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# Digitalization and strategic choices of Finnish Retail Giants During COVID- 19 Pandemic

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<p>This research paper examines the digitalization strategies and choices of three major Finnish retail companies, Verkkokauppa, Kesko, and Tokmanni, before and during the COVID-19 pandemic. The study analyzes the strategic changes and the impact of digitalization efforts on company performance by using document analysis of annual reports, financial reports, quarterly reports, and sustainability reports from 2019 to 2021.</p> <p>The research provides valuable insight into the impact of economic downturns and other crises in the industry, which can be used for future forecasting and risk management. The study highlights the companies' focus on sustainability, customer service, and efficient fulfillment, and examines the impact of the pandemic on digitalization strategy and company performance. Despite the limitations, the results of this study can provide valuable insights into the digitalization strategies of major Finnish retail companies and their performance during the pandemic. The companies implemented different digitalization strategies most relevant to their industry. The study concludes that all three companies saw significant increases in online sales and revenue, with positive results from their digitalization efforts.</p>	
Keywords	Digitalization, Pandemic, Strategy, Retail, Company Performance

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## 1 Introduction

The COVID-19 pandemic has impacted both individuals and companies around the world, with the retail industry having seen large changes due to social distancing and online shopping. The physical nature of stores has been forced through a rapid period of change physically and economically. Businesses, including Finnish retail giants, have had to maintain their competitiveness, maintain consumer confidence during the economic downturn, and innovate with their sales.

This thesis aims to study the kinds of strategies and choices Finnish retail giants have done both before and during the COVID-19 pandemic, specifically within digitalization. Verkkokauppa, Kesko, and Tokmanni, are the selected case studies as they are market leaders within their respective industries. These case studies will highlight the strategies and digitalization choices implemented by these retail giants pre-pandemic (2019) and during pandemic (2020 and 2021), and the connected company performance.

The usage of increased digital channels, the role of webstores, and technological improvements to logistics and supply chains will all be considered and compared. The impact of these in terms of company performance will be examined to understand how well these strategies served them during the years of implementation and afterward. By analyzing the strategic choices by Finnish retailers, this thesis will give insight into how traditional retailers within the country and beyond can embrace digitalization efforts in different ways according to their industry and how they can stay competitive in times of rapid change.

## 2 The Significance of the Topic

It is important for e-commerce businesses to understand how crises can change consumer spending patterns and behaviour, as the e-commerce industry is rapidly growing. This is particularly important in Finland, where the percentage of e-shoppers has increased by 7% from 2018 to 2021 across the population (European E-commerce report 2022). Some estimates indicate that online retail has increased especially during 2020 at 22% while domestic online purchases increased by 30% (Online shopping grew by over twenty per cent in Finland – market share of domestic e-commerce is increasing

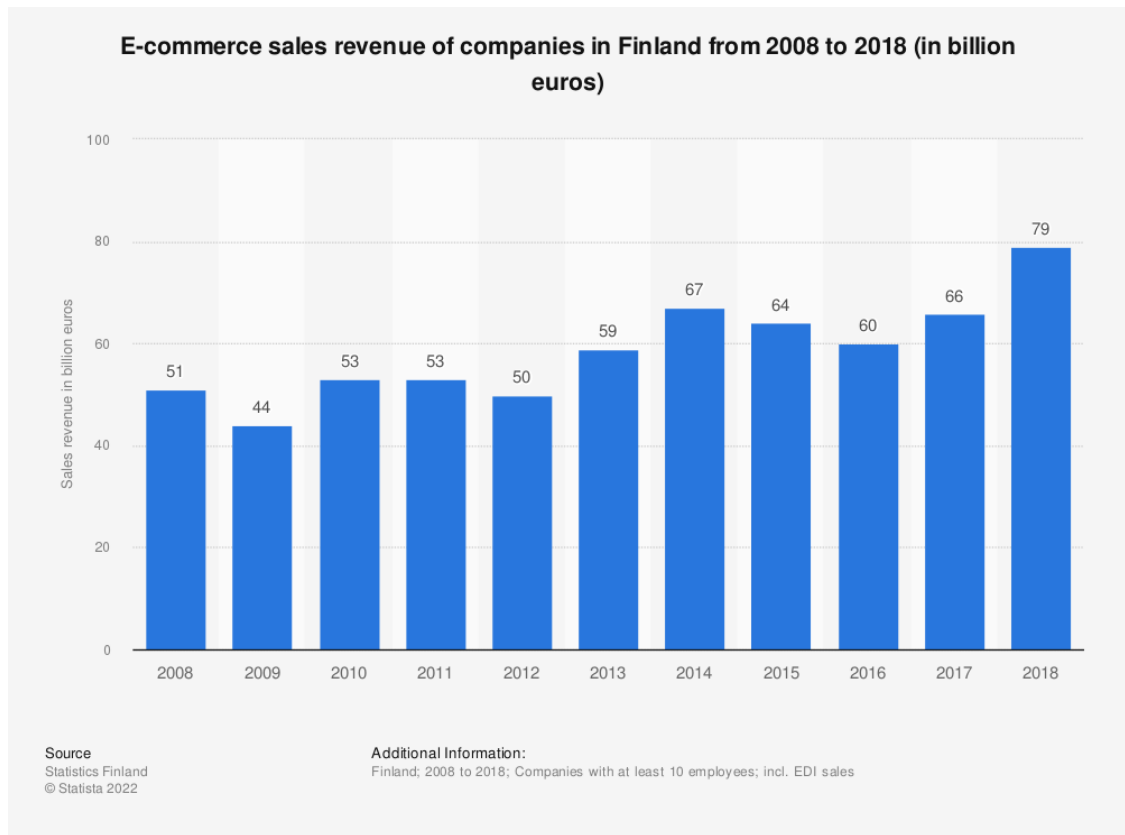
2021). During the spring, summer and autumn of 2020 as many as 42% of the Finnish adult internet users estimated that their shopping focus would be solely or mostly online for the upcoming years (Online shopping grew by over twenty per cent in Finland – market share of domestic e-commerce is increasing 2021). These increases of online purchasing by Finns have coincided with changing expectations in online deliveries, with 61% of them preferring same-day deliveries (E-commerce payments trends: Finland 2019).

While currently only 33% of online purchases in Finland are done through mobile, the expected compound annual growth rate of mobile purchases is 18%. The potential of mobile purchases is thus considerable, larger than any country in the Nordics. The fulfillment of this potential is primarily done through companies creating and optimizing apps to stay ahead of their competition and enhance their customer experience (E-commerce payments trends: Finland 2019).

