Jewelry but also consider adding products like event souvenirs, corporate packages.</li> <li>27 <b>Determine the gain creators of the proposed new products</b></li> <li>27 <b>Find out the pain relievers of the proposed new products</b></li> <li>27 <b>Complete the value model side of Value Proposition Canvas</b></li> </ul>
		<b>CUSTOMERS</b>
		<ul style="list-style-type: none"> <li>22 • Aside from students, professionals &amp; homemakers, explore all possible customer niches like companies and environmental organizations.</li> <li>22 <b>Organize focus groups to discover the actual gains to be received by the proposed customers</b></li> <li>23 • Organize focus groups to find out the actual pains and gains of the proposed customers</li> <li>24 • Finalize the customer profile side and value model side of Value Proposition Canvas</li> </ul>

Figure 16. Commented Initial Action Plan

The above figures show the difference between the Initial Action Plan and the Commented Action Plan. Figure 15 has the entire action plan co-created with the stakeholders which is the collection of action points proposed to fill the missing gaps in the aspiring business owner's entrepreneurial ideas related to the business model key elements based on standard professional business ideas. Originally, there were a total of forty one (41) action points proposed. Twenty (20) of them were for the Strategic Component, eleven (11) were for the Value Creation Component, and ten (10) for Customer and Market Components.

Figure 16 shows the commented action plan which is the result of consultation process, prioritization and validation with a business coach and the aspiring stakeholders. The action points in black are the originally proposed action points. The action points in purple font color are the additional suggestions. The ones in red font color with strikethrough and highlighted in yellow are the action points that have been combined with other points that are similar or are actually within the scope of the item. Beside the action points are numbers that represent the chronological priority of each remaining action point. A very notable change is that Customers, which is a separate key element, have now been combined with Value Proposition since they are interconnected with each other.

After all the additional action points, suggested deletion, prioritization and validation, these comments were thought through and concluded. The outcome is the Final Action Plan.

## 6.6 The Final Action Plan

The Final Action Plan for developing an e-commerce business model is the collection of action points that were co-created with the stakeholders and validated by a business coach and agreed upon together by the aspiring entrepreneur, the business advisor and the author. Figure 17 in the next page shows the Final Action Plan.

