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E-Commerce Entrepreneurship: A Practical Study of Online Shop Development

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ABSTRACT

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E-commerce, powered by the internet's accessibility, has given equal business venture opportunities to all. Small businesses and individual entrepreneurs now achieve worldwide reach without once required considerable investments, due to strides in technology. This shift reflects changing consumer behaviours, favouring convenience and accessibility. As a cost-effective avenue, e-commerce reshapes the commerce landscape for businesses of all sizes.

The primary objective of this thesis was to provide aspiring entrepreneurs with a comprehensive guide to developing a fully functional online shop. The purposes of this thesis were to create and develop an e-commerce shop using theoretical knowledge acquired while writing the theoretical part of the thesis and to figure out the critical and technical aspects involved in the creation of an e-commerce shop. Additionally, the purpose was to have this thesis act as a tutorial for starting an e-commerce shop.

The theoretical part of the thesis included the existing literature review on the development of the e-commerce business. The theoretical framework of e-commerce entrepreneurship was written based on the literature review. The qualitative research aimed to update the theoretical part with practical insights from the case study with the author's journey in creating and developing an online business through a marketplace.

This thesis revealed that it is possible for entrepreneurs to effectively develop and manage an e-commerce shop by following a list of recommendations and examples presented both in this thesis as well as by following the step by step guide created by the author. The major advice apart from following the guidelines and the step by step guide includes format selection, customer relationship management, and marketing advice aimed at beginner entrepreneurs making their first steps into the world of e-commerce.

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Key words: e-commerce, entrepreneurship, online shop

CONTENTS

ABBREVIATIONS AND TERMS

E-commerce	Electronic commerce, a method of buying and selling goods and services online.
Mobile commerce	Any commercial transactions that take place via apps or mobile sites.
Social commerce	A process of selling products and services directly through social media.
F-commerce	Facebook commerce, engagement in online business operations through a Facebook page or Facebook application.
AI	Artificial intelligence, the simulation of human intelligence processes by machines.
SEO	Search engine optimization, the process of improving the quality and quantity of website traffic to a website from search engines.
PPC	Pay-per-click, a form of online marketing where advertisers pay a fee for each click on their advertisements.
UX	User experience, the path that a user takes while engaging with a product or service.
CRM	Customer relationship management, a process in which an organization manages its engagements with customers, often employing data analysis to examine extensive amounts of information.

1 INTRODUCTION

With the increasing popularity of using one of many forms of e-commerce as an additional or even main source of income the author of this thesis became allured by the idea of developing an e-commerce shop. With daily progress in technology as well as constant improvements to global transportation and commerce channels, creating and opening an online shop has never been as easy and affordable as it is now. The lowering of the minimal investment that can be observed throughout the internet is yet another factor encouraging the author in developing the e-commerce shop that is the topic of this case study. (Kerick 2019; Kiniulis 2023b.)

The objective of this thesis is to provide an answer to the question: how can entrepreneurs effectively develop and manage online shops in the context of e-commerce entrepreneurship? The purposes of this thesis are to create and develop an e-commerce shop using theoretical knowledge acquired while writing the theoretical part of the thesis and to use both practical experience and theoretical knowledge to figure out the critical and technical aspects involved in the creation of an e-commerce shop. Additionally, the third purpose is to have this thesis act as a guideline or tutorial for those who wish to start an e-commerce shop in the future, by giving both relevant information and providing the reader with an inside view into the process of online shop creation.

The most important prerequisite knowledge for understanding this thesis is the understanding of e-commerce and entrepreneurship as concepts. E-commerce represents the concept of selling and buying products and services online (Manzoor 2010). It allows small companies and individual entrepreneurs to achieve global reach with their products and services, without needing astronomical investments needed to achieve said reach (Manzoor 2010). Entrepreneurship on the other hand is both a field and a concept concerned with identifying, creating, and developing new business ventures (Eisenmann 2013). Entrepreneurship gained popularity largely due to its recent accessibility, advances in internet availability, and globalization (Holden 2022).

As an International business major, the author wishes to put the knowledge and experience acquired during the studies to the test with real life experience creating and managing an e-commerce shop. Additionally figuring out crucial steps for creating and managing e-commerce undertakings presents an opportunity for professional growth for the author as it aligns perfectly with career aspirations and future plans of entrepreneurship of the author.

This is a very practice based functional thesis. Overall the data collection for this thesis is of a qualitative nature, incorporating such data collection methods as content analysis where information is gathered from online sources together with literature and experimental studies as information is gathered from the case study and competitor analysis. In the practical part of the thesis, the experimental method involves the actual implementation of what the author considers to be a good e-commerce business plan, treated as a case study. The competitor analysis had been performed and was documented in the case study section. The primary idea of this experiment case study is not to prove the author's initial plan as an effective and suitable plan, instead, the idea is to learn from the experience of the shop development process. Documenting all the necessary steps to avoid unnecessary difficulties is another main reason for this thesis as the author intends to create both an experience and theoretical information based guide for e-commerce shop development.

1.1 Thesis background

E-commerce, powered by the internet's accessibility, has given equal business venture opportunities to all. Small businesses and individual entrepreneurs now achieve worldwide reach without requiring considerable investments, due to technological strides. This shift reflects changing consumer behaviours, favouring convenience and accessibility. As a cost-effective avenue, e-commerce reshapes the commerce landscape for businesses of all sizes. With the growing preference for online purchasing and the speedy boom of digital technology, the world of entrepreneurship has witnessed a paradigm shift closer to e-trade ventures. (Kerick 2019).

This thesis is a case study of the author's endeavour to create and develop an online business in the form of a shop on an already established marketplace known as "Etsy". "Etsy" is a marketplace for shop owners to sell their products without having to invest in developing their own website or application. The author started their business endeavour before establishing it as the topic of a thesis, which provided a unique opportunity to see how an improvised approach in the earlier stages of shop development holds up against a thought-out and literature–based approach in the later stages. Additionally, this thesis serves as a guideline and a list of suggestions and recommendations to anyone looking into developing an online shop, be it an application, website, marketplace or platform–based shop. The theoretical parts provide recommendations backed by literature for all the above-mentioned cases of online shop development. In contrast, the case study provides a unique insight into the experience of the thesis author creating and managing an online shop on a marketplace.

1.2 Theoretical framework

The theoretical framework portion of the thesis talks about theories, ideas, and concepts necessary for understanding the thesis correctly. The following theories and concepts are relevant to this study because they provide both the background and current context of the e-commerce environment.

A very large amount of information of significant importance when it comes to e-commerce endeavours can be drawn from the experiences of entrepreneurs of the past as well as the experiences of those that still stand as successful e-commerce enterprises. Therefore, it is important to delve into the history of e-commerce as it holds valuable insight into how the world of online shopping got to its current state and may hold answers to many questions that will likely arise when trying to navigate the field of e-commerce.

E-commerce platforms and marketplaces are related concepts. Platforms refer to websites and apps that allow people to make postings of items they wish to

sell; examples of platforms include Amazon and Alibaba. Marketplaces refer to websites and apps that allow users to create their own shops or "markets" and put up different products and services in their online "storefront". Usually, marketplaces allow a certain level of personalization to be displayed in shops, one example of a marketplace is Etsy.

F-E-A-R-S and H-O-U-R-S approaches as described in Jay Baer (2016) book "Hug Your Haters: How to Embrace Complaints and Keep Your Customers" are two approaches aimed at dealing with unhappy customers or as called in the book "haters". The book separates unhappy customers into two categories, those categories being "onstage haters" and "offstage haters" with the F-E-A-R-S approach addressing "onstage haters" and the H-O-U-R-S approach addressing "offstage haters".

Among the marketing approaches the following are the most relevant to this thesis. Search engine optimization (SEO) Is an advertising approach where one increases natural discoverability using tags and keywords. Pay-per-click advertising (PPC) is an advertising approach where one increases brand discoverability by paying an advertising provider payment for every click the product received from said advertisement. Influencer marketing is advertising with the help of influencers and or content.

Customer relationship management (CRM) is an unavoidable subject in the case of this thesis. Terms and concepts important for understanding CRM in the context of this thesis are interactivity (real-time two-way communication between the customer and seller) and most importantly The DeLone and McLean information systems success model which is a theoretical framework used to assess the success of information systems, it explores six dimensions of success for information systems.

2 SIGNIFICANCE OF E-COMMERCE

2.1 History of e-commerce

E-commerce has undergone significant growth since the time of its inception, establishing itself as a pivotal component of the global economy. One notable development in this domain is the emergence of "f-commerce" a term reintroduced in 2009 to encapsulate the influence of social media, particularly Facebook. F-commerce was influential to such an extent that later from it social commerce (shopping directly through social media platforms) started growing. The significance of e-commerce is evident not only in the transition to larger social media platforms but also in its capacity to adapt to the constantly changing digital terrain. (Turban 2012.)

There seems to be a lack of agreement between different sources relating to exactly the timeline of significant milestones in the history of e-commerce starting with its very beginning with some sources declaring its birth to be together with the first online service provider, while others say it started with the birth of the world wide web. However, here is the indifferent collection of milestones important to e-commerce.

1969 – Compuserve is the first online service provider (Pathak 2019).

1979 – Michael Aldrich is probable to have invented online shopping by connecting a TV to a transaction processing computer via a telephone line (Wai 2016; Pathak 2019; Gold 2023).

1982 – Minitel used for online ordering was introduced in France (Wai 2016).

1989 – Tim Berners-Lee invents the World Wide Web (CERN N.d.).

1992 – Launch of the first e-commerce website – Book Stacks Unlimited (Pathak 2019).

1993 – The World Wide Web is released to the public (Ring 2023).

1994 – The first online bank was opened and the Netscape Navigator browser was released (Wai 2016; Kapil 2017; Pathak 2019).

1995 – The birth of Amazon and eBay (Kapil 2017; Pathak 2019; Gold 2023).

1996 – Online sales surpass $1 Billion and over 40 million people have internet access (Kapil 2017).

1998 – The beginning of PayPal (Kapil 2016; Wai 2016; Pathak 2019).

1999 – Alibaba is launched (Pathak 2019).

2000 – Google Adwords – an online search advertising tool is brought into existence (Pathak 2019).

2002 – eBay buys PayPal for $1.5 billion (Wai 2016).

2003 – Amazon posted its first ever yearly profit (Wai 2016).

2004 – Birth of Facebook (Kapil 2017).

2007 – Facebook starts selling advertisements (Meta 2007).

2008 – The first mobile WEB transaction was recorded (Kapil 2016).

2011 – The Google Wallet has been launched (Kapil 2016).

2012 – E-commerce sales reach $1 Trillion (Thomas, Davie & Weidenhamer 2013).

2013 – China becomes the largest e-commerce market in the world (Kapil 2016).

2014 – Social media platforms integrate shopping functionality, giving birth to Social Commerce (Gold 2023).

2020 – The Covid-19 pandemic accelerated the shift to e-commerce due to lockdowns and restrictions (Gold 2023).

The history of e-commerce was however not only the history of successes all across the board, the market witnessed plenty of e-commerce failures, resulting in questions about the industry's viability. Brands like E-Toys, Webvan, and others failed to utilize the e-commerce format and eventually left the market. However, these failures should not be viewed as a decline in e-commerce. Rather, they represent a natural process of business experimentation and adaptation, a sort of digital Darwinism. Notably, the concept of "click-and-mortar" the amalgamation of online and physical commerce, has proven successful. Key players in this sector, such as Walmart (GuruFocus 2023) and Target (Dolan 2022) are experiencing growth. (Turban 2012.)

After companies got the hang of how e-commerce operates, there has been an influx of success stories in the business world. Companies like eBay, Google, Amazon, and Alibaba have been bright examples of the potential e-commerce holds when it comes to sales (Kiniulis 2023a). The success of these enterprises emphasizes the significance of delivering a wide array of product offerings. Companies like Amazon have set a high standard by offering a large selection, speedy delivery, and exceptional customer service.

The future of e-commerce appears bright and promising, with many forecasts indicating continued growth, an example being eMarketer's prediction of continued growth averaging 8.62% annually for the next 5 years (eMarketer 2023). The global increase in the number of internet users rising to 92% in 2023 coupled with the prevalence of smartphones and their increased usage in making online purchases, has made online shopping more convenient and accessible. E-commerce has also spread into various industries, including business-to-business, e-government, e-learning, and business-to-employee, ensuring its continued relevance. (Lone, Weltevreden & Luharuwala 2023.)

2.2 Trends in online shop development

Forbes predicts e-commerce to be the driving force amounting to 47% of all retail growth by the year 2027 (Evans 2023). In already long-established markets many products and services are approaching (and in some cases already surpassed) the oversaturation point. This forces companies and brands to experiment endlessly to captivate customers and not partake in the saturation process. Since online shops are contained within the definition of e-commerce, e-commerce trends and trends in online shop development are going to be used interchangeably.

One of the most interesting and impactful new fields to arise from this constant "arms race" is the rise of **mobile commerce** as it accounted for 72.9% of e-commerce sales as of 2021, meaning more than half of global online purchases are made through smartphones (Coppola 2022). Hence businesses

are more and more often prioritizing mobiles by utilizing the mobile-first approach when developing websites and services. At the same time, the world of social commerce is also rapidly expanding, enabling sales through social media platforms. The United States' social commerce sales in 2021 amounted to $36.6 billion making it a significantly growing market even if compared to the entirety of 1 Trillion of the e-commerce sales in the year 2022, the number may seem insignificant. (Barber 2022; Koetsier 2023.)