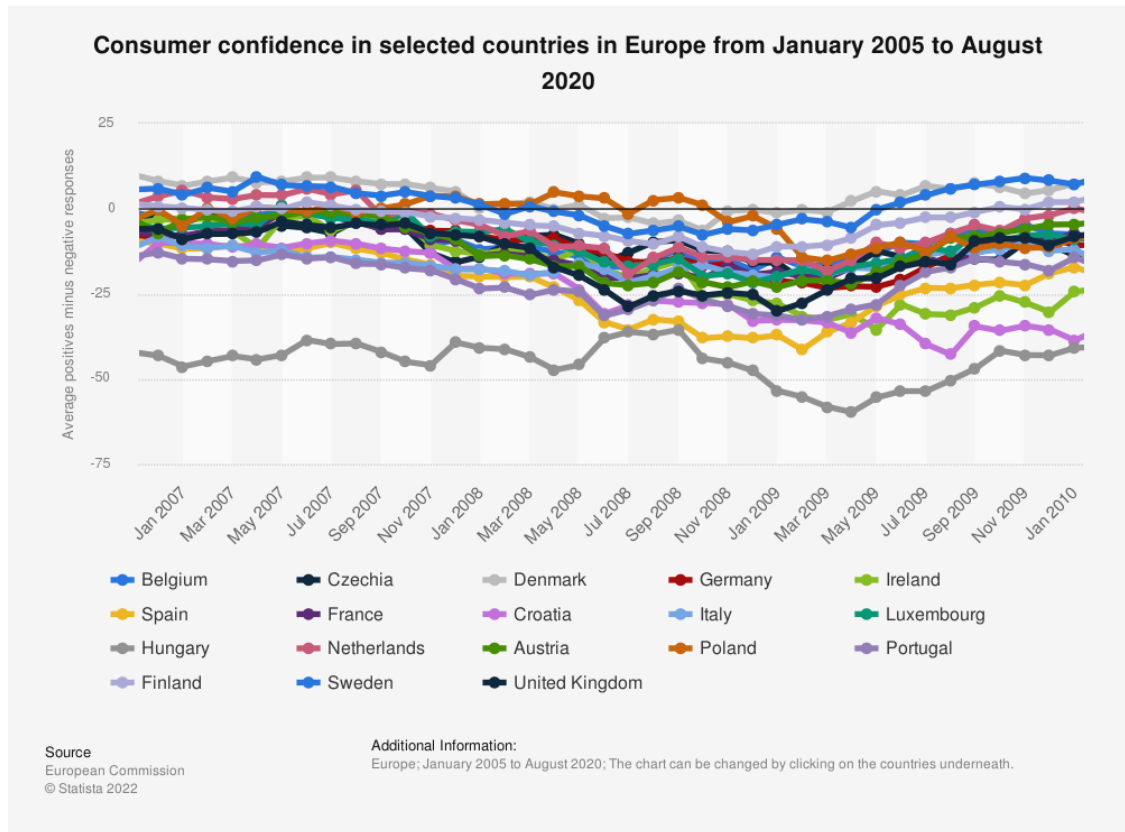
### **3 Literature Review**

#### **3.1 Online sales during economic downturns**

Economic downturns can greatly impact the sales of online retail (Ghadami et al., 2010). During these times, consumers may reduce their overall spending and increase their saving rates as a precautionary measure against job loss or other financial challenges (Ghadami et al. 2010). A decline in consumer confidence and decreased credit availability can result in them seeking out retailers offering discounted products during recessions (Ghadami et al. 2010). This was seen during the Great Recession in 2007-2009, where consumer confidence dropped in Finland and caused a decrease in e-commerce sales revenue for companies operating in the country (as seen in Graphs 1 and 2).



**Graph 1 (E-commerce sales revenue of companies in Finland from 2008 to 2018 (in billion euros), J. Clausnitzer, 2022)**



**Graph 2 (Consumer confidence in selected countries in Europe from January 2005 to August 2020, Statista Research Department, 2023)**

Online sales has been found to have had a positive role in national economies and for business competitiveness during difficult economic periods. During the recession in 2007-2009, for example, the amount of trade and money made by businesses in the European Union went down overall (Savrul and Kılıç 2011). While this was occurring, more businesses were making money through online shopping and selling. Even in countries where trade volumes were low, like Belgium and Ireland, e-commerce turnovers were rapidly rising (Savrul & Kılıç 2011). During this period, online sales were found to help in reducing operation costs, increase selling efficiency, make businesses more competitive and allowed them to reach new markets that they otherwise might not have been able to reach before (Savrul and Kılıç 2011). This opens up new opportunities for businesses and can help to boost their profits, even during economic uncertainty.

The remote nature of buying online e-commerce sales has made it easier for customers and businesses to access markets from all over the world. It's not just good for businesses either - on a larger scale, this increase in trade can help ease the impact of

an economic crisis on countries. By making it easier for people to buy and sell goods through avenues such as e-commerce, even during tough economic times, countries can continue to keep their economies stable.

The COVID-19 pandemic has seen trends of online sales rapidly increase in popularity globally. The COVID-19 pandemic has been found to have a significant impact on the way people shop globally (Dewalska-Opitek et al., 2022). Online sales have skyrocketed and are expected to keep growing in the future and the types of products being sold have changed during this period. Countries ranging from Poland to Ireland to Spain, and of particular relevance to this study, Finland, have all seen significant changes in consumer behavior (Dewalska-Opitek et al., 2022), such as higher demand for certain items such as electronics. Online stores for retailers across the world have felt these changes: from Pakistani consumers appreciating the convenience of online shops (Bhatti et al. 2020) to American consumers purchasing specifically disposable gloves, household items, and cleaning supplies (Bhatti et al., 2020) and reducing their purchases of products related to travel and working outside the home have gone down (Bhatti et al. 2020). The ease and convenience, coupled with the restrictions placed on physical shopping due to the pandemic, has led to this shift (Dewalska-Opitek et al. 2022). With social distancing measures in place and people being more cautious about going to physical stores, being able to purchase items digitally has become a game-changer for many.

#### **4 Research Question**

The study aims to investigate how the strategy of Finnish retail giants towards digitalization occurs during times of crisis, namely the COVID-19 pandemic. It is important to study the relationship between economic uncertainty, company strategy, and performance. Focusing on digitalization allows for better understanding of how companies remain competitive during these periods, how consumer behavior changes, and what innovations need to be created and adapted.

RQ1: What impact has the COVID-19 pandemic had on the digitalization strategy of Finnish retail giants Verkkokauppa, Kesko, and Tokmanni?



RQ2: How have the aforementioned strategic choices affected the company performance of these Finnish retail giants?

## 5 Methodology

Document analysis was used to conduct this descriptive case study of 3 Finnish retail giants: Verkkokauppa, Kesko, and Tokmanni for the years 2019, 2020, and 2021. This qualitative approach was selected due to the focus being on different Finnish retail giants and their past performances, in which the research will be conducted on the basis of different reports from the past including the respective years' the companies' annual reports, financial reports, quarterly reports, and sustainability reports. This timeframe of 2019, 2020, and 2021 was chosen in order to compare strategic choices and performance directly before and during the height of the pandemic.

The choice of Verkkokauppa, Kesko, and Tokmanni as case studies was based on the fact they are all publicly listed companies and have large market shares in their respective industries. In order to identify patterns and differences between these cases, the three companies were chosen from different industries, with Verkkokauppa representing the e-commerce industry, Kesko dominating the grocery and materials trade, and Tokmanni in the discount retail industry. These companies additionally reflect consumer behaviors of wanting ease for purchasing

The document analysis starts with the listing of different resources used in the conducted study, in this case being the company reports. This is for a few different reasons. The authenticity of the report is ensured by the fact that it is made by the company, therefore the information on the report is closest to the correct information available to the public. Not only that, but also the company reports hold more specific information on the different sectors that they might have and go into deeper details about the performance and changes of strategies.

Finding different keywords and patterns that occurred repetitively across the documents in relation to company strategy and performances is essential for the author due to the extensiveness of the documentations. This was combined with notetaking to ensure thorough documentation throughout the process.

Additionally, it is important for the author to look back at the original research questions while analyzing the documentation in order to remain focused on the research objective. This further helps to identify the gaps in the information that the author might have.