FINAL ACTION PLAN FOR DEVELOPING AN E-COMMERCE BUSINESS MODEL		
STRATEGIC COMPONENT	VALUE CREATION COMPONENT	CUSTOMER AND MARKET COMPONENT
<b>STRATEGY</b>	<b>PROCUREMENT</b>	<b>REVENUE</b>
<p>1 Make short but concise Mission Statement</p> <p>2 Prepare a challenging but realistic &amp; measurable Vision Statement</p> <p>3 Prepare a business roadmap that shows where the company will be in the future including the growth strategy and competitive strategy</p> <p>4 Conduct a Risk Assessment &amp; Management Plan</p> <p>8 Set an appropriate organization structure &amp; recruit people with leadership &amp; goals that are aligned with the company's values.</p> <p>35 Plan possible exit scenarios</p>	<p>7 Prepare a Quality Assurance, Quality Control &amp; Implementation Manual</p> <p><b>FINANCE</b></p> <p>5 Contingency allowance to be prepared</p> <p>12 Undertake competitor price analysis. In the initial period, offer lower price then gradually increase in parallel with demand.</p> <p>13 Find balance between cost-driven &amp; value-driven structure. Strive low-cost using economies of scale but allocate enough budget for product quality, marketing &amp; customer retention.</p> <p>14 Study employee salary allocation especially costs associated to employers</p> <p>15 Take into account the export taxes from Philippines &amp; import taxes to Finland</p> <p>16 Consider Fixed Menu Pricing but allocate variables (i.e. shipping costs, corporate client bargaining &amp; organization discount requests, etc.)</p> <p>32 Cash flow is secured from website customers but consider providing credit line for corporate clients &amp; organizations</p> <p>33 Capital is personal investment but explore sources of funds in case needed</p> <p><b>KEY PROCESSES</b></p> <p>6 Create, finalize and document different processes such as Product Design &amp; Development, Production Process, Procurement Process, Outsource &amp; Insource Process, Sales &amp; Marketing Process, Website Management, Fulfillment Methods, After-sales services, and Customer Relationship Management Process.</p>	<p>19 Product sales from website e-shop are the main source of profit but explore other possible revenue streams such as distributor sales, event sales, paid after-sales services, etc.</p> <p>20 Devise revenue drivers such as promotions / sales, product bundling, etc.</p> <p><b>CHANNELS</b></p> <p>25 Main methods of reaching the customers are website and social media but utilize other possible channels like. advertisements, direct mail, mobile apps, trade fairs, distributors and event sponsorships</p> <p><b>VALUE PROPOSITION AND CUSTOMERS</b></p> <p>22 Aside from students, professionals &amp; homemakers, explore all possible customer niches like companies and environmental organizations.</p> <p>23 Organize focus groups to find out the actual pains and gains of the proposed customers</p> <p>24 Finalize the customer profile side and value model side of Value Proposition Canvas</p> <p>27 Known products are sustainable fashion good such as Bags, Wallets, Totes, Shopping bag, Home Accessories &amp; Jewelry but also consider adding products like event souvenirs, corporate packages.</p>
<b>COMPETENCIES</b>		
<p>17 Obtain small warehouse</p> <p>21 Apply for copyright, patent all original designs and attain "Design from Finland" mark</p> <p>26 Cultivate the emotional appeal of the products</p> <p>30 Research &amp; Develop new designs every season</p> <p>34 Construct production factory</p>		
<b>NETWORK</b>		
<p>9 Make an agreement with I.T. company</p> <p>10 Partner with online payment system</p> <p>11 Establish an alliance with multiple shipping companies both local and international</p> <p>18 Affiliate with local delivery service providers</p> <p>28 Find alternative manufacturers</p> <p>29 Connect with raw material supplier</p> <p>31 Join business organizations for support like Suomen Yrittäjät, Chamber of Commerce, Team Finland, etc.</p>		

Figure 17. The Final Action Plan

As shown in Figure 17 above, the final action plan is the collection of action points that fills the gaps in the aspiring business owner's entrepreneurial ideas related to the business model key elements. Based on the co-creation and validation process, a total of thirty five (35) action points are necessary to be implemented in order to develop an e-commerce business model.

To develop the Strategic Component of a business model, a total of eighteen (18) action points are needed to be implemented. Six (6) of which are for the Strategy Key Element that needs, among others, a Mission Statement, a Vision Statement, a Risk Assessment & Management Plan, an appropriate organizational chart including recruitment, and a business roadmap complete with growth and competitive strategies. For Competencies Key Element, five (5) action points are needed, for example, applying for copyright, patent and "Design from Finland" mark, and obtaining a small warehouse, etc. To complete the set, Network Key Elements have seven (7) requirements which, to name a few are, alternative manufacturers, alliance with multiple shipping companies, agreement with I.T. company, partnership with online payment system, and affiliation with local delivery service providers.

The development of Value Creation Component of a business model requires ten (10) action points to be done. Procurement Key Element needs one (1) and that is to prepare a quality assurance control and implementation manual. Finance Key Element requires eight (8) action points namely, but not limited to, capital contingency allowance to be prepared, balance between cost-driven and value-driven structure, study of employee salary allocations associated to employees, import and export taxes, and fixed menu pricing. Lastly, Key Process Element needs only for the different processes to be created, finalized and documented.

The last building block component of a business model is Customer and Market Component which have seven (7) required action points, two (2) of which are for the Revenue Key Element which requires exploring of other revenue streams and devising revenue drivers. One (1) action point for Channels Key

Element necessitates utilizing additional methods of reaching customers. Originally, Value Proposition and Customers are separate Key Elements but it was decided that both can be combined since ultimately, their output would result into a single Value Proposition Canvas. As such, the last four (4) action points required are for the Value Proposition and Customers Key Element that need all possible customer niches to be explored, focus groups to be organized to find out the actual pains and gains of the customers, and using these data, create the Value Proposition Canvas.