Artificial intelligence (AI) has experienced forever-increasing popularity in relation to e-commerce. AI-powered chatbots are appearing on most large and middle-sized companies' websites and almost all large international companies completely incorporated them in their apps and websites. The websites' popularity stems from the ability of AI-powered bots to assist customers 24 hours a day providing no time without available customer support. Further use for AI is dynamic pricing which is a system utilizing AI to adjust prices based on the market data, AI can adjust a large assortment of items in the shop depending on the market situation saving a lot of time manually adjusting all the prices. (Luigi's Box 2023.)

Yet further use of AI in any business is the possibility of using it to forecast demand and sales, AI can analyze large quantities of data and generate forecasts allowing the business to prepare for any particularly low or high demand (Luigi's Box 2023). It is necessary to mention that the same goal can be achieved by utilizing recurring neural networks (RNN) and long short-term memory (LSTM) which are capable of discovering patterns in large series of data that to a human may appear chaotic.

Another use for AI in e-commerce is analyzing customer purchase history and other relevant data to personalize their shopping experience, the effectiveness of this use of AI is apparent when taking a look at how many companies (pretty much all of them) utilize AI in this way (Luigi's Box 2023.). As an example, Netflix is using its own AI-powered algorithm to recommend titles to its customers.

Among other notable trends in online shop development are:

Streaming services like Hulu, Netflix, Amazon Prime, etc. employ a **subscription based-model** to create a stream of monthly income from every user. Some companies like Spotify provide an inferior version of their service for free allowing users to upgrade to the paid version by subscribing. (Mattey 2023.)

Voice search can be both an accessibility and a quality of life functionality for companies, online shops, services, and their customers as it allows easy navigation of the pages. Voice search would be particularly useful to people who are otherwise unable to interact with the services or products online. (Luigi's Box 2023.)

Blockchain emerged as a novel technology suggested by Nakamoto to serve as the decentralized currency element within the framework of Bitcoin technology. Blockchain enhances the security, ease, and swiftness of transactions on e-commerce platforms. With the help of blockchain, users can do more secure transactions and securely store their digital assets. (Taherdoost & Madanchain 2023.) Blockchain technology can be used in e-commerce in many ways that are yet to be discovered since it is a technology still in its infancy, however, there have already been some notable uses. For example, a company utilizing a subscription based-model can increase security by granting subscribed users a token that proves the ownership in a way previously unattainable. (Mattey 2023.)

User-generated content such as reviews possibly with pictures, and forums helps foster a close relationship with the customers as they have a way to interact with the company other than by making purchases. This can also make users more invested in the brand thus creating another loyal customer. (Wertz 2020.)

The continuous evolution of e-commerce makes adapting to the constant changes and adopting emerging new technologies and ideas an unavoidable part of a successful online business. It has become the responsibility of all online business owners to look out for emerging trends and see if adopting them would be viable.

3   E-COMMERCE PLATFORMS AND MARKETPLACES

3.1 Types of e-commerce platforms

In e-commerce, choosing a platform is one of the most important decisions that greatly affects the operation and success of an online business. This section examines the available e-commerce platforms thoroughly, providing a comprehensive understanding of the landscape.

The e-commerce platform acts as an integrated software solution, giving online entrepreneurs the tools they need to optimize their websites, marketing strategies, sales processes, and daily operations. This modern, cloud-based solution is fast, it is flexible for helping deliver exceptional customer experiences, increases operational efficiency, opens up exciting growth possibilities and even more excitingly, the shop owner does not need a huge budget to get started. (Saltis 2018.)

There are six different categories that individuals and businesses can look for when considering choosing an e-commerce channel:

Building an e-commerce platform requires internal and external resources to create a customized e-commerce platform. Although rare today, it is still a viable option for businesses with very unique needs that are not met by commercial systems. (Patel 2019.)

Traditional e-commerce platforms require the purchase of an initial license fee, which must be renewed annually. Companies then engage their IT teams and developers to build and optimize the platform, for use on-premises or in the cloud. Notable examples include Hybris, Oracle Commerce, and IBM Digital Commerce. (Saltis 2018.)

Cloud-based e-commerce platforms can be a bit ambiguous, as some traditional open-source platforms and hosting services have been added, with

notable examples incorporated as cloud platforms by Magento Enterprise Cloud, Salesforce Commerce, and Vollusion. (Saltis 2018.)

Open e-commerce platforms follow a similar development process to traditional platforms, but there is one big difference: there are no licensing fees. Instead, businesses bear the costs of initial development, ongoing development, development, and migration. Magento stands as an example of an open e-commerce platform. (Saltis 2018.)

Software as a Service (SaaS) e-commerce platforms are typically built on a code base. Every user of an e-commerce SaaS platform experiences the same technology at a fixed monthly fee for server usage, maintenance, security, and upgrades. (Saltis 2018.)

An online **marketplace** refers to an e-commerce website or application designed to facilitate the shopping experience by offering products from a variety of sources. Importantly, the market operator does not manage its own inventory. Instead, their role is to introduce products to various vendors and facilitate potential customers. (Mileva 2023.)

In today's digital environment, there are many online marketplaces with major names like Amazon, eBay, Etsy, and more. Depending on the unique features of each market, vendors can take advantage of the different tools and offerings. However, both the advantages and disadvantages of selling in online marketplaces have many things in common, as explained below.

3.2 Differences between e-commerce platforms and marketplaces

Both e-commerce and marketplace models involve online shops, with the main distinction being that e-commerce supports a single retailer (shop owner), while a marketplace enables multiple retailers to operate under one storefront, providing customers with a seamless shopping experience on an integrated website. (Miozzo 2021.)

In an e-commerce operation, the owner oversees all aspects, from inventory to fulfillment. Conversely, a marketplace extends the e-commerce channel, allowing third-party vendors to offer products and relieving owners of storage and handling responsibilities. It is advantageous for owners seeking to expand their product range with minimal effort, as vendors manage their operations. (Miozzo 2021.)

Marketplace advantages include an expanded product assortment, complete operational control, the ability to gain customer insights, foster loyalty, and reach new customers. The marketplace revolution is driven by its winning characteristics, providing owners with market expansion and increased income. (Miozzo 2021.)

Choosing between e-commerce and marketplaces depends on specific business objectives. For sellers, transitioning to a marketplace increases revenue without escalating risks. It enables control over vendor selection and the supply chain, streamlines customer data collection, and enhances brand loyalty. However, critical thinking is essential when aligning decisions with long-term business goals. (Miozzo 2021.)

4   SETTING UP AN ONLINE SHOP

Setting up an online shop has eight significant steps which need to be taken into account: choosing the product niche and competitor analysis, determining the target audience, technical aspects, customer engagement and retention, digital marketing, customer relationship management and legal considerations (Figure 1).
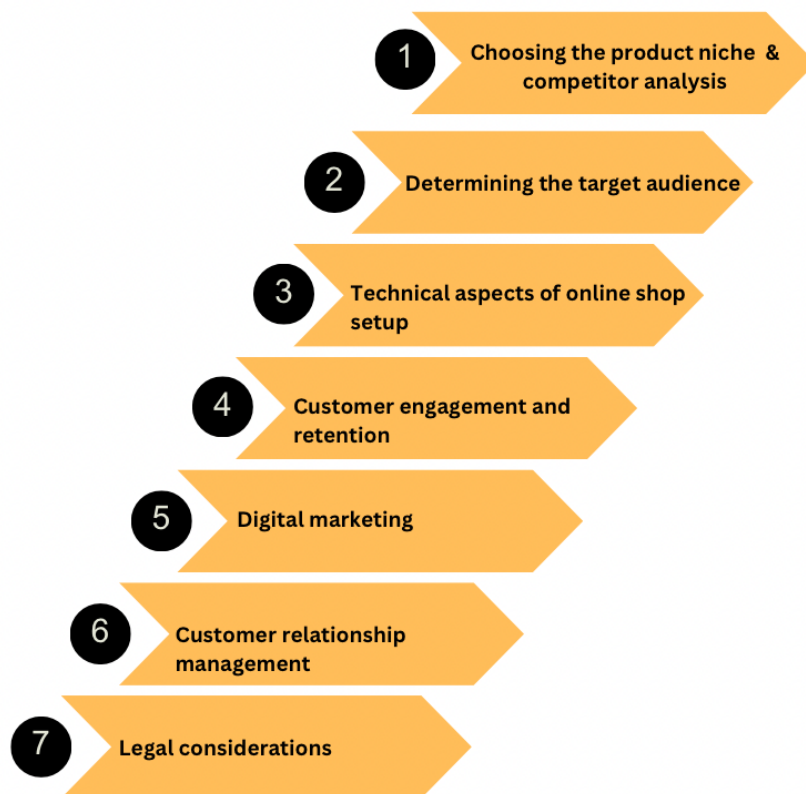

FIGURE 1. Seven steps of setting up an online shop.

4.1 Choosing the product niche and competitor analysis

4.1.1 Choosing the product niche

When deciding on the type of online business to create, it is essential to choose a niche that aligns with several key criteria for long-term success. Drawing from

the author's own experience, a compelling niche should meet specific vital criteria. Personal passion or genuine interest in the chosen niche is crucial, as enthusiasm will be the driving force behind the venture's growth and resilience. Aspiring online entrepreneurs should aim to position themselves as authorities within their chosen niche, fostering trust and credibility among their target audience. Equally important is the ability to fulfill a genuine need within the market, ensuring that a business's products or services genuinely address customer pain points. Moreover, a commercial aspect is indispensable; the chosen niche must possess the potential for monetization and financial sustainability to make the venture viable and profitable. (Taylor 2016.)

Finding the right niche is a crucial first step. The significance of this decision cannot be overstated, as it forms the foundation for the success of the digital industry. Whether the owner's aspirations involve creating a successful blog or launching a thriving e-commerce platform, the ability to leave a mark in this dynamic industry largely depends on the niche chosen.

Niche selection is typically defined as the process of choosing a specific segment within a broader market for a particular product or service. This endeavour requires a combination of passion, knowledge, and a commitment to problem-solving. Passion serves as the driving force behind the career. It is essential to choose a niche that aligns with the owner's interests, something that genuinely excited. (Carney 2023.)

Problem-solving plays an important role in a quest for the perfect niche. Every successful online business addresses the challenges and issues encountered by its target audience. To provide valuable solutions, one must first identify the problems within the chosen niche. This involves exploring online communities, conducting interviews, and analyzing competitor's offerings. Only by comprehending the pain points of the audience, meaningful solutions could be discovered that add value to the niche. (Carney 2023.)

Competitor analysis plays a pivotal role in this process. In an ideal scenario, having completely unused space might be the goal, however, in reality, a complete absence of competition often raises a red flag. Healthy competition

indicates a demand in the market. On the other hand, excessive competition can create barriers to entry. Therefore, it is crucial to strike a balance. Analyzing competitors' strategies, content quality, and audience engagement to identify areas where the company can outshine them and provide a unique offering.

Keyword research constitutes another critical aspect of niche selection. It involves gaining an understanding of what potential customers are searching for online. Utilizing various tools such as Google Trends, Google AdWords Keyword Planner, and uncovering keywords with high search volumes can prove effective. This keyword research unveils popular topics and enables one to tailor the content or product accordingly.

Before finalizing a niche, thoroughly assessing its advantages, gaining a deep understanding of the company's target audience, and ascertaining if it represents an evergreen niche. Profitability, especially for e-commerce businesses, is a crucial factor to consider. Understanding the target audience is vital for shaping marketing strategy, tone, and design choices. Lastly, ensuring that the niche possesses lasting appeal rather than being a fleeting trend is recommended.

Once the niche is chosen, testing the idea becomes the final litmus test before a full launch. Whether through online shops or website pre-orders, this step offers valuable insights into the niche's reception. Managing site analytics and ongoing optimization are essential to refine the niche's appeal.

Leveraging social media is another essential tool that must be in the niche marketing arsenal. It enables businesses to actively engage with potential customers, grasp their needs, and customize products or services according to their preferences. Identifying the platforms where the target audience gathers, be it on Instagram, Twitter, or within specific Facebook groups, offers direct access to their discussions. This, in turn, empowers companies to be highly adaptable and responsive to the specific requirements of their audience.

4.1.2 Competitor analysis

Exploring the competitor analysis involves analyzing the strengths and weaknesses of those currently in the market and those who might join in the future. This kind of analysis is not just about defence or offence, it is more about understanding the battlefield to spot chances and challenges. Creating a competitor profile is about bringing together all the key details from various sources, crafting a solid foundation for building and tweaking strategies in a smart and efficient way. (Miller, Vandome & McBrewster 2009.)

According to White (2022), It is pivotal to focus on competitors, especially to do a regular competitor analysis to stay ahead of market shifts and potential changes in competition. Regular competition analysis means checking and understanding brand competitor's product range, pricing strategies, and service quality often. It is beneficial to analyze their sales tactics, sales volume, and expansion plans, and look into customer feedback regarding why they chose this particular brand. Moreover, new businesses need to evaluate pricing strategies and perks, ensure competitive shipping costs to reduce cart abandonment, observe competitor marketing tactics on various platforms and provide insights into their content, frequency, and audience engagement. All mentioned above will help the brand to improve its processes and customer service.