Due to the low amount of information available to the public the company reports had to be used and in this case could lead to reporting and availability bias. Reporting bias can occur due to companies limiting the amount of information that fully reflects their strategies and operations. Availability bias can occur for similar reasons when, due to lack of a variety of sources, too much weight is given to the limited information available, in this case highly controlled company reports published by the companies themselves. The author counters these biases by placing strong consideration on the fact reports are highly contextual and selectively choose what to highlight for stakeholders. With this in mind, balancing the weight of different numbers and statistics is highly important as opposed to taking them at face value. A final bias to consider is confirmation bias, which may occur when the author has a pre-belief or expectations on a certain topic, leading to a biased way of analyzing the data from the documentation. These biases should be taken into consideration when interpreting the results of the study.

Overall, the study aims to provide a deeper understanding of how major Finnish retail companies from different industries adapted their approach to digitalization during the pandemic and how these changes affected their performance. Despite the limitations, the results of this study can provide valuable insights into the impact of economic downturns and other crises in the industry, which can be used for future forecasting and risk management.

## **6 Verkkokauppa Case Study**

Verkkokauppa was founded in 1992 by Samuli Seppälä, a Finnish entrepreneur with a focus on the company selling computer hardware and software. Over the years, the company has expanded and has started including other products for sale such as consumer electronics, children's accessories, pet supplies, and sports equipment. Verkkokauppa is known for its competitive pricing and reliable delivery with the inclusion of standard shipping, express delivery, and store pickup (Litmanen, 2022).

The company is currently one of Finland's biggest online stores (Top stores in Finland | ecommerceDB 2023), but the company also has five different physical stores located in Helsinki, Tampere, Turku, Oulu, and Vantaa. The company's mission and thus general strategic focus is in providing great customer experience. The company is dedicated to great customer service and sustainability with the usage of renewable energy and promotions for eco-friendly products that will help consumers to reduce their carbon footprint. Overall, the company has steady growth and is the most visited webstore in Finland having 87 million page visits in the year 2020 and having 26 different product categories.

### 6.1 Pre-pandemic, 2019

It is clear from Verkkokauppa's 2019 Annual Report that before the pandemic had begun, Verkkokauppa was deep into the process of developing its webstores (Verkkokauppa.com 2020). During 2019, company carried out one of the largest development projects in the company's history for the corporate customer webstore. Verkkokauppa launched new services aimed at corporate customers, for example one of the services being an automated offer request tool which allows the corporate customer to submit a request for quotation to Verkkokauppa through the webstore's shopping cart.

The company focused on making continuous developments to smoothness of the webstore's functionalities. One of these changes taking place in 2019 was the transfer of information from the webstore to a new technology platform called Single Page Application. This resulted in 20% faster loading on the Verkkokauppa webpages through site and server optimization, with pages only loading necessary information to display. The company also moved the website hosting to the cloud, which was put into testing during the popular campaign known as "Black Friday", which resulted in a record-breaking number of visitors, increasing the sales and the webstore visits to over 30 times of the regular amount, however the website continued to run smoothly due to the new cloud system.

There was an increase in the number of customers buying products through their mobile devices and the company kept on improving the pick-up process for the Helsinki and

Oulu stores. This allowed for customers to start their pick-up process online before arriving at the location, and constituted more than 70% of all the pick-ups in Helsinki to start before the arrival to the store. The pick-up system got lots of positive feedback and helped to expedite the pick-ups at the Helsinki store significantly.

Verkkokauppa invested in new IT systems and in the development of new ERP features with all in all having invested EUR 1,2 million during the year of 2019. Verkkokauppa also employed an average of 699 employees, going up from the previous year's 677 employees, and at the end of the year, the amount of employed personnel was 758.

Verkkokauppa's revenue in 2019 grew by 5,5% from the previous year 2018 EUR 477,8 million to EUR 504,1 million, and how it was able to reach the company's milestone of EUR 500 million revenue. The operating profit was EUR 11,3 million from the previous year 2018 of 13,3 million as well as the overall profit for the financial year was EUR 7,8 million compared to the previous year EUR 9,3 million. The profit decreased due to the slow growth in the market and the company's investment in its own growth, however, the revenue increase came from the increased sales of certain products such as televisions, small domestic appliances (SDA), Audio & Hi-Fi, major domestic appliances (MDA) and computers. The demand for consumer electronics remained satisfactory and the market grew by 2,9% in 2019.

Verkkokauppa continued with environmental sustainability, providing customers with recycling options at their stores for electrical waste and electronic equipment, in total the company recycled more than 251 tonnes and all the waste that was produced by the company was put into reuse. The company also started recycling all plastic film that was produced in the Helsinki store as recovered material.

## 6.2 During Pandemic, 2020

The Annual Report from Verkkokauppa in 2020 highlighted that Verkkokauppa invested heavily into a large variety of new marketing technologies centered around the customer experience (Verkkokauppa.com 2021). Many of these include the launch of a chatbot on the company's website to improve information retrieval and personalization, a specific focus on selling home-related categories of product, and implementation of an online

outlet to their website. The online outlet was created as a new sales channel for the customers to help the company resell the returned products more efficiently.

Verkkokauppa saw a great increase in sales of home-related products, which contributed to the significant revenue increase seen that year. The sales for home appliances, sports equipment, office supplies, the BBQ and kitchen category, and the home and lighting category sales increased by over 30%. Toys saw an increase of 80% in sales. Additionally, due to remote work becoming increasingly more popular during the pandemic, for example, the sales of height-adjustable desks increased nearly ten-fold. Accordingly, Verkkokauppa quickly responded to the demand by expanding the desk range. Verkkokauppa further expanded its assortment by adding new product categories, for example, hot tubs, stand-up paddleboards, echo depth sounders, and electric vehicle charging stations were added, and the company also added hand sanitizers and face masks in the spring to respond to the initial needs from consumers socially distancing. Verkkokauppa partnered up with new Finnish companies and added a service on their website that focuses on Finnish products specifically. On the flip side, the sales of travel-related products such as cameras and suitcases were strongly affected by the pandemic and decreased as a result.

Home deliveries increased by 61% during the course of the year, and deliveries to package lockers increased by 44%. In addition to the current three-hour customer service, same-day delivery for express deliveries was introduced in the capital region at a price of €14.99. The increasing popularity of the service led to a roughly six-fold rise in the number of express deliveries. The service was also introduced in the Tampere area in June due to great demand.

Verkkokauppa implemented a new workplace communication strategy throughout the organization for 2020 with the aim of having a more open atmosphere and improved transparency within the company. The company held different workshops and active discussions on Verkkokauppa's internal communication channel in order to engage the personnel in development work. Furthermore, the company kept on developing its supervisor training in 2020 for example giving the managers different communication training with themes such as presentation skills, giving feedback, and communicating change, with the aim to aid the day-to-day leadership.

During the year 2020 Verkkokauppa, reported a substantial increase in revenue and profit. The company's sales notably increased by 9,8% to EUR 553,6 million from EUR 504,1 million the previous financial year. Furthermore, the company recorded an operating profit of EUR 19,6 million and an increase from the operating profit of EUR 11,3 million reported for the previous year. Despite COVID-19, the company's personnel amount grew from 758 to 818 by the end of the year, this shows that there clearly was more need for employees even during the pandemic itself.

Verkkokauppa's focus on sustainability in 2020 was on a few areas such as selling products that customers actually need, offering services that are supporting sustainable consumption, and promoting responsible working conditions as well as environmental practices throughout the supply chain. They also focused on their community as a whole, by investing in their community and enchanting leadership styles through coaching. Additionally, Verkkokauppa did a sustainability-themed stakeholder survey August-September 2020, which results were used to identify different focus areas for setting up a sustainability program.