The collected action points from these three (3) major building block components of a business model comprise the action plan. Once implemented, the e-commerce business model is then created and developed.

The validation process accomplished the objective it is meant to do. The proposed initial action plan to fill the gap in the aspiring business owner's entrepreneurial ideas was reviewed. Similar ideas were combined and redundant items were deleted. Prioritization was also done to have an organized roadmap, however, for visualization purposes; the final action plan was grouped together by key elements instead of priority level, although the chronological numbering is written beside each action point.

The next and the last section of this study provide a summary of the full extent of the work done to fulfil the objective and achieve the required outcome. Further recommendations are also discussed and self-evaluation of the study is also presented.

## 7 Summary and Conclusions

After achieving the objective of this project, this final section will provide an executive summary, practical next steps, self-evaluation of the study, and some closing words.

### 7.1 Executive Summary

This study originated from an aspiring entrepreneur's need to create a business model for an e-commerce company that is about to be established. Although the aspiring business owner has entrepreneurial ideas, at present, they were incomplete, not organized and not fully developed. As such, the objective of this study was to create an action plan for developing an e-commerce business model. The outcome is the action plan that would develop the aspiring entrepreneur's e-commerce business model.

In order to have an appropriate and reliable outcome that is specific to the new company being set-up, an applied action research using qualitative method was utilized. A systematic order of phases was planned to guide the proceeding of the study. A total of four (4) stages were executed. The first (1<sup>st</sup>) stage was review of related literature followed by the second (2<sup>nd</sup>) starting which was a starting analysis then, the third (3<sup>rd</sup>) stage was the co-creation of the initial action plan, and lastly, the fourth (4<sup>th</sup>) stage was the validation round.

The review of related literature was done to gather key information needed to create a business model. Relevant books, professional academic journals and other business-related literature were explored to identify the different elements of a business model. Three (3) re-occurring building blocks that comprise an e-commerce business model were discovered and each has individual key elements. The first (1<sup>st</sup>) building block is the strategic component which deals with the long-term operating targets of the company has strategy, competencies and network as key elements. Strategy describes the company's mission, strategic positions, development plans, possible risks, sustainable strategies,

and leadership values and goals. Competencies showcase the company's assets and resources whether tangible, intangible and human. Network on the other hand is concerned about the partnerships and alliances of the business. The second (2<sup>nd</sup>) building block is the value creation component that has procurement, finance and key processes as key elements. These are concerned about the internal factors that influence the value generation of the business. Procurement deals with controlling and monitoring of supplies, and purchasing. Finance is about the capital, cost structure, pricing strategy and cash flow. Key process deals with the different operational activities and procedures. The third (3<sup>rd</sup>) and last building block is customer and market component which is about the external factors that influence the design and operation of the business. The key elements include revenue, channels, value proposition and customers. Revenue focuses on different sources of profit and other streams. Channels are the methods of reaching the customers. And finally, value proposition and customers are concerned with the efforts to fulfil the demands of stakeholders especially the target customer segment. These two (2) used to be a separate element but since they are interconnected and their result depends on the other, it was better to merge them together. These findings were analysed and developed into the conceptual framework for the starting analysis of the new company.

Using the framework, the aspiring entrepreneur was interviewed to determine the company's position related to the business model building block components and key elements. During the discussion, the objectives, goals and projections of the company were uncovered. These data were then organized and grouped together based on the different business model elements. Analysis was done next to determine the present and absent entrepreneurial ideas of the future business owner. These missing ideas became the guide in co-creating the action points necessary to fill the gaps identified based on the best professional business ideas.