Evaluation of competitor product offerings could be done by analyzing pricing, features, differentiators, and market gaps. A competitive analysis template, like a SWOT analysis or a more simple table, assists in understanding where the brand stands relative to competitors. It is crucial to understand the competitive landscape comprehensively to refine the strategies, discover market niches, and capitalize on opportunities.

4.2 Determining the target audience

4.2.1 User profile

The second step in online shop development is determining the target audience. According to Cufoglu (2014, 1 – 2), a user profile is a set of information representing a user via user related rules, settings, needs, interests, behaviours and preferences. This collection of personal information can either be represented as static data (e.g. native country) or dynamic data (e.g. needs). The accuracy of the user profile, regardless of content and volume, depends on how well the process of collecting, organizing and interpreting the user profile reflects the individual essentially, the user profile is an accurate and professional profiling process.

User profiling can be categorized into explicit and implicit methods. Explicit profiling involves analyzing static and predictable user characteristics, typically obtained through online forms or surveys. However, this method faces challenges as users may be reluctant to share information due to privacy concerns or find the process tedious, leading to a degradation in accuracy over time.

On the other hand, implicit profiling, also known as dynamic or behavioural profiling, focuses on learning about the user's behaviour and preferences over time. This approach uses various filtering techniques, including rule-based, collaborative, and content-based methods. Implicit profiling combines static and behavioural information, making it more efficient and accurate, as it continually updates user information. (Poo 2003.)

4.2.2 Categorizing customers

Understanding the target customer proves advantageous when initiating marketing efforts, enhancing the credibility of the company's business concept, and streamlining business development and marketing processes.

Determining the specific person or group involves creating buyer personas through segmentation based on traits or classifications, including

demographics factors like age, income, gender, and occupation, **psychographics factors** incorporating lifestyle preferences such as music choices, hobbies, and other personal tastes. Additionally, considering **benefits** is essential – understanding the reasons for using the company's product or service, whether they fulfil essential or luxurious needs. **Geographic** preferences, encompassing their location, whether residential or business, facilitate effective targeting. Another crucial aspect is **use-based preferences**, indicating how often customers need the company's product. Usually, the target market encompasses a blend of terms and categories from this list, forming the foundation for the buyer persona. (Belew & Elad 2020.)

4.2.3 Sourcing data

There are many ways to look to get the data needed to create customer profiles. **Surveying by targeting potential or existing customers** is one of the most informative ways. Use surveys, facilitate focus groups, or use online forms registration is used to gather valuable information.

Analyzing competitor customers could be done by visiting competing organizations' websites and looking up their sponsors, a move that promises to gain insight into their customer preferences and behaviours. If these competitors are brick-and-mortar locations, consider visiting in person to see first-hand.

Another great way to source data is to **use the power of established market reports** to identify specific customer segments that show the greatest propensity to purchase the product offerings. Both online independently and paid for as detailed reports from specific research institutions, such research is a fountain of strategic insight. (Belew & Elad 2020.)

4.3 Technical aspects of online shop setup

After choosing the product niche and determining the target audience, there are several technical steps that need to be considered. Technical aspects include such steps as choosing the name, designing the website and logo, registering social media profiles, setting up advertising, setting up Google Analytics, partnering with a drop shipper, and connecting a payment provider(Figure 2).

FIGURE 2. Seven technical steps of setting up an online shop.

An entrepreneur should think about selecting a decent business name and registering social media profiles. The process then progresses to acquiring a domain name, setting up web hosting, and establishing a website, complete with advertising and affiliate programs, as well as coordinating trader roles. A well designed interface is essential for the shop, and integrating Google Analytics provides in-depth insights into its performance. Each of these steps represents a crucial building block in the foundation of an online business, serving as a framework for embarking on a digital entrepreneurial journey. (Blasbalg 2022.)

Choosing a name for the online business

Selecting the right name for an online shop is a significant step in establishing the brand's online identity. To ensure that the business name makes a strong impression, consider these three key factors: how well it represents the brand, what sets it apart in the market, and its searchability. (Taylor 2016.)

According to Blasbald (2022), there are several aspects to which a brand should pay attention when naming a business. These aspects are listed below.

The business name should capture the essence of the brand and the products or services offered. It serves as the first introduction to potential customers and should convey the core values, mission, and unique selling points of an online shop. Think of it as the face of the business in the digital world.

A business name should be easily discoverable through search engines and easy to remember for customers. Keep it simple, avoid complex or unconventional spellings, and make sure it is relevant to the business's offerings. A name that is easy to find can significantly impact the online presence.

Business name generators can be a handy tool in the name selection process. They work by allowing the user to specify the type of business they run, incorporate relevant keywords, and provide a brief brand description to generate potential business names. Shopify's business name generator or NameMesh are examples of such tools.

Finally, it is crucial to confirm its availability across various platforms and registries. This involves checking the availability of the domain name, examining search engine results, confirming the lack of its presence on social media platforms, and ensuring compliance with local business registration

requirements. Ensuring the uniqueness and availability of the chosen name simplifies the establishment of the business identity.

Designing the website and logo

Crafting an inviting and user-friendly website is a key driver for enhancing revenue. The website serves as an online storefront, making it the first point of contact with potential customers. Simultaneously, the logo acts as a visual symbol of any brand, fostering immediate recognition and a lasting impression. These elements are significant in conveying a brand's identity and shaping how consumers perceive any business.

User experience (UX) takes centre stage in the web design process. The business website should not only look appealing but also offer intuitive navigation and responsiveness across various devices. This ensures that visitors can easily explore the products or services and complete transactions hassle-free. Providing a range of convenient payment options, along with secure payment gateways, is paramount in enhancing user satisfaction. Moreover, a well-designed website should guarantee swift loading times, eliminating visitor frustration. SEO further ensures a website's prominence in online searches. (Taylor 2016.)

The logo stands as the cornerstone of all brand's visual identity. It should mirror a brand's personality, values, and product offerings. A memorable logo that effectively communicates a unique retail concept distinguishes the brand from competitors. Simplicity often proves to be a winning strategy in logo design, making it easier for people to recognize and connect with. A logo should also be easily adaptable to a variety of marketing materials, such as business cards and promotional banners. A well-designed logo possesses the power to instill trust, foster loyalty, and ensure recognition among consumers, thereby playing a significant role in the e-commerce branding strategy. (Taylor 2016.)

Registering social media profiles

Social media accounts are essential for an e-commerce business, as they enable it to reach a broader audience, establish customer engagement and

better sales. These platforms are a valuable tool for brand building, interaction with customers, and staying competitive in the online marketplace. Such platforms, including Instagram, Twitter, LinkedIn, YouTube, TikTok, and Pinterest, offer a diverse array of opportunities to engage with potential customers. Each platform serves as a unique channel for reaching distinct demographics and sharing content tailored to their preferences. (Belew & Elad 2020.)

Initiating this process involves claiming ownership of the social media accounts. By securing these profiles on platforms such as Facebook and Twitter, a digital foothold for the brand is established. This initial step ensures that the chosen usernames or handles are reserved for exclusive use. However, it is worth noting that although one can upload the company description, logo, and start adding content, it is often more strategic to hold off on extensive content creation until a carefully planned content strategy is in place. (Belew & Elad 2020.)

As ownership of the social media accounts is claimed, the stage is set for building a strong online presence and fostering connections with the target audience. In the subsequent phases, a brand story is crafted, compelling content is shared, and meaningful conversations are initiated that resonate with the followers across these platforms. The logo, visuals, and descriptions serve as vital components of this digital narrative, reinforcing the brand identity and ensuring a consistent and memorable presence. (Da Costa 2018)

Setting up advertising, affiliate, and merchant accounts

In the quest to build a thriving online shop, paying attention to advertising, affiliate partnerships, and merchant accounts is extremely important. These elements are not just tools but the very lifelines of an e-commerce strategy, each contributing significantly to the growth of an online shop. These aspects shape the future of any digital business. (Belew & Elad 2020.)

Advertising, social media and affiliate partnerships

Think of advertising as the beacon that guides potential customers to the online shop. Among the diverse advertising methods, Google Ads takes center stage. It is a powerful tool that allows a business owner to bid on keywords, ensuring that their website appears prominently in search engine results. While we often talk about the importance of SEO for organic visibility, Google Ads can secure that coveted top spot on the results page. What is impressive about search engine marketing through Google Ads is its real-time feedback and adaptability. Refining ad campaigns based on their performance is easy, making it a dynamic and efficient way to attract new traffic to a website. The beauty of this approach is that it does not demand design expertise, yet it can yield impressive results. (Belew & Elad 2020.)

Customers are spending a considerable amount of time on social media platforms, making them an ideal space for promotional endeavours. When advertising on these platforms, think about the audience's preferences. If they are more active on Instagram than on Twitter, allocate the advertising budget accordingly. Starting with engaging imagery of the products in use can provide an effective introduction to a brand. Observing the performance of ad campaigns in the early weeks allows to fine-tune the strategies for the best outcomes. Social media advertising empowers the brand to showcase the products through captivating photos and videos, creating opportunities to connect with new audiences. (Belew & Elad 2020.)

Affiliate marketing stands as a promising avenue for promoting sales and revenue in the realm of online business. Its dynamic landscape has evolved both physically and digitally, with retail giants such as Walmart and Amazon actively offering affiliate marketing programs to willing participants (Norris 2023). The core idea is that an affiliate partner helps people discover the products of the company they work with in exchange for differing commissions, creating a symbiosis between the company and the affiliate partners. (Belew & Elad 2020.)

Setting up Google Analytics

Google Analytics is a potent, cost-free website analytics platform that unlocks a treasure trove of insights regarding audience acquisition, behaviour, and profitability. In the context of e-commerce, adept use of Google Analytics can be a game-changer. It empowers businesses to make informed decisions, drive growth, attract new customers, and, crucially, salvage potentially lost sales. Furthermore, with the advent of Google Analytics 4, this tool has evolved into a more user-friendly and precise platform. (Angeles 2017.)

The significance of Google Analytics

Picture running a brick-and-mortar retail establishment where customers peruse products, making choices, and completing transactions. In the online landscape, Google Analytics takes on the role of the digital observation post. According to the Shopify guide "Google Analytics for e-commerce in 2024" (Kumar 2023), Google Analytics unveils key insights into various aspects of the website, including:

- Identifying the most popular products and pages.
- Analyzing the average time visitors spend on specific pages.
- Determining which website pages drive the most revenue.
- Gauging the effectiveness of traffic from search engines versus social media advertisements.
- Assessing the performance of different marketing campaigns and traffic sources.
- Assessing the proportion of new visitors compared to returning ones.
- Calculating the percentage of visitors who add products to their cart and subsequently complete the checkout process.
- Discovering the most frequently used devices for accessing the website.

With Google Analytics, answers to these questions and more become readily accessible, enabling businesses to refine their marketing strategy, enhance website design, optimize product offerings, fine-tune pricing, and make well-informed business decisions. For instance, when directing traffic to a product page without achieving any sales, Google Analytics can elucidate whether the issue lies in the page's appeal or whether concealed costs at

checkout deter prospective customers. It empowers decision-making driven by data, ensuring that actions are rooted in insights rather than speculation. (Angeles 2017)

Partnering with a drop shipper

Partnering with an exporter can be an exciting way to start an online shop quickly. The advantages of the dropshipping business model are obvious, with minimal initial investment and ease of maintenance. The responsibilities in the dropshipping industry change dramatically, as the owner collaborates with a vendor who manages quality, inventory, and complex order fulfillment on behalf of the online shop. The process unfolds systematically: checking the offers from a list of offers, and merging them into an online shop, which sets the resulting price as it sees fit. Once the customer places an order on an online shop's website and makes the payment, the online shop in turn sends the order to the supplier along with the corresponding amount. Then, the supplier handles packaging and shipping, ensuring that the product arrives at the customer's specified address. This system not only streamlines the business tasks but also allows for a more dynamic and scalable business process focused on marketing and customer engagement. (Clinton 2023)

Connecting a payment provider

In the dynamic realm of business strategies, the adoption of online payments is a necessity for any and all online shops and businesses. The perfect scenario would be as follows: customers get the ultimate convenience, breaking free from location and time constraints. It is not just about a smoother shopping experience, it is about boosting revenue, building customer loyalty, and upping that lifetime value. Going beyond local boundaries, online payments elevate a business into global markets, translating into more sales and revenue. But it is not all about the customers; it is an effective risk-mitigation tool, with security features designed to tackle fraud head-on. And behind the scenes, it is a backstage pass to streamlined operations, simplifying the core functions of accounting and reporting. Choosing the right payment provider is the pivotal

move here, considering factors like value, security, customer support, integrations, and reputation. (Belew & Elad 2020.)

Before committing to a payment provider extensive research needs to be conducted on data safety and protection the payment provider is known for. Customer data security is one of if not the most important aspects of choosing the payment provider as data breaches and hackers exploiting vulnerabilities can lead to the downfall of the business. (Belew & Elad 2020.)

Another thing to pay attention to is all the fees the payment providers have, comparing them to find competitive prices will save a lot of money in the long run especially when the business scales up. Yet another thing to mention about fees is that it is important to pay attention to additional setup fees, fees based on transaction and order volumes. (Kaushal 2022.)