### 6.3 During Pandemic 2021

The Annual Report for Verkkokauppa in 2021, a year into the pandemic, showed that the year was very successful for the company (Verkkokauppa.com 2022). According to a national survey by Posti, Verkkokauppa was chosen as the most popular online store. Verkkokauppa reached a record high in revenue of EUR 574,5 million, this was mostly driven by corporate sales which grew by nearly 20% while consumer sales grew by 2%. On the other hand, the sales outside of Finland related to wholesales declined and dropped their part of shares on the revenue to less than 7%. The pandemic further boosted the online sales of Verkkokauppa making them go up by 13,5% from the previous year of 2020. During 2021, there was a general economic uncertainty for consumers due to the COVID-19 pandemic, this caused issues for many of the exporting businesses as well as travel restrictions, which increased online shopping activity. This uncertainty was heightened by noticeable production efficiency and component shortages across industries. Nonetheless, Verkkokauppa prepared for these issues by optimizing its inventory as well as sourcing. Verkkokauppa invested EUR 4,9 million into their inventory management to respond to logistics challenges, with much of it going

specifically to the implementation of the AutoStore inventory automation system. This implementation occurred in 2021, ahead of its original schedule for the spring of 2022. They also invested in a packaging automation system in Jätkäsaari, allowing them to add more than 15,000 product lines to their Jätkäsaari warehouse and significantly improve their operations and product availability. Verkkokauppa warehouse automation includes a total of 36 robots capable of picking and delivering up to 1,000 items per hour. This directly helps with the inventory creating more sales on the e-commerce side as well as the physical store. While 36 robots were introduced, the number of employees stayed stable, increasing slightly from the previous year at 818 to 825.

The biggest growth for Verkkokauppa relating to product categories was for toys, BBQ and kitchen, cameras, games and entertainment and sports. Additionally, the growth for the consumer electronics market was 0,7%. However, the company struggled in many other product categories due to the raw material shortage and supply chain challenges. Furthermore, the demand for home deliveries increased by 8% and the same-day express deliveries increased by 69%.

Verkkokauppa's strategy for the years 2021 to 2025 is to focus on five different pillars with the aim of achieving a revenue of one billion euros and an EBIT of 5%. The first of the five pillars are "Excellent customer experience and strong brand" with the plans on making more investments in order to make the customer experience even better. The second pillar is "Efficient fulfillment" which aims to make the delivery network system even better than the previous one. The third pillar is the "Superior technology bone", which is for making more improvements on the services and technological aspects of the Verkkokauppa platform. The fourth pillar is "Extensive assortment" for Verkkokauppa it is important to be transparent about the product information as well as the pricing for the products hence having the saying "Probably always cheaper". The final and fifth pillar is "Cost competitiveness" which aims to have the company's fixed costs below 25% of revenue by 2025 through making investments in the supply chain, automation, product management, logistics, and processes, which could already be seen with the investments that were done for the inventory system AutoStore with 36 robots.

With sustainability being a big part of Verkkokauppa's plans and strategies, Verkkokauppa concentrated on a number of environmental measures in 2021. Shopping bags made of biodegradable plastic were introduced, and 351 tons of old electronics

were recycled (WEEE). Also, they made investments in energy efficiency and renewable energy, which led to a 34% decrease in their greenhouse gas emissions.

To promote ethical working circumstances in their supplier chains, Verkkokauppa.com joined the global Amfori BSCI organization. They also encourage ethical working conditions and ethical environmental practices across the whole supply chain. They established goals for their sustainability work and decided on a totally flexible approach to remote work for experts. Also, they gave more than 100 washing machines to those in need.

#### 6.4 Conclusion

Overall Verkkokauppa between the years 2019 and 2021 didn't see negative impacts from the pandemic when it came to sales and employment. On the contrary, the results for Verkkokauppa have been positive. The company managed to generate more revenue and even have the best results in its history during 2020 with an increase in sales of certain categories more than others during the pandemic. The company didn't change its plans or strategies much from the years previous to the pandemic, although it did invest more during the pandemic times for example in robots and automation. The company has remained on a good track and has improved its sustainability over the years. All in all, with the gathered data from the reports and statistics from the reports we can say that the pandemic had a positive impact on Verkkokauppa and its e-commerce side.

## 7 Kesko Case Study

In 1940, the Finnish retail giant Kesko Oyj was established. The company operates in over 10 countries and more than 1,800 outlets, the company has expanded through time to become one of the biggest in Finland (Kesko lyhyesti 2023). Kesko operates mainly in the supermarket, construction and technical, and automotive industries. Kesko operates the K-food store chain, which consists of supermarkets, hypermarkets, and convenience stores, in the grocery industry. The K-food stores offer a variety of food items, such as fresh produce, meat, dairy, and bread goods, as well as items for home and personal care. Additionally, the K-Citymarket in Järvenpää was given an award as



the best grocery store in the world in 2019 at the IGD Awards with the title of “Store of the Year”. Therefore, it’s clear that Kesko’s presence in various parts of Finland is strong.

Kesko also owns and runs the K-Rauta and Rautia retail chains, which provide building supplies and products for renovations to homes. The shops sell a wide range of goods, such as tools, electrical equipment, and gardening supplies. Additionally, Kesko operates Onninen brand, which specializes in electrical and HVAC (heating, ventilation, and air conditioning) equipment and supplies. Furthermore, Kesko owns and operates K-auto, which was previously known as VV-Auto, a dealership for new and used automobiles of various manufacturers. Through its K-Caara brand, the corporation also provides auto maintenance and repair services. This case study will mostly be focusing on the grocery store and building and technical side of Kesko as they make considerably larger revenue streams.

### 7.1 Pre-pandemic, 2019

The 2019 Annual Report of Kesko highlighted that online sales that year grew by 106% with the revenue from online sales being EUR 36.2 million, this was mostly due to the loyal customer base that Kesko has managed to create, most of the customers in the online shops being the same ones that also visit their brick & mortar stores (Kesko 2020). The website K-ruoka.fi is the biggest food media in Finland and had approximately 2.4 million weekly visitors combined with the K-Ruoka mobile app in 2019. Around 230 K-food stores offer online purchasing and satisfaction amongst online customers is very high according to the company’s yearly report. With online sales gaining popularity and more of the stores offering online purchasing it also increased the number of registered users for the K-ruoka app increasing the user base by 100,000 users to having all in all 700,000 registered users. The building and technical side of Kesko also had great growth on the online side. The profitability for the grocery store side also increased due to the improved efficiency in logistics and more extensive usage of technology as well as the sales growth overall in the physical shops and online sales. Logistics were developed for the K-rauta.fi online store in Finland, which offered more new delivery options for the customers, this furthermore increased online sales in Finland grew by 80%, additionally Onninen brand developed further and increased its online sales by 10%.

Kesko used a strategy with a focus on profitable growth, business focus, quality and customer orientation, best digital services, sustainability, combating climate change, and “One Unified K” with the newest additions to the strategy being the sustainability and combatting of climate change both being added in 2019. Additionally, one of the cores of the strategy was the store-specific ideas, which would enable better selections and services for the customers, leading to potential increases in sales and profits.