The third (3<sup>rd</sup>) stage of this project is the co-creation of the initial proposal. Revisiting relevant literature to find recommendations that would supplement

the missing ideas was done as well as accessing business websites. Through a virtual meeting with the aspiring entrepreneur and the manufacturer/supplier which is the only other company member on board, action points were formulated on key elements that concern them such as procurement, manufacturing process and shipping. Other key element action points were discussed with the aspiring entrepreneur privately since the manufacturer/supplier is not a direct employee and some issues were considered confidential.

A total of forty one (41) action points were proposed. Twenty (20) of them were for the Strategic Component, eleven (11) were for the Value Creation Component, and ten (10) for Customer and Market Components. All these action points combined formed the proposed initial action point for developing the e-commerce business model of the future company.

The fourth (4<sup>th</sup>) and last stage is the validation. A business coach was sought in order to have an external advisor who would provide an unbiased and trustworthy feedback on the initial action plan that was co-created. Initially, essential additional action points were added by the business coach. These were noted and included in the action plan presented to the aspiring entrepreneur. Then upon review, it was noticed that some items are actually included in the scope of other action points. As such, these similar and redundant items were either deleted or combined. Finally, each action point was assigned a level of importance. Although most of the items can be implemented simultaneously, to establish a roadmap, prioritization order was done.

The final action plan contains thirty five (35) action points combined together. Eighteen (18) strategic component action points, ten (10) value creation component action points, and seven (7) customer and market component action points.

This action plan would develop the e-commerce business model of the company about to be established by the aspiring entrepreneur. Once the action

points are systematically implemented and put in place, the result would be a business model which will be the foundation of the company that sets the development path of the business. Although the result is specific only for the company to be established, other companies and future aspiring entrepreneur can follow the process, execute the different stages, and use the output as a reference for their own e-commerce business model development.

## 7.2 Practical Next Steps

The outcome of this project achieved the objective set forth from the start. It was intended for this study to create an action plan for developing an e-commerce business model for the aspiring entrepreneur. With the co-created action points that filled the gaps on the aspiring entrepreneur's business ideas and the validation that went through different stages, the final action plan that resulted indeed accomplished the objective. As such, the next practical steps to be done are simply the following:

- **Implementation**

The action points have to be executed and put in place in order to convert them into a business model. The final action plan was visually presented and arranged following the different business model building block components and their respective key elements; however, beside each action point is their prioritization number which, if followed, becomes a specific order of implementation. Although it is best to have a organized sequence, most of the action points can be done simultaneously. Some of the actions are overlapping each other. Some has to be done before the company is established while others can be fulfilled after the business is already running.

Whichever path of implementation is chosen, the most important of all is to systematically complete each action point and place it in its sensible position in order to transfigure the actions into a business model.

- **Regular review and adjustment**

Looking beyond the business challenge and objective of this study and in a wider perspective, once the company has been established and the business is operating, the other practical step suggested is to have a regular review and adjustment.

As the famous saying goes “change is the only constant thing in this world” as such, every now and then, an assessment of the business model should be performed. Typically, a business model review is done every three (3) years or five (5) years, however, with the fast-paced development of everything around, there is no time-frame suggested, instead, a frequent analysis of current trends should be done.

Adjustments to the current advancements in technology, society, and other factors that affect the business should be adopted.

### 7.3 Self-evaluation of Project Credibility

The objective of this study was to create an action plan for developing an e-commerce business model. This was instigated in response to an aspiring business owner’s need to organize and expound the entrepreneurial ideas she has about running an e-commerce company. The outcome, as revealed in Section 6.6, is the action plan that would develop the company’s business model co-created with stakeholders and validated by the aspiring entrepreneur and an external business coach. As such, it can be concluded that the result of the thesis achieves the objective set forth.