In order to make sure the reach is global it is wise to look for a provider accepting a wide range of cards and payment methods as that will give customers all around the world the option to make a purchase. A payment provider that supports a simple checkout process would be beneficial to converting website or app visitors into customers as a fast and easy checkout does not tire and annoy the customer. (Belew & Elad 2020.)

Additionally, it is generally recommended to consider whether or not the payment provider allows for 24-hour support, as there is no way of knowing when any problems may arise, and without the all day and all night support it is possible to lose out on a large number of customers that may all want to make a purchase during a time one's payment provider's service stopped working. (Kaushal 2022.)

4.4 Customer engagement and retention

The fourth step is to develop customer engagement and retention. The e-commerce industry's customer engagement and retention landscape is undergoing rapid transformation. This evolution is primarily driven by the

widespread adoption of mobile and social technologies, shifting lifestyle behaviours, and heightened consumer expectations. These factors have fundamentally redefined the concept of quality customer service. (Baer 2016.)

Adapting to this dynamic e-commerce landscape is crucial for sustained success. Embracing the power of social media is paramount. In today's context, social media serves as a double-edged sword, reshaping how companies interact with their customers. It is essential to possess the necessary technology and expertise to navigate the intricacies of social customer service. Swiftly addressing and prioritizing comments, especially complaints, is imperative. Failing to do so can have dire consequences for brand reputation and customer relationships. Inaction and silence can breed resentment, exacerbating the situation. (Baer 2016.)

Turning detractors into advocates, as emphasized in Jay Baer (2016) book "Hug Your Haters: How to Embrace Complaints and Keep Your Customers" is central to this transformation. This book delves into the current state of customer service and underscores the significance of embracing online complaints. It emphasizes the need to convert dissatisfied customers into advocates and redirect negative feedback. This insight is bolstered by extensive research into the science of complaints, combined with Edison Research's which is a prominent market research company research and real-world case studies.

Responding to complaints does not merely resolve immediate issues but also fosters customer advocacy across all service channels, creating both short-term and long-term value. Consumer feedback generally falls into two categories: "offstage haters" and "onstage haters." Recognizing these two types is pivotal because it dictates the course of action. (Baer 2016.)

Onstage haters are customers who choose to publicly voice their complaints or negative comments and be known. This may include posting comments, reviews, or complaints on social media platforms, review websites, or any public

forum where others can see their dissatisfaction. These complaints are "on stage" because they are out there for the public to see.

Offstage haters, on the other hand, are customers who voice their complaints or crimes privately. They can contact the company directly by email, phone, or private message instead of airing their complaint in a public forum. These complaints are considered "offstage" because they are not readily visible to the general public.

Dealing with complaints across multiple channels presents a significant challenge nowadays in a time of aggressive digitalization. To manage feedback efficiently, businesses must be swift and adept in their responses. Mobile technology and the spread of feedback platforms have made the dissemination of information easier. Still, resolving customer concerns effectively and efficiently is of the utmost importance to successfully and continuously improve the brand's public image.

The impact of social media on customer service is undeniable. Customers increasingly turn to platforms like Facebook and Twitter to voice their complaints, making it essential for businesses to adapt. The more customers interact on social media, the more likely they are to complain, amplifying the impact of their negative experiences. (Baer 2016.)

For handling offstage communication, the H-O-U-R-S approach is instrumental and it includes the following advice. First of all, being human and acknowledging the human aspect of every interaction, showing empathy and understanding. Secondly using one channel, providing solutions where customers initiate contact to avoid frustration. The third piece of advice is to unify data, accessing all the information needed to resolve issues without redundancy. The fourth advice is to resolve the issue, meaning to focus on resolving customer problems efficiently, identifying common themes, and providing training. Lastly, doing it all with speed as in the age of social media, prompt responses demonstrate commitment to issue resolution. (Baer 2016.)

For addressing onstage haters, the F-E-A-R-S playbook is a valuable strategy that includes advice as follows. First of all, finding all mentions, monitoring online coverage is vital to address complaints effectively. Secondly, displaying empathy, approaching complaints with empathy, and maintaining a calm and sympathetic tone is crucial. The third advice is to answer publicly, meaning addressing concerns publicly to demonstrate transparency and engagement. The fourth piece of advice is to reply only twice by engaging in constructive conversations and avoiding prolonged exchanges of negative information. Lastly, switching channels for complex complaints shifts the conversation to private channels to provide detailed solutions. (Baer 2016.)

In a constantly changing and morphing realm of e-commerce, the ability to engage and retain customers is dependent on adaptability, empathy, and efficiency. It is crucial for businesses to embrace these changes, acknowledge complaints, and view them as opportunities for improvement.

4.5 Digital marketing

Digital marketing involves promoting goods or services through digital technologies, especially over the internet and other electronic media. The utilization of communication technologies by companies has undergone significant transformation due to digital marketing. With online technologies increasingly integrated into business plans and daily life, digital marketing strategies have become more prevalent and efficient. Additionally, consumers now favour buy with the help of digital devices over physical stores. (Puthussery 2020.)

In the development of an online shop, implementing digital marketing is an important fifth step. Digital marketing involves promoting goods or services through digital technologies, especially over the internet and other electronic media. The utilization of communication technologies by companies has undergone significant transformation due to digital marketing. With online

technologies increasingly integrated into business plans and daily life, digital marketing strategies have become more prevalent and efficient. Additionally, consumers now favour buy with the help of digital devices over physical stores. (Puthussery 2020.)

The study made by Gartner company in 2013 that aimed to unravel the mysteries of customer loyalty and its correlation with customer service set out to address three critical questions: To what extent does customer service genuinely influence customer loyalty? What can customer service do to effectively drive customer loyalty? How can companies leverage customer service to enhance loyalty and reduce operating costs? (Levy 2019.)

The foundation of this research was rooted in the definition of customer loyalty, encapsulated within three primary behaviours. The first behaviour, called **Repurchase**, refers to customers consistently choosing to purchase products from one's company. The second, **Share of wallet**, pertains to the gradual increase in the amount of money customers spend on one's business over time. The third behaviour, **Recommendations**, involves customers evolving into strong advocates for one's brand, spreading positive word of mouth to others. (Dixon, Toman & Delisi 2013.)

This global research study engaged an impressive 97,000 customers. Surprisingly, the study uncovered an unexpected revelation: instead of choosing a better experience, the customer would rather do less work for the purchase. (Levy 2019.)

Based on this study companies that believed these findings could change the strategy drastically. Rather than overwhelming customers with excitement, companies can focus on streamlining the customer journey, making it faster and simpler, thereby fostering customer loyalty. This insight closely aligns with the principles outlined in Dr. Robert Cialdini's book, "Influence, New and Expanded: The Psychology of Persuasion" (2021) a classic work on persuasion. This book explores the psychology of why people say "yes" and how to effectively employ these principles. "Influence" delves into six universal

principles of persuasion: reciprocity, commitment & consistency, social proof, authority, liking, and scarcity. These principles shed light on fundamental aspects of human psychology and behaviour, offering invaluable insights into crafting marketing strategies that attract and retain customers.

The reciprocity principle delves into a pivotal aspect of effective marketing—suggesting that individuals tend to respond in kind, fostering a sense of obligation. Strategic business implementations involve offering incentives or gifts, aiming to cultivate customer engagement and loyalty. **Commitment and consistency** underscore the importance of maintaining a steadfast message, aligning marketing efforts with consumer expectations to build trust and commitment for enduring customer relationships. (Cialdini 2021.)

Social proof, another potent principle, taps into the influence of peers and herd behaviour. By incorporating social proof in marketing, showcasing customer reviews or recommendations, businesses significantly influence potential customers, shaping perceptions and decisions. The liking principle emphasizes the significance of building personal connections with customers. Marketing strategies prioritizing relational bonds attract and retain emotionally connected customers. (Cialdini 2021.)

Inspired by the scarcity principle, businesses introduce elements of immediacy or exclusivity in marketing campaigns, leveraging the psychological impact of scarcity to enhance customer engagement and foster loyalty. Rooted in the profound observations of "Influence" (2021) these principles provide businesses with valuable tools to craft comprehensive and robust strategies for customer engagement and retention. When aligned with key behaviours identified in customer loyalty research, they form a foundation for a successful and enduring customer-centric approach.

Content marketing plays a vital role in an expansive online marketplace environment, where artistic and unique items are in abundance. Vendors can harness the power of content marketing to create engaging blog posts, videos, or social media content. Not only do these pieces showcase their products, but

they also provide genuine value to their audience. By offering insights into the creative process and conducting tutorials on their products, retailers can effectively attract and engage potential customers. Following is a list of common online marketing strategies according to Sernoff, L. (2023).

Social media marketing is another effective avenue for online shop owners to build brand awareness and connect with a community of like-minded individuals. Platforms such as Instagram, Pinterest, and Facebook are ideal for visually showcasing products and establishing connections with potential customers. Utilizing relevant hashtags, captivating images, and compelling content can attract customers seeking unique, handmade products.

Email marketing is an essential tool for online shop owners aiming to attract and retain loyal customers. Sending newsletters containing information about new products, special promotions, and personalized recommendations ensures that customers return to their shops. By nurturing leads and converting first-time shoppers into repeat customers, email marketing becomes an important channel for customer retention and engagement.

Search engine optimization is pivotal for online shops looking to enhance their visibility within Google's search results. Optimizing product listings with the right keywords, high-quality images, and detailed descriptions can significantly promote products and attract organic consumers.

PPC is available through Google and many e-commerce platform's ads, enabling sellers to create advertising campaigns that prominently feature in search results. This approach is a highly effective means of increasing visibility and driving more potential customers to shops.

Influencer marketing presents a valuable opportunity for online sellers to partner with influencers within their niche, expanding their reach to a broader audience. Influencers can craft content that highlights the retailer's products, offering genuine reviews and recommendations to their followers.

Customer reviews and testimonials hold immense potential for building trust with potential customers. Encouraging satisfied customers to leave reviews and testimonials serves as potent social proof, reassuring consumers about the quality and authenticity of the products.

Local targeting is a strategic approach, particularly for online shops offering handmade or local products. Retailers can focus on reaching customers in their area through online listings, participation in community events, and engagement in relevant social media groups.

4.6 Practices in customer relationship management

After digital marketing it is beneficial to think about practices in customer relationship management. Customer relationship management entails a strategic shift from a product-centred to a customer satisfaction and loyalty focus in business. This approach, rooted in evolving management concepts and market demand, seeks to enhance enterprise competitiveness and operational models. Technically, CRM embodies a customer-centric marketing concept, leveraging advanced information technology, including the Internet, e-commerce, multimedia, data warehousing, data mining, expert systems, and artificial intelligence. The ultimate goal is to manage the interaction process between businesses and customers, increasing customer numbers, fostering relationships, and maximizing profits. CRM aims to shorten sales cycles, reduce costs, and boost customer satisfaction, profitability, and loyalty (Guo 2021).

4.6.1. Characteristics of customer relationship management

According to Feng Guo (2021), there are seven characteristics of CRM in e-commerce environment:

In e-commerce, where customers can quickly shift to competitors, **personalized customer service and support** is crucial. The CRM system, geared toward customers, prioritizes speed, accuracy, efficiency, and personalized solutions, automating workflows for timely assistance.

In the e-commerce setting, CRM facilitates real-time two-way **communication**. Guided by the Internet, customers can make choices or specify requirements online, and enterprises can respond promptly for more satisfactory interactions.

The surge in e-commerce information requires intelligent CRM features like **data analysis and decision support**. By analyzing customer behaviour, these tools identify profit points and spaces, enabling automated processes and providing analytical tools for managerial decision-making.

An e-commerce-based CRM system must have **scalability and security**, connecting with other systems and adapting to diverse user needs. The system ensures high reliability and security in the global and open nature of the Internet.

CRM leverages the web for **direct sales and customer service**, offering self-service, registration, potential customer development, and more. This expands traditional channels, allowing continuous global services and maximizing profit opportunities.

4.6.2. CRM Information Systems Model:

The DeLone and McLean Information Systems Success Model (Figure 3.), developed by William H. DeLone and Ephraim R. McLean, outlines key factors that contribute to the success of information systems. The model, initially proposed in 1992 and later adapted to the modern world, identifies six

dimensions of success. Here are the key success factors according to the DeLone and McLean Model:

System Quality

System quality refers to the technical aspects of the information system, including its reliability, performance, and efficiency. A successful information system should have a high level of system quality to ensure that it meets user needs and functions reliably.

Information Quality

Information quality focuses on the accuracy, relevance, and completeness of the information provided by the system. For an information system to be successful, it must deliver high-quality information that is useful for decision-making and other tasks.

Service Quality

Service quality relates to the support and assistance provided to users during system implementation and operation. Successful information systems should offer effective user support, training, and responsiveness to user needs.

Intention to Use

Users' intention to use the information system is a critical factor. The model suggests that user satisfaction and positive perceptions of the system's utility and ease of use contribute to the intention to use, ultimately influencing the success of the system.

User Satisfaction

User satisfaction reflects the overall contentment of users with the information system. Positive user experiences and satisfaction are indicative of a successful system that aligns with user expectations and requirements.

Net Benefits:

Net benefits represent the overall positive outcomes derived from using the information system. This includes improvements in productivity, efficiency, decision-making, and other organizational objectives. A successful information system should demonstrate clear net benefits to the organization.