Sustainability is a big part of Kesko’s work, during the year 2019 new energy recycling model was developed for the K-food stores which would reduce heat consumption by up to 95% which would make the K-food store nearly carbon neutral, this system was also awarded by Motiva as the “Energy Genius of the Year 2019”. Furthermore, Kesko created a service called “K-Ostokset”, which enables consumers to track their purchases of Finnish products, whilst also providing information on the customer’s carbon footprint with a carbon footprint calculator, the service managed to attract over 100,000 users by the end of 2019. Moreover, Kesko built electric charging spots at their store locations, making K Charge the largest fast-charging network for electric cars in Finland. In addition, Kesko opened a children's summer daycare facility for families of migrant workers at a factory in Ningbo, China, which provides site lighting to Onninen and K-rauta stores, in collaboration with the international organization the Center for Child Rights and Corporate Social Responsibility (CCR CSR).

The year of 2019 in the grocery trade side for Kesko was positive, the revenue went up from EUR 5,385.7 million to 5,531.2 growing by 2,7%, this meant a lower annual increase in comparison to the building and technical side. Additionally, the operating profits increased from the previous year from EUR 294.5 million to EUR 327.9 million with the profitability being 5,9%. On the building and technical side, the overall revenue increased from EUR 4,102.6 million to 4,331.1 million having a growth of 5,6%, however, the operating profits were lower in this sector with the year 2018 being EUR 126.8 million and 2019 being EUR 142.8 million.

## 7.2 During Pandemic, 2020

Kesko’s Annual Report for 2020 showed that profitability on the grocery store side had increased, similarly to the previous year, due to the extensive utilization of technology

and the improved efficiency in logistics and the retailer business model that allows the company to make agile responses to the changing market situation (Kesko 2021). The core of the strategy for the grocery store side is store-specific business ideas, which are based on the customer data that is collected. This leads to better selections for the customers and improvements to the services that are offered. During the early weeks of the pandemic, the online store saw a peak increase of 800% and home deliveries as well as click & collect grocery shopping reached nearly a growth rate of 2,000%. The online sales for the grocery store side increased by 378% due to COVID-19 which accounted for approximately 2,9% of K Group's grocery sales. Furthermore, this meant that the company and the individual K-food stores had to react quickly, which led to the increased number of K-food stores offering online services, increasing from the previous years 241 to 469, this meant nearly double the number of stores offering online services in comparison to the previous year's 2019.

With the COVID-19 restrictions affecting Finland, people spent more time staying home and working from home, this meant more spending domestically, increasing the consumer demand in the country as well. In the case of Kesko's building and technical side, the B2B sales were still accounting for 70% of the net sales, even with the renovation boom that was caused by the pandemic less than half of the profits were from the construction and renovation boom. Furthermore, the online sales for K-Rauta in Finland grew by 72%, yet this only accounted for less than 2% of the total consumer sales. Moreover, Kesko updated its K-rauta.fi webstore in response to the strong sales and COVID-19 pandemic. During COVID-19 period, K-Rauta spent time redesigning the stores by applying store-specific business ideas and by updating the selections online and in-store as well as improving the customer experience and extending the opening hours for the stores.

Additionally, Kesko kept on developing services and introducing new ones to respond to the pandemic, such as adding more online services, home delivery services, helpline and phone order services for those who are 70 years or older, and dedicated shopping hours for at-risk groups. Over 270 parcel pick-up points were opened by the end of 2020

and the MobilePay payment application was taken into use in nearly all K-food stores. The “K-Ostokset” online service on their application had a new “Nutrition” section introduced to it, allowing the customers to digitally monitor their consumption of sugar, salt, red meat, fish, and vegetables. This also allowed the customers to compare their own data with the national nutrition recommendations and set goals for their consumption. Similarly, Kesko launched a new website in the autumn of 2020 called “Tracing our products”, which allows tracing the origins of the products that are being sold at K—stores, from the origins of tuna to roses to timber, and how they ended up in the shelves of the stores, with the website concentrating more on goods that face challenges regarding the sustainable production of raw materials. Finally, the company also introduced the first two all-electric trucks in the Helsinki region. This corresponded to Kesko’s updated climate goals as of February 2020, with the aim to achieve carbon neutrality by 2025 and zero emissions from its internal operations and transportation by 2030.

During the COVID-19 pandemic in 2020, Kesko had a strong year overall. Not only did the company’s revenue increase in the grocery trade side by EUR 201 million from EUR 5,531.2 to EUR 5,732.0, but the profitability also increased by a great amount from the previous year’s EUR 327.9 million to EUR 375.2 million, this meant profitability of 6,5%. The revenue from the building and technical category in Kesko’s revenue increased from EUR 3,472.8 million to EUR 3,639.5 million and the operating profits increased from EUR 115.9 to EUR 187.7 with the profitability being 5,2%. The building and technical side revenue in Finland was EUR 2,102.7 million from the previous year EUR 1,992.8 million which meant a growth of 6,2% in total, the profitability also increased in the Finland side of the building and technical side from EUR -6.2 million to 15.4 million, which marked a big growth in the Finnish sector.

The number of personnel at the end of the year 2020 decreased in Finland from the previous years 12,657 to 12,647. This was different from Verkkokauppa’s personnel numbers abroad where the number of employees went from 12,511 in 2019 all the way to 5,003 in 2020. This includes countries such as Sweden, Norway, Poland, and Baltic countries.

### 7.3 During Pandemic, 2021

Kesko's Annual Report for 2021 showed that just as in all the previous years, Kesko kept on utilizing technology and logistics efficiently increasing sales (Kesko 2022). The company in 2021 went even further in using collected customer data gathered from the K-stores for store-specific ideas. The online capacity was increased further with the retailer business model that Kesko has applied and furthermore, an online sales option was introduced to even more K-food stores increasing from 469 to 500. Additionally, the online sales totalled EUR 244 million, which meant an increase of 14,2% and accounted for 3,2% of the grocery trade sales with the most popular type of purchasing being home delivery, accounting for over 60% of all the orders. Also, during the year the company planned on investing in online grocery order collection automation to further enhance the online shopping experience. Moreover, the NPS (Net Promoter Score) was 81 in December 2021.

The building and technical sides of online sales also increased over the year 2021, with K-Rauta's online sales growing by 42% in Finland. Correspondingly to the grocery trade side, the growth came through data-driven management that allows the stores to adjust the selections and services to meet the local needs. Furthermore, K-Rauta introduced a new online service called "K-Rauta Pro" for the B2B side, making online shopping for the B2B side better by providing extra resources, such as having dedicated customer service for the K-Rauta Pro site and different enhancements to the deliveries.

Kesko achieved some of the goals that the company had set for sustainability with one of them being the "Energy Efficiency Agreement" that the company had set for the year 2025, instead, the company managed to achieve its objective four years earlier than expected with having energy savings of over 80 GWh already. Kesko also set more objectives further down the line, setting a new science-based emissions reduction in line with the 1.5-degree limit, which was approved by the Science Based Targets initiative in November 2021. Additionally, Kesko collaborated with WWF Finland and over 1,000 volunteers with more than 70 K-stores to save endangered migratory fish populations, removing nearly 30 barriers in watercourses that had prevented migratory fish from accessing their spawning grounds. Furthermore, Kesko continued with the "anti-bullying zone", which has been adopted by nearly all 800 K-Market stores, which essentially offers refuge to bullied children and teenagers with a caring adult around. The "anti-

bullying zones”, which are offered in partnership with the Mannerheim League for Child Welfare, received the 2021 Finnish Security Award, which is granted by the security sector every year.

Kesko’s number of personnel at the end of the year continued to decrease resulting in 12,442 personnel at the end of the year compared to the 2020 year of 12,647, though there were no significant lay-offs nor did the pandemic increase sickness absent. The number of employees converted into full-time employees also decreased from 17,629 to 14,232.