Despite having fulfilled the objective, limitations and challenges were faced which might question the credibility of the work. For instance, the author is a close family member of the aspiring entrepreneur. This might cause speculation of bias. Another is that the sources of data are limited to the aspiring entrepreneur and the supplier/manufacturer which is the only on-board stakeholder. Strategies were put in place to counteract these drawbacks. An

external business advisor was brought in from a business advisory organization to eliminate any bias and add more impartiality to the work. Although involvement of more people would have been preferred, the company is just about to be established which made it impossible. So, deficient information was supplemented by accessing business consulting websites and by revisiting related literature which ensured sufficient sources of professional business ideas. Nevertheless, a proper evaluation was done to ensure that the outcome is well-grounded and substantiated.

In order to evaluate a thesis, a basis of assessment is needed. Based on academic literature, these criteria can be Validity, Reliability, Logic, and Relevance. The following sub-sections will define each term and will discuss the rationale behind them.

### 7.3.1 Validity

According to Sekaran and Bougie (2016:349), Validity in qualitative research is defined as the degree to which the outcome of the research accurately embodies the collected data and can be transferred to other contexts. Yin (2018:78-79) agrees and adds that one of its type, Construct Validity, is a criteria to judge the quality of research design by testing if the study used multiple sources of evidence, established a chain of evidence, and that the key informants reviewed the draft of the study.

All these measures are demonstrated by the triangulation of research approach, research design and data plan which was strictly followed and successfully executed. The research approach for this thesis is applied action research using qualitative methods. This is the most appropriate method to use because the issue at hand did not require any statistics, the result will only impact the future company of the aspiring entrepreneur and it is made to develop and improve the organization's operation by producing practical solutions. Definitions of applied action research and qualitative research method can be found in Section 2.1. Moreover, the study went through different stages. Since the

company is non-existent yet, review of related literature was the first (1<sup>st</sup>) stage. The 2<sup>nd</sup> stage was the starting analysis followed by the third (3<sup>rd</sup>) stage which is the co-creation of the initial proposal. The fourth (4<sup>th</sup>) and last stage was the validation stage. Each of these stages produced an outcome that became a precedent of the next stage's development. There were three (3) data phases at different stages of the study which had multiple sources. Data 1 was gathered through an interview during the starting analysis wherein the source is the aspiring entrepreneur. The findings were recorded through field notes that was analysed and resulted to the detailed summary of their business ideas. The outcome was relevant in moving forward to the next stage of the study. During the initial proposal creation, Data 2 came from three (3) sources, the aspiring entrepreneur, the only on-board company stakeholder (the supplier/manufacturer), and business websites. The information was gathered through interviews and business website access, documented and the result was the initial action plan. Data 3 brought about the final action plan which was reviewed by the aspiring entrepreneur and duly validated by an external business coach.

Through the different data gathering methods, multiple sources, well recorded field notes, and having the aspiring entrepreneur review the output, this study satisfied the construct validity test. The validity requirements are also fulfilled since the outcome achieved the objective using the collected data and, although the result is unique to the company of the aspiring entrepreneur, it can be transferred by following the process and using the result as reference by others who want to put up a similar business.

### 7.3.2 Reliability

For Yin (2018:78), Reliability demonstrates that the operations of a study – such as its data collection procedures – can be repeated, with the same results. Similarly, Sekaran and Bougie (2016:349) defines Reliability as the degree of consistency and stability researchers processing the same data. He adds that

triangulation is the technique that enhances the reliability of the research by providing in-depth description of the research project.

To ensure reliability of this project, the plan on how the research implementation will proceed is presented in Section 2.0. There, the research approach, the research design and the data plan were documented. The execution of these processes was described in detail all through the different chapters. For transparency, the most important answers to interview questions were quoted especially on the starting analysis in Section 4.0. Rigorous data collection methods were used to gather high quality data which were carefully analysed to achieve a credible outcome. The executed procedures were properly recorded so if anyone would repeat the work and the same process are explicitly followed, the same result will be achieved as well.

With the above rationale, the reliability definitions in mind, the audit trail, and having discussed in the earlier section how the study effectively used the triangulation of the research approach, research design and data collection table; it is deemed that reliability is achieved.