According to DeLone and McLean Information Systems Success Model, understanding and optimizing these key success factors can guide organizations in the development, implementation, and management of information systems, ensuring that they align with user needs, deliver high-quality information, and contribute positively to organizational goals. The link between the information system model and CRM is a dynamic partnership. The information system model acts as the base, offering the necessary framework and tools for CRM to function effectively.

The information system model provides the infrastructure and resources – like databases and technology – that CRM needs to excel, while CRM applications and strategies utilize the tools of the information system model to organize and utilize customer data effectively. Together, they create a mix of improved customer experiences, sharper decision-making, and a boost in business performance by tapping into the goldmine of insights buried within customer data. This collaboration is key to making the most out of the wealth of information available and translating it into meaningful actions for businesses. (DeLone & McLean 2003.)
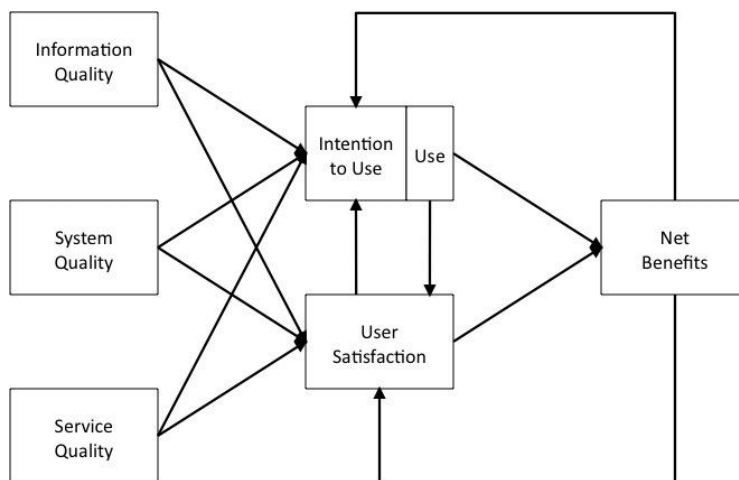
FIGURE 3. Information Systems Success Model (DeLone & McLean 2003).

4.7 Legal considerations

The last step of online shop development is developing robust policies that address a variety of operational and legal challenges. These policies include a combination of mandatory government regulations and reasonable guidelines. While these policies cover a wide range of areas from customer service commitments to other important regulations, they are the cornerstone of fair and equitable online business practices. As a responsible online business owner, the responsibility extends to embedding these policies throughout the business, ensuring that all stakeholders, including customers, employees and vendors, experience clarity and reduced ambiguity in their communication. Some of these policies, such as privacy policies, are subject to legal mandates governing their implementation. (European Commission n.d.)

Privacy policy is an important policy in the multi-party form line, which ties into the challenges of customer collection, controlled use, including the data provided by the customer. Some companies that do this work on their websites as a response to the increased awareness choose to be transparent with a pop-up message clearly informing visitors about the companies' privacy policy, which should clearly emphasise an unwavering commitment to customer data privacy and security, including options for visitors and customers to manage

their data with compliance with (PCI DSS) regulations is important. Additionally, it is becoming increasingly common to develop implementation agreements or policies and procedures. This agreement sets out the terms and conditions governing the use of the website, only if visitors and customers agree to these terms and conditions. The agreement clarifies various elements including restrictions on use, standards of the adequacy of monitoring, availability of other relevant provisions, and legal liability. (European Commission n.d.)

The regulation of shipping is central to the European Commission's trade policy, it clarifies the procedures and timetables for the handling and transport of goods and types of goods regulations by the European Commission set compliance is of utmost importance to ensure that Business activities are aligned with established commitments and positions. This policy mandates that orders are delivered on time as promised in accordance with commitments made in advertising and marketing agreements. Furthermore, the policy provides that the goods must be shipped within thirty days unless an earlier delivery period is expressly specified. Such rules are critical in setting standards for acceptable shipping times and encourage transparency and accountability in the industry. The system requires customers to be notified immediately where there may be delays, thus increasing communication and reliability in the business process. (European Commission n.d.)

Similarly, comprehensive return policies play an important role in the European Commission's trade policy. This policy covers the deadline for customers to initiate returns, the acceptable condition of the product, reasonable return charges, items excluded from the return policy of the result, the allocation of responsibility for shipping costs, and the method of reimbursement. (European Commission n.d.)

The main objective of this provision is the protection of employees and recipients by limiting the possibility of recurrence. The customer can provide a clear explanation for this prevention, which influences the result, and the policy should describe preventive actions taken by individuals other than the customer. Specific return policies must be observed in the evolving international trade and business environment supervised by the European Commission, these policies are the cornerstone of operations are more efficient and safer, and they

overcome many legal and operational challenges faced by companies engaged in international business activities. (European Commission n.d.)

5 COMMON CHALLENGES IN ONLINE SHOP DEVELOPMENT

In online shop development, ten prevalent challenges may be encountered (Figure 4). These challenges are discussed in detail below.
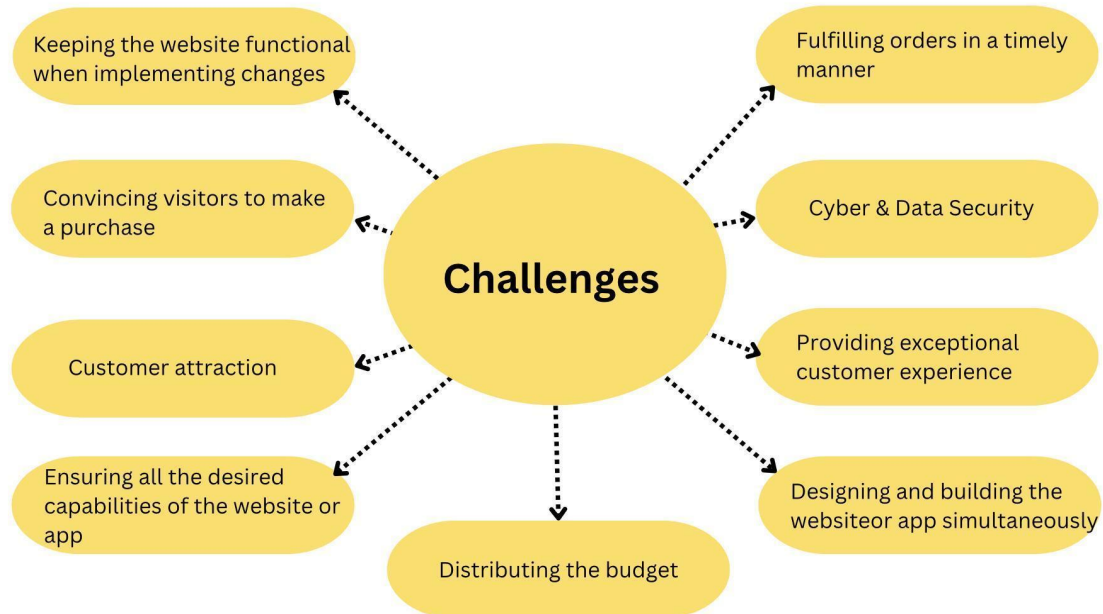

FIGURE 4. Common challenges in online shop development visualized.

Fulfilling orders in a timely manner

Nowadays when even a small company's logistics can be spread all around the world with materials sourcing and manufacturing, storage, packaging and shipping possibly being thousands of kilometers apart it may be a challenge to deliver even on a generous promise of a 30-day delivery. Especially if production of the order starts when the order has been received instead of producing in bulk and storing the products waiting to be shipped at the moment's notice. Using delivery services like DHL can be an acceptable solution to this problem as global delivery services are known for delivering in a reasonable time even if it leaves a lot to be desired. To achieve the possibility of same-day delivery, however, using outside delivery services might not be sufficient. (Post 2019.)

Cyber & Data Security

In the context of an online shop, hackers have a lot to gain from finding flaws in the systems safeguarding both the business and the buyers or users. Data breaches leave a bad impression on everyone who finds out about them as the feeling of safety fades when using the historically compromised service. And potentially losing the customers' money or leading to their personal information being stolen will likely lead to negative word of mouth. (Post 2019.) It is of utmost importance to prioritize the security measures aimed at stopping whoever and whatever is trying to access the backend of the website. Regular data backups are a good safety net in case the website and/or mobile application gets compromised, but the company should without question invest in cyber security by using security plugins and if possible hiring a cyber security specialist to keep the shop up to standard in terms of security. (Novikova 2023.)

Providing exceptional customer experience

This challenge is the amalgamation of all of the above. The customer experience depends on how easily the customer can find what they are looking for, the selection options, the security, the brand image, and many other factors. Nowadays customer experience quality lowers daily as other brands implement new changes and improvements in both tactics and technology so it is important to not fall behind. (Post 2019.) As already mentioned an important part of keeping the customer experience quality high is simply not falling behind in terms of new technology and strategies that are developed consistently, research must be done on companies in related fields and how they develop their websites and applications. Additionally, if the budget and scale allow for it establishing a research and development team for the purpose of coming up with new differentiating tech and tactics for a business would be a generally great idea. (Sankarabaaham 2023.)

Designing and building the website or app simultaneously

A starting online shop may not want to spend a considerable amount of time designing a website in its entirety before even beginning the process of building said site. That however might end up being even more challenging as it may lead to many problems, such as: losing the creative vision, muddying of the core message and values, and the inability to implement wanted features due to unexpected restraints. It is generally advised to avoid this approach, instead opting for the classic design followed by ensuring the design is achievable by the internet service provider and the developer ending with the final creation of the website and/or application. However, if designing and building at the same time is desired, it should be noted that keeping the message clear can be achieved by testing the website or app on people unfamiliar with the brand as it should not take more than 10 – 15 seconds for a user to see the message and general values of the brand through its website or app. (Belew & Elad 2020.)

Distributing the budget

Most of the starting companies have limited resources when at the starting stages making it difficult to balance different features that may all require considerable investment. Things such as data security can weigh highly on the budget if not properly evaluated beforehand. On top of that, allocating and managing the budget for marketing the website, app, or webpage on a platform. Nowadays many companies are fighting for ad space as the ownership of said ad space leads to higher sales and that drives the prices of advertising up which hurts smaller businesses.

First of all, setting all the objectives clearly needs to be paramount, there needs to be a concrete plan of features that are necessary for the functioning of the website that will enhance the business and let customers interact with the brand digitally. If working with developer agencies it might be a good idea to get prices from more than a couple of agencies to get an idea on current competitive prices for website development. Another advice is to not spend all of the development budget on the initial development as it is almost guaranteed that the website will require maintenance later on. As for the website advertisement,

it is possible to include it in regular advertisements the business performs, however, in the case of starting the business with said website some investments are necessary. (Belew & Elad 2020.)

Ensuring all the desired capabilities of the website or app

Bringing an idea of a perfect full of appealing, complex, and advanced website can sometimes be even more difficult than it first seems. As an example, the internet service provider may not support certain programs or supply bandwidth to display desired videos properly. Careful planning and communication with the internet service provider to make sure all the planned functions are indeed possible will likely result in a successful creation of the website and will allow for a preview of the website plan before making the monetary investment of hiring a developer. (Belew & Elad 2020.)

Customer attraction

According to Novikova (2023), attracting customers to a business is a fundamental challenge and individuals seeking to establish and expand their business and online presence. It involves getting the right audience to visit the site, social media page, app, or webpage on a platform of the business in question and eventually engage with its content or offerings. Several challenges are associated with customer attraction. Most prominent among them are: targeting the right audience, competition, and mobile optimization.

The topic of competition was briefly touched on in the "distributing the budget" section, obvious solutions would be differentiation, personality, and creativity as when a possible future consumer sees a memorable advertisement they are more likely to engage with the brand advertised when prompted to do so. Targeting the right audience might be a bit tricky in some cases. For example: when the target audience is elderly people, it is highly likely that common internet advertising strategies will not work and a company has to improvise, for example, by advertising on Facebook bakery and fishing blogs as a substitute

with likely better success. Analyzing the interests of the brand's target audiences is pivotal in the creation of the marketing strategy which will in turn save money allowing leeway in the budget. Mobile optimization is increasingly important as more and more online sales are made through phones. Many successful companies employ a mobile app development strategy firstly, where mobile accessibility and layout are prioritized over desktop ones with high degrees of success. Therefore giving thought to switching to the mobile app development approach from the beginning is recommended. (Tenekedjieva 2021.)

Convincing visitors to make a purchase

After the customer has been attracted to visiting it is important that they actually make a purchase. Not letting the customer get bored, discouraged, or annoyed is a task that if failed may lead to the downfall of the business. Timely and convoluted checkout as well as complicated design of a page or app will likely increase the rate of customers who have given up on making a purchase or lost interest in general. With the successful advertisement/purchase conversion rate being too low no matter how good the advertisement campaign is, the sales will not receive a desired boost.

What could work better in promoting a sale than a special offer or a discount? Nothing really, it is only natural that offering something on top of a fair purchase will motivate the customer just that extra bit for them to go through with the purchase if they were on the fence before. Make it easy for the customer to make a purchase, the less time it takes for a purchase to be completed, the better. Additionally offering a wide range of payment options will decrease the rate of inactive customers.

Keeping the website functional when implementing changes

There always comes a time when a website needs updating, and doing so can often result in unintentional flaws such as links can lead nowhere if a page gets

changed and/or its link gets updated. When navigating the website the user may get lost making the customer experience way worse, which will likely result in them leaving and may lead to negative word of mouth. The solution to this challenge could be to make an effort to always remember to update all the links connected to changes made on the website. Making it a habit may be difficult, but it is necessary.