During 2021, Kesko hit an all-time record in its results with the company’s net sales totalling EUR 11,300.2 million increase from the previous year’s EUR 10,669.2 million increasing the net sales by 8,2%. Furthermore, the operating profit increased from EUR 567.8 million to EUR 775.5 million, which resulted in the best year in the company’s history. The grocery trade side net sales increased from EUR 5,732.0 million to EUR 5,909.0 million with a net sale growth of 3,1% and operating profit growth of EUR 67.8 million from EUR 375.2 million to EUR 442.9 million.

The company’s building and technical side for the year 2021 was even more successful than the grocery trade side with an increase of 25,6% in net sales increasing from EUR 3.639,5 million to EUR 4,387.7 million. Additionally, the operating profits increased from EUR 187.7 million to EUR 318.0 million, which meant an increase of EUR 130.3 million in total. In Finland, the building and technical sides’ net sales for 2021 increased by 12,8% from the previous year’s EUR 2,102.7 million to EUR 2,371.4 million with the comparable operating profit growing from EUR 126.6 million to EUR 180.7 million.

#### 7.4 Conclusion

The COVID-19 pandemic period was positive for Kesko and its sales – the company hit an all-time high during 2021 and the online sales for both the grocery trade side and the building and technical side kept on increasing following 2020. The company adapted quickly to changes and made adjustments to both brick & mortar stores and online sales for K-Rauta and all the K-shops. The company focused on developing a positive online experience for consumers on the grocery trade side, making the home delivery orders

very popular, and making the online shopping experience even better for the B2B side of K-Rauta. All in all, the adaptability of Kesko's strategy to the pandemic had a positive impact on Kesko's grocery trade as well as the building and technical side with great increases to the online side of shopping.

## 8 Tokmanni Case Study

In 1989, Kyösti Kakkonen and Kari Kakkonen established the retail shop Okman Oy, which is now known as Tokmanni (Historiamme 2023). The company started as a small discount shop in Mäntsälä and has since grown to become one of Finland's largest discount shops, with over 190 stores. Tokmanni provides an immense selection of goods in numerous different categories, including apparel, accessories, electronics, toys, and more. Due to their dedication to offering consumers high-quality goods at competitive costs, they have become a popular retailer amongst Finnish consumers.

While the company also has physical stores all around Finland, Tokmanni has been trying to develop its online store in recent years to give consumers even more accessibility and convenience. The company offers several different payment methods as well as delivery choices and frequent discounts with promotions. Therefore, Tokmanni has done some digitalization efforts over the years inside stores and online. Overall Tokmanni remains one of the biggest online retailers within discount retail in Finland.

### 8.1 Pre-pandemic, 2019

In the 2019 Annual Report from Tokmanni, the company had a strong year — the company managed to achieve its all-time high in sales and profits (Tokmanni 2020). Online sales had an increase of 43,5% year-on-year, however, online sales only accounted for 0,6% of the total revenue. Moreover, the demand for leisure goods, electrical equipment and tools, and cleaning and cosmetic products were excellent. Additionally, the company increased its personnel count, having 3,659 employees by the end of 2019 from the previous year 3,558 with the average amount of employed people being 3,647. Furthermore, the company invested EUR 15.4 million, which is a decrease from the previous year's EUR 15.4 million, with the investments going mainly towards

the expansion of the store network, renovations of the stores, and the development of digital services.

The company aimed for long-term growth through a range of strategic initiatives. Using a consistent brand image based on needs and product category management is one of the main strategies the company uses to consistently improve its store concept and selection. The company also made significant investments in digitalization and multichannel operations for increased like-for-like revenue. Tokmanni aims to keep ahead of the curve and remain competitive in the quickly changing retail environment. Moreover, the company aimed to focus on the improvement of the internal efficiency of its online store by deploying new tools that serve the customers, ensuring that the product offering is attractive. The company also tries to keep a competitive advantage over other online stores by having low prices on its products, keeping the attractiveness of products, and having an extensive assortment while also focusing on having fast pick-up and return possibilities for products.

The company's main focus for the year 2019 was to improve its profitability. In order to improve the company's gross margin and decrease the relative share of fixed expenditure, Tokmanni increased the sales of its private label products and expanded direct importing while also enhancing the process efficiency. Moreover, the company had an increase in sales due to the "Black Friday" and Tokmanni's 30th birthday campaigns.

Additionally, Tokmanni aims to increase its retail space by approximately 12,000 square meters in net terms every year, which means five new or relocated stores on average. By increasing the company's market share and consumer base, this expansion will help Tokmanni achieve its long-term growth goals. Tokmanni also focused on increasing profitability and more effectively managing its working capital in addition to development. The company aimed to accomplish this by implementing improved sourcing, supply chain, and product category management processes as well as instruments. All of these strategies are a part of Tokmanni's bigger goal to create long-term sustainable growth.

With many companies further emphasizing the importance of sustainability, Tokmanni also put importance on sustainability. Tokmanni reduced the use of clear film plastic in its trolleys by 32% in comparison to the previous year, saving in total 21,000 kilograms of plastic, which equals to over one million plastic bags, while also increasing the



delivered number of trolleys by 7%. The company also recycled nearly all of its waste all the way to 98%, while also launching evening discounts for the food that would expire at 20 of its stores. Moreover, the company changed the electricity source in its stores to renewable energy and increased the efficiency of its energy use by, for example, investing even more in LED lighting by installing LED lighting in 36 of its stores additionally, the company installed new solar power plants on the roofs of 18 stores. Compared to 2018, the company's properties' emissions were reduced by 46,3%. Also, in the corporate responsibility reporting competition arranged by FIBS, Tokmanni's Corporate Responsibility Report received the honorable mention of Riser of the Year and, Tokmanni joined the International CDP (Carbon Disclosure Project) climate evaluation and reported their climate work for the first time to CDP.

The revenue for the company grew by 8,5% from the previous year's EUR 870.04 million to EUR 944.3 million while the like-to-like revenue increased by 4,3% and the like-for-like customer numbers in stores increased by 2,3%, with the total number of customers increasing by 6,9% year-on-year. The comparable gross profit also increased from EUR 295.0 million to EUR 325.3 million due to the company's professional sourcing and sales structure.

## 8.2 During Pandemic, 2020

In the 2020 Annual Report from Tokmanni, the company managed to achieve one of its goals of a 1-billion-euro threshold for revenue for the first time in its history with the revenue increasing by 13,6% from the previous year, resulting in revenue of EUR 1,0723.2 million from the previous year EUR 944.3 million (Tokmanni 2021). Online sales increased by 124.1% year-on-year, accounting for 1,2% of the company's total revenue, which is a considerable increase doubling from the 2019 year by 0,6%. The demand for groceries, gardening, leisure goods, home decoration, and renovation products was especially good. Moreover, Tokmanni increased its employee amount resulting in 4,056 employees at the end of the year from the previous year-end 3,659. Furthermore, the company kept on investing in the expansion and development of the store networks, however, some of the investment planning was postponed for the upcoming year due to the COVID-19 pandemic. The like-for-like revenue increased by 12,3% and the like-for-like customer visit increased by 2,4% as well as the total number of customer visits year-

on-year increased by 3,2%. The gross profit increased to EUR 370.9 million from EUR 325.2 million with a gross.