### 7.3.3 Logic

Greener (2008:109) explains that there should be a logical structure in research reports. It means that information from one section should coherently flow to the next section. Proper arrangement and traceability should be established in order to have continuous movement of findings until the final conclusion.

Logic in this project is exemplified by the project plan found in Section 2.0. The structure of how the work will proceed is documented through the research approach, research design and data plan. Each stage had a vital role in finding the solution. Stage 1 uncovered the different building block components and key elements needed to create the business model. Thus, a conceptual framework for starting analysis was created. This framework was used in Stage 2 to understand the “present” and “absent” entrepreneurial ideas that the

aspiring company owner has which in turn was used in Stage 3 to co-create the action points that would fill the missing ideas thus resulting to the initial action plan. To validate the proposal, stage 4 enlisted an external business coach to give feedback and improvement ideas and together with the aspiring entrepreneur, the Final Action Plan was agreed and completed.

Since the project plan was strictly followed, logic was then ensured. The flow of proceedings was sensibly scheduled in order to achieve the required result that would be needed in the next step. The different data gathering phases were reasonably arranged so that materials are only ready when necessary, thus avoiding over-load or missing information. Each process has an outcome that is valuable to the next process and so on and so forth until the final output was successfully achieved.

#### 7.3.4 Relevance

Thietart (2001:48) explained that Quivy and Van Campenhoudt (1988) defined relevance as the intention and general mood that motivates a research problem. A study is relevant if its underlying purpose is to understand or explain a reality. On the other hand, Mizzaro (1997:811) describes relevance as the relation between information and the solution to a problem, which can be fragmented into three (3) components – topic (the subject area), task (the activities that is needed to be executed), and context (any other items that affects the results). As such, relevance in this particular project is evaluated by the relation of the topic and the process involved in achieving the outcome which is relevant to the aspiring entrepreneur's future company.

From the onset, this study is grounded in reality since the objective is to help the aspiring entrepreneur in developing the future company's e-commerce business model. The topic is based on an actual need that would result in an action plan that is required to solve a problem. Relevance was ensured during the execution of the different activities by involving the aspiring entrepreneur in

the different stages of development from data gathering to co-creation of the action points up to the validation process.

In wider perspective, this study is transferable to other aspiring entrepreneur who aims to put up a similar business. Although the output is specific to the subject, the process in developing their own action plan can be adopted. The result can serve as reference wherein certain action points and undertaking are easily adjustable to their personal requirements.

Indeed, the relevance of this study to the aspiring entrepreneur has been safeguarded while being open and transferable to other future business owners.

#### 7.4 Closing Words

Ever since commerce began, although unnamed, it has been a well-established business practice for companies to have strategies and development path that creates value for their customers. In the 90's this managerial concept was coined as "Business Models". Through the years, different kinds and types emerged in response to the changing times. Most recently, e-commerce business model became the most prevalent due to the technological advances that enabled transactions to be done online.

The objective of this study is to develop an action plan that would develop such – an e-commerce business model for an aspiring entrepreneur. Through meticulous data gathering, analysis, co-creation and validation, the output accomplished the objective of the thesis. Achieving the goal was very gratifying because if systematically executed, put in place, and converted into a business model, the future company will have a road map that would guide its operations and development path. If implemented, as business models are ought to be, coupled with dedication and hard work, the success of the company will most definitely be within reach and could possibly be inspiration to others.

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## **Appendix 1: Interview Questions**

### **Face to Face Interview**

**Interviewee:** Aspiring Entrepreneur

**Date of Interview:** February 20, 2022

**Time:** 10:00 – 11:30 am

### **QUESTIONS:**

1. Why did you decide to establish an e-commerce business?
2. What does your future company aims to achieve?
3. What are the core values you want your company to act and believe in?
4. What business area would you like to focus on?
5. To whom does your business area would concentrate on?
6. Where does your business want to concentrate on?
7. Have you thought about how you want the company to grow in terms of volume? What about the way of realizing the growth?
8. How do you plan to compete? What is the source of your competitiveness? How do you plan on achieving your competitiveness?
9. Have you considered business risks and how you plan to overcome them?
10. Do you think your business will be successful in the long run? How do you plan to achieve that business sustainability?
11. What are the leadership values and goals you would look for in your employees?
12. What are the core resources that your company currently have?
13. Do you already have current employees?
14. You mentioned about a manufacturer/supplier, what is your arrangement with them?
15. Do you have physical office storage, warehouse and manufacturing factory?