It is unlikely that there are any companies never affected by supply chain issues, unless of course there is no supply chain to begin with. It is important to know that a company can rely on its suppliers and production elements and that in case a fire indeed breaks out the company has made sure that it has all the necessary tools to deal with it.

Review the supply chain as a whole, and look at separate parts under a microscope, both views should not be denied the proper attention they deserve. Ensuring clear communication channels with all parts of the supply chain, also establishing said channels between all the parts of the supply chain is just a cherry on the top since being up to date with all the happenings and knowing where everything is along the process is an incredibly valuable insight.

6 CASE STUDY

This case study provides insights into the strategic development of InkWellByDaria, an online shop specializing in home and living products and printed clothing. It explores the decision-making process behind choosing specific product niches, aligning with the owner's expertise and market trends observed on platforms like Etsy.

The experience of the Etsy online shop development can be split into two distinct parts. Firstly, the technical part of creating the shop itself on a marketplace, and secondly the management part of promoting the shop, adding new items and overall running the shop.

The study aims to unveil how InkWellByDaria addresses the market demand for creatively designed, personalized items and outlines key considerations, from selecting a target audience to overcoming logistical challenges using innovative solutions like print-on-demand services. It also delves into the technical aspects, such as choosing a brand name and designing a logo, along with digital marketing strategies. The case study offers a concise yet comprehensive overview of InkWellByDaria's journey within the dynamic landscape of online retail, particularly on Etsy.

6.1 Determining a product niche and competitor analysis

6.1.1 Choosing the product niche

The decision to focus on the product niches of home and living and printed clothes was made due to the owner specializing in prints as well as prominent trends on Etsy. Home and living products offer a broad spectrum of items that cater to individuals looking to enhance their living spaces, providing both functional and aesthetic value. From decor pieces to practical home essentials, this niche allows to tap into the diverse needs of customers aiming to

personalize their living environments. This niche allows for creative exploration, offering unique designs and styles that can make a bold statement. Choosing to sell both home and living products and printed clothes not only provides a versatile product range but also allows it to cater to different consumer preferences, combining elements of lifestyle and fashion for a well-rounded and appealing market offering. In addition to all that, due to the simplicity of printing clothing, it was entirely possible and even encouraged to diversify by adding clothing with prints of original designs moderately into the shop selection of products.

The main problem that is being solved by "InkWellByDaria" in this niche is the lack of creative and personally designed beautiful items of clothing, accessories, and home appliances. The market quite obviously contains such items even with dog related designs which "InkWellByDaria" specializes in, however, those items do not convey the message that "InkWellByDaria" works hard to convey through designs carefully thought out and meticulously drawn by the author of the thesis.

6.1.2 Competitor analysis

Competitor analysis was done firstly by analyzing the keywords and secondly by performing the actual competitor search. The keyword and tag analysis was done by utilizing keyword analyzing services such as eRank analyzer which is a free Etsy SEO analyzer, which led to determining product categories with high demand and low competition. The first keyword analysis led the author to the product categories home and living, printed clothing, and dog related items. In the home and living category the most popular items at the time include shoppers, socks, mugs, and canvas prints. In the printed clothing section the most popular items at the time include hoodies and t-shirts.

As can be seen comparing Figure 5 and Figure 6, the tote bag keyword is searched for more often but also has more competition than the shopper keyword. The interesting moment is that the word shopper is particularly popular in Germany which is part of our target audience location (Figure 5),

while the word tote bag is popular outside the target audience location (Figure 6). This example is displayed because printed tote bags and shoppers are among the main products in the "InkWellByDaria" shop.
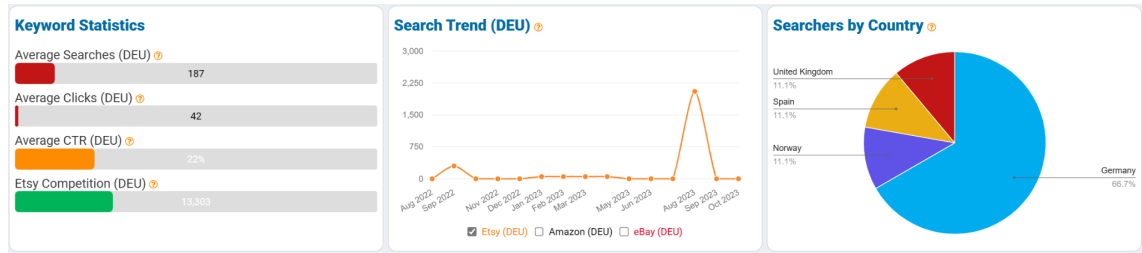

FIGURE 5. "Shopper" keyword analysis at eRank (eRank 2023).

FIGURE 6. "Tote bag" keyword analysis (eRank 2023).

Then was the actual search of popular sellers in said product categories, this was done by just acting out a customer journey searching for specific products on Etsy. Interestingly in the European sector, the majority of successful competitors were located in Germany. For the competitor analysis, 6 main competitors were selected in the home and living, printed clothing, and dog related items niches. Among these competitors, competing factors were determined and analyzed (Table 1).

TABLE 1. Competitors competing factors.

Compe-ting factors	Haustie-re Passion	Sticky-dog	IvyCreativity house	Lesco-ussinets	Prinztee	Pfoten-Duck
Price	3-60	3-27	4-29	20-45	20-70	6-40

range (EUR)						
Product niche	home and living clothes	home and living, accessories	home and living, clothes	home and living	clothes, accessories	clothes, accessories
Customer service	4,5/5	5/5	5/5	4,5/5	5/5	4,5/5
Shop Location	Germany	The Netherlands	Finland	France	Germany	Germany
Number of sales	2260	4376	940	2428	3333	1851

The resulting insight gathered from the keyword and competitor analysis guided the decisions regarding product focus, resource allocation, and pricing. As for product focus and resource allocation, the analysis shows what products and niches sell in higher quantities and in what locations. This allows the author to make an informed decision about what items to prioritize spending time, effort, and resources on creating. Further, help from competitor analysis comes in the form of information helping determine the pricing for the goods sold. The analysis results show the price range, product niche, and successful sales correlation (Table 1.) allowing to adjust prices according to all of these aspects.

The results mentioned above influenced the direction of online shop development significantly. First of all, the target audience location in Europe did not change, however, the focus was shifted to Germany in the sense that door signs would have German greetings and so on. That was done based on the observation that German shops were most successful in the niche that the author's shop was planned to be part of. Secondly, the pricing strategy was developed based on competitor prices, the prices are to be even with the competition or lower if possible without incurring a loss. It was also decided to focus on home and living as the main niche as it seems to correlate with sales directly. Additionally, the competitor research shows that in the selected niche the customer service ratings are high, meaning that it is of utmost importance to

make sure the shop's customer service is equal or better than the competition. Lastly, a trend was observed among the competitors, many diversify by selling accessories. Therefore, it was considered and later decided to diversify the product range by selling accessories.

6.2 Target audience

The explicit customer profiling was done to narrow down the target audience to a group that would be easy to target with similar advertisements and easy to cater to with similar products. The relevant information and the customer profile is described below.

In the EU-27, 68% of individuals aged 16 to 74 engaged in e-commerce at least once in 2022. Norway stood out as the country with the highest e-commerce adoption, as approximately 92% of its population made online purchases. E-commerce usage varied across European nations, with Germany recording a rate of 76%(FIGURE 7), while Hungary and Albania reported percentages of 70% and 30%, respectively. Projections indicate that e-commerce revenue in Europe is anticipated to reach $902.3 billion by 2027. (Coppola 2023.)
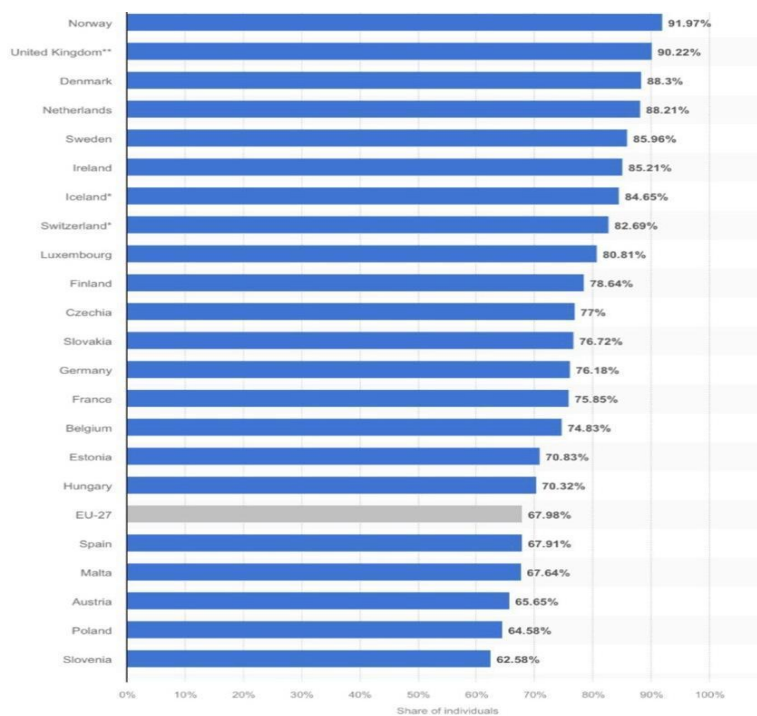
FIGURE 7. Share of consumers who used online shopping in the past 12 months in Europe in 2022, by country (Coppola 2023).

According to Similarweb statistics (2023), the demographic composition of the platform Etsy reveals a balanced gender distribution, with 51.31% of visitors identifying as female and 48.69% as male. Notably, a significant portion of the user base falls within the age range of 25-34, constituting 27.56% of the audience. Additionally, the age group of 18-24 represents a substantial portion, accounting for 21.03% of the platform's visitors.

The target audience of the shop InkWellByDaria is females aged 25-35 from European countries, with a specific focus on Norway, Finland, Sweden, Germany, and Estonia. The target audience was selected based mainly on the Etsy demographics, as it is the platform on which the shop is developed. Additionally, the selected countries of focus were selected due to their proximity to Finland, with the exception of Germany which was selected due to reasons explained clearly above in the competitor analysis section of the case study.

6.3 Technical aspects

The technical aspects in the case study consist of such crucial steps as choosing the name, designing logo and determining the product creation process. These aspects are reserved in detail below.

6.3.1 Choosing the name

Choosing the name that appropriately communicates the core idea of the shop, its values and what are the items to be expected from it was a very important task that took a surprising amount of effort. First came the brainstorming where many options came up such as InkSplash, PrintCraft, and "InkWell", while the final InkWellByDaria was not conceived until later on in the process.

The name creation process took place at the point where it was still unclear exactly which items would be sold in the online shop, with only shoppers, cups and tumblers in mind at that point. It was still not entirely clear which names should be taken further and possibly finalized. However, further pondering on the available options for items to be outsourced for the shop from

several print on demand companies. A breakthrough was made when an idea came, the idea of personalizing the brand by adding the name of the artist who is responsible for creating all the designs for the items to be sold in the shop. Given that the designing process involves drawing and the printing process involves ink, the name "InkWell" combined with "ByDaria" was chosen during this stage of development. An additional reason for settling on said name is the target audience, Etsy houses a specific audience in and of itself which is people enjoying unique craft designs made by ordinary people and homemade items, making an aesthetic name recommendable for this specific case.

Business name generators "Looka" and "BrandCrowd" were used in the brainstorming process. The results were considered, but the final product is only partially a product of using a generator since the "InkWell" part was indeed generated, but the second half was thought of later as explained above.

The names searchability had been kept in mind throughout the name creation process, no unconventional spellings were considered and the final name is pretty much a sentence that is simple to remember: InkwellByDaria. The name represents the shop perfectly making it easy for anyone familiar with the shop to recall it simply by thinking about what the shop offers.

6.3.2 Designing logo

The logo just like the shop name needs to represent the idea behind the shop and at the same time communicate what products one can expect from the shop. Additionally, there needs to be a connection between the logo and the name, in that sense, there were a few options of how to approach it. The first option was going the boring route of making the logo an abbreviature of the name it was either "IW" or "IWD" or "IWBD", but that does not either represent a brand whose core idea is creativity nor does it match the target audience of the shop, potentially leading to a decrease in potential success.

Other options were making a logo out of a shape, examples are Prisma, Adidas, Mitsubishi, etc. This approach did not match the idea of the shop as the designs to be sold were mostly of living things such as animals and forests which does not exactly fit in with geometric logos.

In the end, the last approach ended up being the one to be a perfect fit as the approach of associating the logo with the idea of the shop and name directly as image representation was creatively the most appealing and suiting to the target audience. Said audience being frequent Etsy customers, means they value creativity and home-made goods.

The process of creating the logo went as follows: the first idea was that a black and white logo would be fitting as it allows for better readability. Here the ideas and products of the "InkWellByDaria" shop are translated literally into the form of an image with the actual ink well and the ink pen representing the brand. The shop owner put the meaning of creativity and originality into "inkwell" and it also signals to the viewer that the brand specializes in drawing and not always on the production. This logo speaks to the target audience, said audience being people who value creativity and original works of passion. (Picture 1.)

PICTURE 1. Prototype design for the author's online shop logo.