Tokmanni kept improving the way its brick-and-mortar stores and online store work together to offer customers a better experience than before. The company took advantage of the coronavirus pandemic's quick growth of e-commerce in 2020. Because of the unusual conditions, the Tokmanni online store attracted a large number of new customers, and sales increased considerably in 2020. In 2020, Tokmanni developed its online store with a focus on improving the customer experience, increasing the selection, and coordinating the operations of the physical stores with the online store. With the many logistical challenges in mind with the COVID-19 pandemic during the year 2020, Tokmanni had some issues early on with its logistics and supply chain, however, the company managed to improve its processes in the supply chain and was prepared for the disruptions in the supply chain in the latter part of the year by for example ordering Christmas products early on in order to ensure that the shelf availability in the stores was on a good level.

Furthermore, the pandemic caused the company to have a different structure of sales from the regular one with a noticeable increase in sales for yard and garden furniture, sports, well-being and leisure products, home decoration products, cleaning products, and detergents, however, the visits to the physical stores and the sales of apparel did decrease, though the customers did buy in higher quantities with each visit.

Regardless of the coronavirus pandemic, Tokmanni continued with its strategy of action and goal-driven business development in 2020. The company's approach was slightly impacted by the pandemic. When the company's performance improved in the spring, projects focused on building more stores had to be put on hold. Additionally, due to changes in sales, the company progressed slower than originally planned toward the strategic objective of increasing the sales of its private-label products under the Tokmanni brand. Growing the sales of Tokmanni's private label products and increasing direct imports remain to be crucial plans to raise the gross margin.

Tokmanni continued supporting the Finnish Red Cross in 2020 to combat loneliness and social exclusion with annual donations, which the company further increased due to the COVID-19 pandemic. The company also made a product donation of EUR 100,000 with

Unilever Finland to Veikko ja Lahja Hurstin Laupeudentyö ry charity organization. Furthermore, Tokmanni cooperated with the John Nurminen Foundation, donating 5 cents from every “Pisara” product sold between May 1 and August 5 to support the protection of the Baltic Sea, generating EUR 53,000.

The company also kept on investing in solar power by installing more solar power plants on top of the roofs of their stores increasing the number of stores with solar power plants to 18 from the previous 14 additionally, Tokmanni installed more LED lighting in its stores increasing the amount from 36 total stores to 37. In addition, Tokmanni was the third retailer in the Nordic countries that set approved climate objectives that follow the Science Based Targets with the goal to keep the planet’s maximum warming limit at 1.5 degrees Celsius.

### 8.3 During Pandemic, 2021

Tokmanni’s Annual Report from 2021 showed that the company focused on improving its digital solutions in order to boost its efficiency of the support functions, while also continuously developing its loyal customer program to ensure a functional digital customer experience (Tokmanni 2022). The company improved its operational strategies throughout 2021 in order to make sure that, despite the increase in the number of products, the stores remained ready to provide the best customer service possible. In addition, Tokmanni provided further details on the management and operating strategies, as well as the quality standards which apply to its entire chain of stores.

Tokmanni simultaneously continued focusing on its strategy of enhancing customer confidence and loyalty, while also improving its cost-effectiveness. In 2021, the company decided to carry on providing customers with affordable pricing despite the increased sourcing costs and cost inflation, while also planning to increase its product categories and offerings. Furthermore, Tokmanni introduced its customer loyalty program, Tokmanni Klubi, in August 2021 with both consumers and partners showing a lot of interest in the loyalty program, Tokmanni Klubi aims to significantly increase customer loyalty and trust by increasing Tokmanni's awareness of its customer base with more than 0.8 million customers signing up for the program.

Furthermore, Tokmanni was prepared for disruptions in the logistics and supply chain similar to the earlier year 2020 by making sure that certain products arrived earlier than the schedule in Finland for shelf availability. The pandemic decreased Tokmanni's like-for-like customer visit count by 0,8%, however the like-for-like average basket in the stores increased by 5,6%. This means that the customers would visit less but buy in higher quantities and Tokmanni accordingly prepared for this through their early logistical scheduling.

The company also set a new target for itself, aiming to become carbon neutral in its own operations by 2025. Tokmanni also installed new solar panels in twelve of its new stores, with every fourth Tokmanni store having solar panels on its roof, resulting in the panels making 6% of the electricity consumption for the company.

The year 2021 was slower in comparison to the previously mentioned years for Tokmanni revenue-wise. Tokmanni's year-on-year sales increased by 58,7%, which meant that the increase was lower during the year 2021 pandemic in comparison to the year 2020 increase of 124,1%. Online sales this time around accounted for 1,8% of the whole revenue compared to 1,2% of the previous year and for the first time, the online sales exceeded EUR 20 million. The revenue increased from EUR 1,073.2 million to EUR 1,141.8 million meaning an increase of 6,4%, in comparison to the previous year's 13,6% growth was nearly less than half of the revenue growth. Furthermore, the like-for-like revenue for stores increased by 4,8%, although this was a much smaller growth compared to the previous year's 12,3%. The gross profit also increased from EUR 371.1 million to EUR 396.4 million. The demand for leisure products, apparel, and home products was also particularly good. Additionally, the product categories garden, yard and balcony category as well as home electronics had good sales. The company also invested more than the previous year with a focus on expanding, developing, and maintaining the store network, and the company also acquired the business operations of the stores in the TEX chain in Tornio and Kemi. Tokmanni also increased its employee count by having 4,105 employees at the end of 2021 compared to the previous year's end of 4,056 employees, with the average number of employed people being 4,132 compared to 3,873.

Tokmanni continued its cooperation with Unilever in 2020 donating EUR 50,000 to Hurstinapury charity. The company also donated EUR 80,000 for the Baltic Sea with

every 5 cents going towards the cause from every Pisara product sold between May 1 and August 31, extending the timeframe from last year and ending up donating more overall. Additionally, Tokmanni continued their collaboration with the Finnish Red Cross to combat loneliness and social exclusion, while also joining in for the Hunger Day Collection for Disaster Relief Fund, raising EUR 100,884.35 with the donation being based on the customer's purchases of Priima grocery products and Kotikulta decoration lights.

#### 8.4 Conclusion

Despite the COVID-19 pandemic, Tokmanni managed to generate great revenues and have good growth both in physical stores and online, with the company achieving its 1-billion-euro goal for the first time in the company's history. The company also managed to successfully alter its strategies to ensure that the operations would still run as best as possible during the pandemic by adjusting its logistics and supply chain. Furthermore, the company kept hiring more employees, signifying that the company was in a stable enough position to expand its workforce. Tokmanni continued investing in its store expansions and developments for the store network, while also adding more solar panels to its stores for sustainability.

Overall, the COVID-19 pandemic didn't have as much of an impact on Tokmanni as the pandemic would have on other retail stores. However, with the fast reactions and different strategies, the company still remained on the positive side of revenue.

## 9 Discussion

The data collected and analyzed indicates that Verkkokauppa, Kesko, and Tokmanni both similar and differing focuses in their digitisation strategies during the COVID-19 pandemic. This had a strongly positive impact on every company studied: Tokmanni exceeded one billion euros in revenue for the first time in 2020, and Verkkokauppa and Kesko reached record-high revenues in 2021. During the pandemic from years 2020 to 2021, all companies had great increases in online sales due to the pandemic with Kesko having the highest increases in online sales and overall highest net sales in its history in 2021.