16. Who does your designs? Are they patented or copyright protected?
17. Aside from the manufacturer/supplier, do you have any other agreements with partner companies such as shipping, I.T. providers, etc.?
18. Do you have a system in place for monitoring and control of inventories?
19. What is the source of your capital?
20. Have you thought about how your business will generate cash flow?
21. Do you have ideas about the different costs that will affect your business?
22. How will you price your products?
23. What are the operational processes that you have already created or atleast thought about?
24. Are any of these documented already?
25. What are the sources of profit that you think your company will have?
26. Have you thought about other sources of revenue?
27. How do you plan on letting the customers know of your presence?
28. Do you have specific website designs in mind?
29. Any other plans on reaching your target customers?
30. Who are your target customers?
31. What kind of relationship do you want to build with them?
32. Have you explored other possible customers?
33. Based on the customers that you already have in mind, have what do you think your products have that will entice them to buy it?
34. Any other reasons why your customer should buy your product?
35. What are the features of your product that would solve your target customer's pains or problems?
36. How do you see your company in 3 years? In 5 years?

## Appendix 2: Business Coach Profile

**Organization:** Yritystehdas (The Company Factory)

**Address:** Kympinkatu 3 C, 40320 Jyväskylä

**Website:** <https://www.yritystehdas.fi>

### MIKA FISK

Business Coach

(<https://www.yritystehdas.fi/mika-fisk>)

## Mika Fisk is a man with a mission to make life feel better for each of us

However, at the bottom of this seemingly impossible dream is a very practical and beautiful aspiration; brings joy to encounters between people.

Mika's eternal flame, his desire to try to understand the mechanisms of influence, has taken him from serving individual people to serving groups and finally companies.

Along with customer facing skills, he has acquired in-depth knowledge of operational structures and goal-oriented management. Mika laughs a lot and mostly at himself. What else can you do if you are allergic to fish?

### Expert in sales and strategy

Mika's coaching references include more than 200 organizations from different industries, sizes and stages of development. He has coached early-stage business idea owners as well as global, multibillion-dollar companies with a long history. Mika has an extensive sales and service background, which together with coaching experience has given him a strong understanding of the best practices of customer acquisition.



**EFFECTIVENESS AND  
PRAGMATISM AS A  
COACHING PHILOSOPHY**



**SALES MANAGEMENT AND  
DEVELOPMENT OF CUSTOMER  
EFFECTIVENESS**



**ARTICULATING  
COMMUNICATION TIPS FOR  
INVESTOR AND SALES NEEDS**



**STRENGTHENING STRATEGIC  
AND OPERATIONAL  
STRUCTURES**

## **Mika coaches incubator customers at Yritystehta, does new customer acquisition and stakeholder group work**

- Sales and communication are especially close to Mika's heart
- Mika is particularly interested in harnessing an individual's potential

### **What has been your biggest lesson?**

If you have enough desire, you can achieve anything, regardless of your background. I truly believe that each of us has a huge potential that is looking for its way out. The importance of kind words and presence cannot be overemphasized in this context.

I believe that a person is at his happiest when he gets to help others.

### **What is your superpower?**

In coaching situations, I approach other people humbly and with great interest. Everyone deserves to be heard. A person I have never met before often dares to be himself with me.

I also often receive praise for my ability to find clear solutions to even complex situations.

**DISCLAIMER:** Profile is replicated from the Yritystehtas website.