Then came to the realization that the colourless logo does not go with the idea of life and blossom that is very often captured by works of the author and it inspired the idea of colouring the logo to convey to the customer the idea of life together with creativity. Additionally, the readability was maintained by making the text portions darker, especially the smaller text. (Picture 2.)

PICTURE 2. Final design for the author's online shop logo.

Colours significantly influence individuals' moods, emotions, and perceptions. This interconnected relationship plays a crucial role in advertising and marketing by affecting consumers' purchasing decisions, emotions, and choices. Colour, as a marketing tool, exerts persuasive influence and serves a functional role in human vision, impacting attention, eye comfort, and text legibility. The right colour choices contribute to the success of advertising, products, services, and spaces, while the wrong colours can result in costly mistakes. (Singh & Srivastava 2011.)

The colouring was based largely on the idea of creativity, life, and calmness, therefore, the colourful palette with such colours as purple, light yellow and light green was used. Another consideration was the readability of the text, especially the small "By Daria" part which is not really visible to allow for easier readability.

According to Singh and Srivastava (2011), the purple colour is considered to be the colour of royalty and wisdom in the west and has a spiritual effect on the mind. It is used to portray nobility, humility, spirituality, ceremony, mystery, wisdom, enlightenment, flamboyance, exaggeration, sensuality, and pride. Yellow colour signifies a happy and cheerful disposition of the mind. It is used to represent sunlight, joy, earth, and optimism. Green colour signifies a balanced and rejuvenated mind. It symbolizes growth, rebirth, renewal, nature, youth, and good luck. All these three colours used in the logo are meant to be associated by the customer with positive emotions and symbols mentioned above.

6.3.3   Determining the product creation process

There stood the question of whether the products are going to be handmade or manufactured with the help of outsourcing or print on demand (POD) services. It seemed more practical to make contracts with POD services as it would allow for easier scalability as bigger order volumes would only mean more profit and would not also entail a larger workload. However later on in the process of shop creation after creating the first few products available came the realization that there is no need to limit the shop to just one manufacturing process and it is possible to sell both manufactured and handmade products.

When it came to choosing a POD service to utilize with the Etsy shop, the filtering process was simple as it only required looking into which services easily integrate with Etsy directly. Next, involved looking through most available services that did integrate with Etsy and looking through their catalogues of available products for print and based on that the second filtering was ongoing, the priorities were firstly the availability of the products that fit the vision and ideas for the shop and secondly, whether or not the print on demand company offered sustainable options for at the very least some of the products. In the end the print on demand service which became the right choice for this particular case of shop creation was Printify, a POD service especially popular with Etsy shop owners as it is extremely simple to integrate and it offers a large selection of products to be customized and sold as well as a large selection of

sustainable options for their products. Among the services that were considered were (with reasonings against them): Printful (Lack of the Home and living segment), Printify, Gooten, CustomCat, and Gelato (Item selections for tote bags which were planned to be listed on the Etsy "InkWellByDaria" shop were too small).

As the decision to add handmade products to the shop in addition to the outsourced products was made quite late into the process of shop creation it was quite simple to decide on what kind of products to be added into the future. As the brand image was already decided on, the handmade items only had to be ones to fit in said image as well as match the rest of the catalogue already available in the shop (Picture 3).

PICTURE 3. Screen capture of InkWellByDaria "Listings" page (Etsy 2023).

6.4 Choosing a platform or marketplace

The choice of a platform or marketplace was a drawn-out careful process of comparing and considering all the aspects of different options. In the end, a list of the four most known and suitable options for handmade goods was drafted and they were compared with characteristics written out (Table 2).

TABLE 2. Marketplace and platform characteristics.

Characteristics	Etsy	Amazon Handmade	Ebay	Shopify
Payment method	flexible	flexible	flexible	flexible
Website	user-friendly	user-friendly	user-friendly	need to be created
Fees	listing fee, auto-renew fee, transaction fee	plan subscription, category referral commission, fulfilment by Amazon commission	monthly subscription, listing fee, final value fee, category referral commission	monthly subscription (32-384 EUR)

The comparison that followed showed that due to monetary limitations, the only real suitable option in this specific situation was Etsy. Etsy became the only real candidate due to its pricing, as it does not require any initial payments or subscription payments, making it the only real way to sell nearly without any investment upfront. Etsy takes its share of all further transactions (Davies 2023).

Etsy, found at www.etsy.com, specializes in offering a diverse range of products, including art supplies, handmade goods, and vintage items. The platform boasts a user-friendly website and mobile application designs, catering to sellers and customers worldwide. With millions of registered seller accounts, Etsy has established itself as a global marketplace for creative and unique products.

The platform's user-friendly interface simplifies the process of setting up shops and listing products. With global reach, Etsy enables sellers to connect with an international audience, expanding beyond local markets. Etsy's emphasis on customization allows sellers to showcase their brand identity through personalized storefronts. The marketplace's credibility and trustworthiness contribute to its reputation as a go-to marketplace for unique items.

As the shop was created on the Etsy marketplace and not as a separate website or app there was no need to connect a payment provider as Etsy manages that for all shops on Etsy.

6.5 Digital marketing

Registering the social media is currently at the planning stage, the first page to be created is likely to be an Instagram page as the target audience is likely to be active on **Instagram**. With similar reasoning **TikTok** is to be created as soon as possible after as its influence on starting businesses, companies and shops can not be argued against (Picture 4).
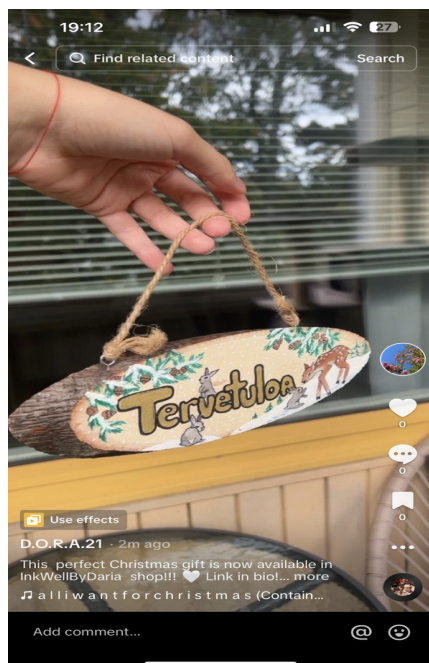
PICTURE 4. TikTok advertisement of the InkWellByDaria online shop.

Pinterest is further planned as according to our observations it seems like Etsy is a developing trend on Pinterest with many postings of interesting niche

products being advertised in separate "pins". In addition to that the target audience is very likely to be active on Pinterest as well since it is a popular social media for people of creative background or interested in creative hobbies.

As for **Etsy advertisements**, it was decided to settle on using the Etsy advertisement program as it helps increase visibility and drives traffic to the products while being significantly more affordable than Google advertisements. The Etsy advertisement program advertises promoted products on the Etsy website by placing said items in noticeable places with high user traffic and charging the shop owner for users clicking the advertisement. It might be a smaller reach than Google advertisements, but that is part of the scaling process, it starts on a small scale with lower costs, and hopefully, it only scales up. It is important to note that after the start of the Etsy advertisement campaign it took a total of 2 hours for it to result in a purchase (Picture 5).

PICTURE 5. Screen capture of the "Orders & Delivery" page of the InkWellByDaria shop (Etsy 2023).

Due to the limited budget, it was decided to postpone the Google advertisement campaign as the sales do not cover said campaign yet, neither are they expected currently making it a good idea to consider **Google advertisements** at a later stage.

6.6 Challenges

The **logistic and warehousing** challenge stemmed from the lack of funds or means to establish any sort of production or storage warehouse for products to be sold in the online shop. Luckily, in the case of an online Etsy shop, it is possible to completely outsource all of the above. The services that allow such levels of outsourcing are POD services, upon connecting them to the online shop it is only needed to create the designs and make mockups of them on the products offered by the service. When a customer makes a purchase, the order is sent both to the shop and to the POD service, where the online shop would need to pay the service for the manufacturing and print and the service will do all that is left so that the customer gets the item that was purchased. Not all POD services handle both the creation and delivery of the product, but Printify (the POD chosen in the case of "InkWellByDaria") does, which solves all of the logistics and warehousing challenges. The warehousing challenge solution might not be as clear so here is the explanation: since the product only begins production when the order is received and paid for there is no warehousing to begin with.

In order to **convince the visitors of the Etsy page to make a purchase** it has been decided to employ a tactic widely advertised in the sources talking about shopping cart abandonment, where "InkWellByDaria" shoppers receive a 10% discount if the cart is abandoned in order to give that extra bit of motivation to finalize the purchase.

Another way to encourage customers who made a purchase in the past to repeat the purchase, the discount after the sale was implemented. This means that after a purchase has been made the customer gets a personal message to

their Etsy account thanking them for said purchase and offering a ten percent discount coupon on any product in the "InkWellByDaria" selection (Picture 6).
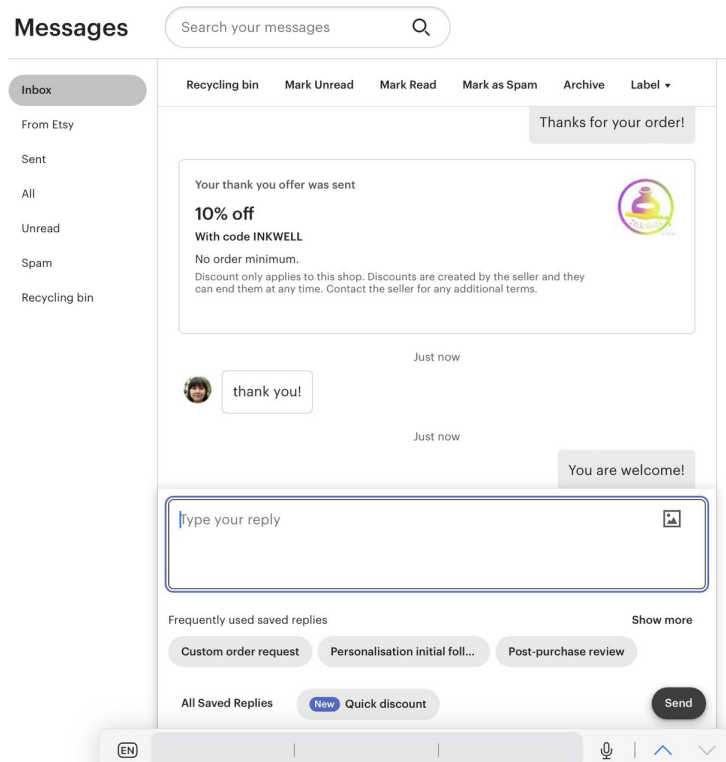
PICTURE 6. Screen capture of the discount offered to the customer (Etsy 2023).

6.7 Legal aspects

Considering digital marketing in the context of Etsy marketplace, it is evident that a combination of diverse perspectives is pivotal for success. Etsy shop owners can leverage the creativity of product marketing, the visual impact of social media, and the trust-building capacity of customer reviews to effectively engage and retain customers. Additionally, by employing well-optimized product listings and utilizing SEO techniques, including PPC advertising, sellers can make their unique creations stand out in the expansive Etsy marketplace.

7 E-COMMERCE ENTREPRENEURSHIP: A STEP-BY-STEP GUIDE TO START AN ONLINE SHOP

Setting up an online shop involves a series of strategic steps to ensure the successful development of e-commerce entrepreneurship, therefore all the steps and aspects were merged together in a supplementary material, a step-by-step guide on how to start an online shop (Appendix 1). In the guide there are main ideas summarized from this thesis in a condensed form for easy understanding.

The guide includes information about choosing an e-commerce platform, determining a product niche, and identifying the target audience. It also provides a summary of the various steps involved in setting up an online shop. Following this, the guidebook includes information about different ways to promote online shops.

8 DISCUSSION

The objective of this thesis was to provide an answer to the question: how can entrepreneurs effectively develop and manage online shops in the context of e-commerce entrepreneurship? Purposes of this thesis were to create and develop an e-commerce shop using theoretical knowledge acquired while writing the theoretical part of the thesis and to use both practical experience and theoretical knowledge to figure out the critical and technical aspects involved in the creation of an e-commerce shop. Additionally, the third purpose was to have this thesis act as a guideline or tutorial for those who wish to start an e-commerce shop in the future, by giving both relevant information and providing the reader with an inside view into the process of online shop creation. The research outcome is in the form of an overview of the recommendations and overall information for entrepreneurs, which should provide clear guidance on launching a successful online shop.