The retail giant Verkkokauppa, with its pre-established e-commerce presence across the country, had a different strategy before COVID-19 – the company focused largely on the functionality of their website and their webstore by transferring the webstore onto a new platform known as Single Page Application. This made page loading 20% faster, because online purchases occurred more efficiently by loading only the necessary section of the pages. Verkkokauppa also moved its website hosting to the cloud, which was put into testing during the “Black Friday” campaign. It was found that this strategic move allowed the website to continue running smoothly with the high numbers of website visitors. Furthermore, Verkkokauppa focused on improving their pick-up process for the orders that have been placed online by adding the possibility of starting the pick-up process online before arriving at the pick-up location, leading to over 70% of the pick-ups to start before the arrival in Helsinki.

Kesko, on the other hand, added sustainability and combatting climate change to its strategic focus areas, while also focusing on other strategies such as “Best digital services” leading to a 100,000 increase in users for their “K-Ruoka” application. They also managed to increase their visits to the K-Ruoka.fi website and in combination with the K-Ruoka application the company had 2.4 million weekly visitors. Additionally, the “K-Ostokset” app, which enables customers to track their purchases of Finnish products while also getting information on their carbon footprint with the carbon footprint calculator had an increase in users too, having 100,000 users by the end of the year. Kesko also added more delivery options for its K-rauta.fi online store, creating more options for the customers.

Similarly to Kesko, Tokmanni focused strategically on improving profitability by growing sales of its private label products and the increase of direct importing while also boosting the efficiency process. As for Tokmanni’s long-term growth strategy, one of pillars rests in investing more into digitalization and multichannel operations. Tokmanni focused on the online store by improving its internal efficiency, while also deploying new tools that would serve the customers and ensure that the product offerings remain attractive.

All of the aforementioned companies expanded their product categories to their online stores as a countermeasure to the pandemic. For example, Verkkokauppa added hand sanitizers and masks to its assortment category. Moreover, all three companies had higher sales relating to some product categories during the pandemic — for instance, all

companies had higher sales in home decoration. Kesko's K-Rauta specifically had higher sales in home renovations and decorations products, while Verkkokauppa sold high quantities of height-adjustable tables.

Furthermore, all companies had an increase in home deliveries and locker pick-ups, which resulted in Verkkokauppa introducing express deliveries, Kesko investing more in automation of its online grocery order collection, and Tokmanni further enhancing the collaboration between the online store and brick & mortar stores pick-up and return services. Additionally, the companies added more options to their online services, with Kesko creating a new side to its webstore K-Rauta Pro and Verkkokauppa adding its online outlet to make it easier to sell products that had been returned. Furthermore, all of the companies invested in their logistics, supply chain, and inventory management, Kesko developed its logistics for K-Rauta side for more delivery options, while Tokmanni improved its supply chain by ordering certain products early on to ensure shelf availability and Verkkokauppa invested in its automation system for its warehouse to improve product availability and operations.

However, the companies did also have differences in their strategies during the COVID-19 pandemic. Kesko for example focused on enhancing its different apps like "K-Ostokset" and "K-Ruoka" app while also focusing on data collection to adjust the selection and services to the customer's needs, while further increasing the online shopping possibilities to more of its K-food stores increasing to 500 by the end of 2021. On the other hand, Verkkokauppa added a new service with a focus on Finnish products by working with different new Finnish companies. Tokmanni focused on the customer experience further by launching their customer loyalty program called "Tokmanni Klubi".

Before the pandemic in 2019, all three companies had already started focusing on their digitalization efforts with significantly positive results from even before the pandemic occurred. Verkkokauppa reached one of the company's milestones of EUR 500 million, the company managed to increase its sales and attractiveness with the popular "Black Friday" campaign, in which the new cloud system was developed and put into use with the combination of the Single Page Application. The combination of these allowed the campaign to run smoothly, increasing sales and website visits. Furthermore, the improvements in delivery systems with the new pick-up system further improved the company's performance by significantly helping with the pick-up system for the Helsinki

store. With Kesko attracting more customers to its “K-Ruoka” application and K-Ruoka.fi website, they managed to boost online sales by 106%, doubling the number of customers that they had previously. With the newly developed logistics and delivery options to consumers for K-Rauta.fi, Kesko managed to increase its online sales in Finland by 80% and further increased the revenue of the company. Tokmannis' focus on cheap prices both in physical shops and online stores with the combination of deployment of new tools to make better product offerings increased the company's online sales by 43,5%.

During 2020, during the first year of the pandemic, each company saw significantly positive results from their developed digitalization offerings and online sales. Verkkokauppa's “same day delivery” service increased the express delivery service by nearly six-fold with an increase of 665% in 2020. Furthermore, the newly added product categories to the online shop boosted sales, for example, the toys category that was added to the online shop at the end of 2020, had a sales increase of nearly 80% from the previous year as the customers' awareness of the wide product category range grew. Kesko similarly to Verkkokauppa managed to boost its sales online on the K-Rauta side with certain product categories like home renovation and decoration, leading to higher sales numbers and net sales. Kesko also had a massive performance increase in home deliveries as well as click & collect grocery shopping with peak growth of 2,000% further increasing sales in 2020 with the additional delivery options. Kesko further managed to increase the online sales of K-Rauta with the store-specific ideas that the company applies for both the building and technical stores as well as the grocery stores, leading to an increase in online sales of 72% for K-Rauta side and a 378% increase on the grocery store side in 2020. Tokmanni also saw a big growth in its online sales with 2020 having an increase of 124,1%. Tokmanni's focus on logistics ensured that the company would perform well both in the online side and physical stores by having shelf availability for the products, ensuring that the customers would be able to buy their products at affordable prices. Additionally, Tokmanni's focus on the improvements in delivery and return services between the online store and physical stores, further improved the company's performance.



## 10 Conclusion

Verkkokauppa, Kesko, and Tokmanni, three Finnish retail giants, had different strategic focuses before and during the COVID-19 pandemic. The company with the strongest presence online out of the three mentioned companies, Verkkokauppa, focused on enhancing the efficiency of its website and webstore as well as expanding the product offerings. Kesko invested in developing its online store, adding new pick-up lockers, and invested in digital services. Tokmanni focused on enhancing its profitability by increasing the sales of its private-label products, making investments in its multichannel and digitalization activities, and making the collaboration between the online store and physical stores better.

During the pandemic, all of the companies increased the number of product categories they offered, which resulted in higher sales in some of those categories. Additionally, they had an increase in locker and home deliveries, which resulted in the development of new delivery options such as the express deliveries for Verkkokauppa. The companies furthermore, focused on better supply chain and inventory management, and the addition of more options to their online services. However, there were also differences between the companies' pandemic-related strategies. Kesko concentrated on improving its applications, gathering information to match its products and services to the needs of consumers and Tokmanni similarly launched its customer loyalty program with a focus on the customer experience.

In terms of differences, these companies also strategically adapted in unique ways which helped boost online sales and revenue. With the help of different popular campaigns such as "Black Friday", enhanced delivery methods, and a new pick-up system, companies such as Verkkokauppa were able to increase their sales. Kesko doubled the number of clients using its K-Ruoka application and K-Ruoka.fi website, increasing its online sales and website visits. Moreover, Tokmanni was able to increase its profitability by focusing on low-pricing techniques and expansion of its private-label products

In conclusion, the three major Finnish retailers had both similarities and differences in their strategies and digitalization implemented to deal with the COVID-19 pandemic. However, all of the aforementioned companies had the best years in their history in

revenue and sales during the COVID-19 pandemic with the increase in online sales, specifically in the year 2020 with early stages of the COVID-19 pandemic. The clear connection between adaptable and timely strategy focused on digitalization resulted in strong positive results for each company researched.

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