The first and most important theoretical result is the step-by-step online shop creation guideline in a thesis form created from data and experience by the author. The plan consists of 7 defined stages, those being choosing the product niche, determining the target audience, technical aspects, customer engagement and retention, digital marketing, CRM, and legal considerations. Choosing the product niche consists of conducting competitor analysis, assessing the advantages and disadvantages of niches, and doing keyword research of the niche. Determining the target audience is accomplished by doing customer profiling which entails researching needs, interests, behaviours, and preferences as well as by categorizing customers by demographic, psychographic, and geographic factors. Speaking of technical aspects, it is itself made up of a list of important technical steps required for the creation of a successful online shop. The list of technical aspects is firstly choosing the name, designing the website and logo, then registering social media profiles, setting up advertising, setting up Google Analytics, possibly partnering with a drop shipper, and lastly connecting a payment provider. Customer engagement and retention consists of swiftly addressing and prioritizing comments,

especially complaints, as well as displaying adaptability, empathy, and efficiency through all interaction with customers. Digital marketing as a step can be approached differently based on the shops' audiences or products and can consist of any combination of social media marketing, email marketing, search engine optimization, PPC, influencer marketing, customer reviews and testimonials, and local targeting. Good customer relations can be achieved by personalized customer service and support, two-way communication, and a shift to a customer-centered business focus. Legal considerations generally means developing robust policies that address a variety of operational and legal challenges consisting of mandatory government regulations and reasonable guidelines

The data collection throughout this thesis was of a qualitative nature with data collection methods being content analysis of online sources or literature and experimental studies in the form of a case study. The data collected gave enough insight to create a simple step by step guide as well as a comprehensive thesis both centered around helping entrepreneurs in their e-commerce ventures. Both the guide and the theoretical part of the thesis helped the author create and develop an online shop of their own on the Etsy marketplace as a case study. The creation of an online shop case study in turn provides more information and a real documented experience to guide beginner entrepreneurs on their e-commerce journey.

Conducting a case study requires acknowledging some ethical rules and principles. In the case of the practical study documented in this thesis it involved making screen captures of communications with customers in private messages and customer profining, which implied several ethical rules to be employed for this thesis. Therefore the rules employed were the absolute confidentiality of the customers involved as well as ethical sourcing of customer data, which was primarily gathered using the marketplace's own tools and reports. Regarding ethical data sourcing for the theoretical part of the paper, all data gathering sources were legal, ethical and conventional. The data was gathered from official sources and all the authors and sources were credited accordingly.

Regarding the influence of the theoretical segment within this thesis on the author's case study of establishing an online store, much of its significance is evident throughout this paper. The impact can be seen in every aspect of the case study as the author followed their own advice both to increase chances of success and to test said advice in a real life case study in order to evaluate the effectiveness of the advised approaches and methods. The case study almost in its entirety was performed following the step-by-step guide made by the author with the only exception being the very beginning stages of the shop development. However, that provides an even better example of a comparison between the efficiency of an improvised method against a planned literature based method. Among the topics in the theoretical part of the thesis, the ones that had the biggest influence on the case study and the author's online shop in general are marketing, niche selection, competitor analysis, and common challenges. Collecting and analyzing the data related to niche selection and competitor analysis helped both in narrowing down the products that are sold in the shop as well as in diversifying the assortment of items in the shop appropriately which resulted in a balanced selection of items. Marketing advice played a significant role in attracting first customers, as the decision to invest in advertising was made after considering advice offered in the marketing section.

When it comes to the author's experience developing and managing an online Etsy shop it presented the author with a new perspective on entrepreneurship and e-commerce. Said perspective taught the author that following defined and tested practices is indeed a good idea, considering that planning was sidestepped in the shop creation process, it provided insight into why those well established practices exist and are advertised so heavily. The author learned a lesson regarding following sound advice and established protocols in the future sticking to general advice yet continuing to try and innovate and incorporate their personality into projects.

The limitation of this thesis is the need for more research directed towards other ways of implementing an online shop like building a website from the ground up or creating applications. Since the method of this study was strongly based on literature and a case study, further research can be likely done for master studies, where the research concerning the topic can be done together with a

company that is interested and planning to invest in improving their online shop performance.

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APPENDIX 1. GUIDE E-COMMERCE ENTREPRENEURSHIP

Guide

# E-COMMERCE ENTREPRENEURSHIP
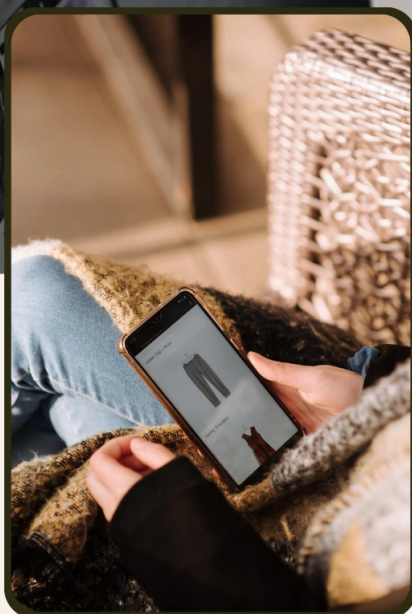
A step-by-step guide
to start your online shop

BY DARIA TARAKANOVA

Choosing an e-commerce platform

The e-commerce platform acts as an integrated software solution, giving online entrepreneurs the tools they need to optimize their websites, marketing strategies, sales processes and daily operations. This modern, cloud-based solution is fast, it's flexible for helping deliver exceptional customer experiences, increases operational efficiency, opens up exciting growth possibilities and even more excitingly, shop owner does not need a huge budget to get started.
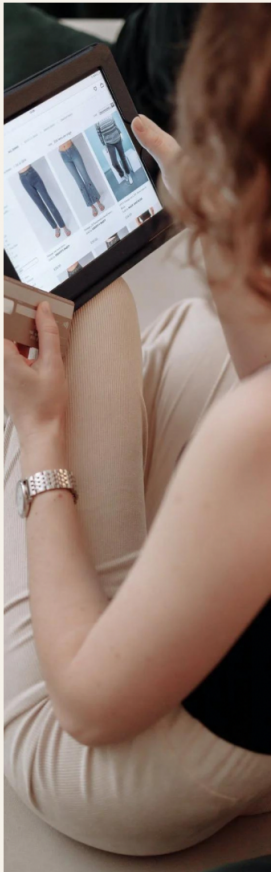
1. Your own e-commerce platform

Creating a customized e-commerce platform is a viable option for businesses with unique needs, requiring internal and external resources.

2. Traditional e-commerce systems

Traditional platforms involve an initial license fee and IT team engagement to build and optimize the platform, with examples like Kentico, Hybris, Oracle Commerce, and IBM Digital Commerce.

3. Open e-commerce systems

Open-source platforms, exemplified by Magento, eliminate licensing fees and shift development costs to businesses while following a similar development process to traditional platforms.

4. Cloud-based e-commerce systems

Some traditional open-source platforms and hosting services transition to cloud platforms, like Magento Enterprise Cloud, Demandware, Salesforce Commerce, and Vollusion.

5. Software as a service (SaaS) e-commerce systems

They provide a uniform technology experience for users with a fixed monthly fee covering server usage, maintenance, security, and upgrades.

6. Marketplace

Online marketplaces like Amazon, eBay, Etsy, and Walmart offer products from various sources, allowing vendors to utilize different tools and offerings, with common advantages and disadvantages.

Choosing your own niche & competitor analysis

Choosing the right online business niche involves combining passion, knowledge, and problem-solving, aligning the chosen niche with personal interests. Balancing competition is essential, differentiating between healthy and excessive barriers to entry.

Keyword research using tools like Google Trends is crucial, and before finalizing a niche, assessing its advantages, understanding the target audience, and ensuring lasting appeal is key.

Conducting regular competitor analysis is crucial for staying ahead. It includes assessing competitors' product ranges, pricing, and service quality, and analysing sales tactics and marketing strategies. Understanding market niches and refining strategies requires evaluating pricing, features, and market gaps using templates like SWOT analysis are also possible parts of competitor analysis.
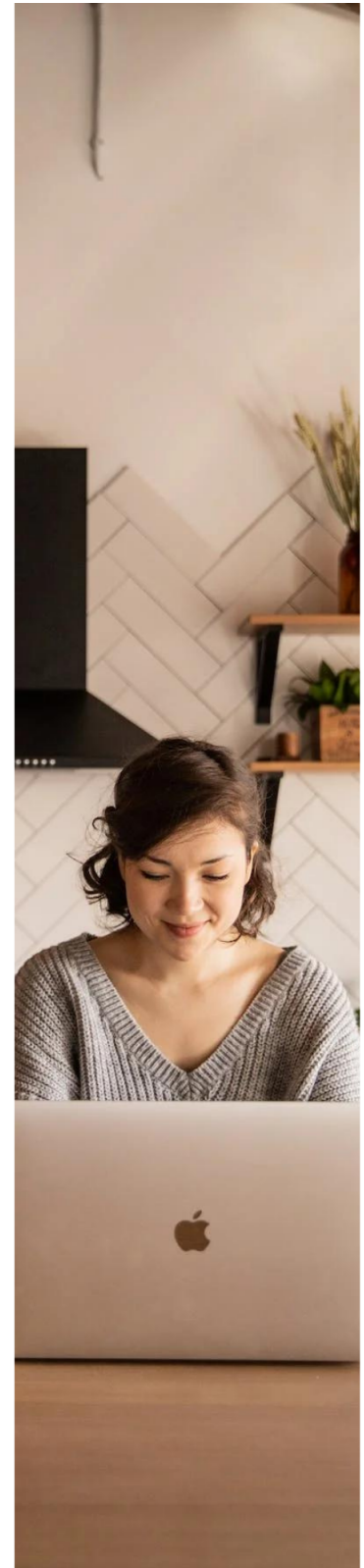
Determining the target audience

A user profile as a collection of information reflecting user-related rules, settings, needs, interests, behaviors, and preferences. The accuracy of a user profile relies on how well the process of collecting, organizing, and interpreting the information aligns with the individual.

Two profiling methods, explicit and implicit, exist. Explicit profiling analyzes static user characteristics, obtained through forms or surveys, facing challenges due to privacy concerns. Implicit profiling focuses on dynamic behavior and preferences over time, using filtering techniques for efficiency and accuracy.

Creating buyer personas based on demographics, psychographics, benefits, geographic preferences, and use-based preferences is crucial for effective marketing.

Sourcing data through surveys, competitor analysis, and market research contributes to understanding and targeting the right customer segments.
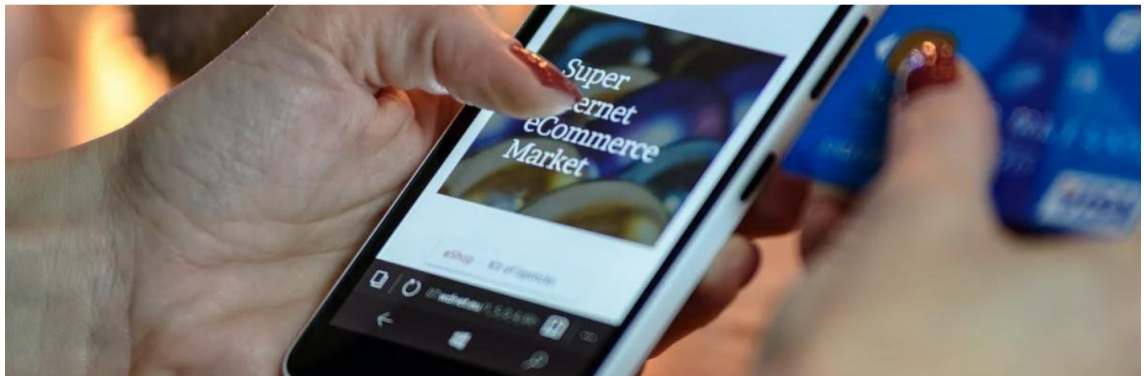
Setting up your online shop

01

Choosing a business name includes selecting a business name and registering social media profiles. Moreover a company should think about acquiring a domain name and setting up web hosting.

02

Designing the website and logo, crafting a user-friendly website are vital for revenue. The website and logo serve as the brand's online identity. Prioritize user experience (UX) in web design and ensure a memorable, adaptable logo.

03

Digital marketing involves claiming social media accounts on platforms like Facebook and Twitter, crafting a brand story, and sharing engaging content. Setting up advertising, affiliate, and merchant accounts is essential for e-commerce growth. Affiliate partnerships can boost sales, while merchant accounts significantly contribute to online shop growth.

04

Setting up Google Analytics is a powerful tool for understanding website performance. It provides insights into popular products, visitor behavior, and marketing campaign effectiveness. Activating enhanced e-commerce tracking enhances tracking capabilities.

05

Partnering with a drop shipper offers a quick way to start an online shop with minimal investment. It involves collaborating with a vendor who handles inventory and order fulfillment. This model streamlines tasks, allowing focus on marketing and customer engagement.

06

Connecting a payment provider is important for global reach and revenue boost. Choose a payment provider based on factors like value, security, customer support, integrations, and reputation. Conduct thorough research on data safety, fees, and global payment options.

Promoting Your Shop

Social media marketing is a powerful tool for online shop owners to boost brand awareness and engage with a community. Platforms like Instagram, Pinterest, and Facebook offer visual showcases for products, attracting customers through relevant hashtags and compelling content.

Email marketing is crucial for customer retention. Newsletters featuring new products, promotions, and personalized recommendations ensure customers return. It becomes a vital channel for nurturing leads and turning first-time shoppers into loyal customers.

Search engine optimization (SEO) enhances visibility in Google search results. Optimizing product listings with keywords, high-quality images, and detailed descriptions promotes products and attracts organic consumers.

Paid-Per-Click advertising (PPC) on Google and e-commerce platforms drives visibility with prominent search results. It's an effective way to attract potential customers to online shops.

Influencer marketing is an opportunity for online sellers to partner with influencers, expanding their reach to a broader audience through genuine reviews and recommendations.

Customer reviews and testimonials are powerful for building trust. Encouraging satisfied customers to leave reviews serves as social proof, reassuring potential customers about product quality.

Local targeting is strategic, especially for shops offering handmade or local products. Retailers can focus on reaching local customers through online listings, community events, and participation in relevant social media groups.