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STARTING UP AN INTERNET BASED PET ACCESSORIES WHOLESALE BUSINESS

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Minna Ervasti
Bachelor's Thesis
Spring 2012
Degree Program in
International Business
Oulu University of
Applied Sciences

ABSTRACT

Oulu University of Applied Sciences
Degree Program in International Business

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Title of Bachelor's Thesis: Starting up an Internet based pet accessories wholesale business

Supervisor: Helena Ahola

Term and year of completion: Spring 2012

Number of pages: 50+2

The idea for the thesis subject came from the commissionaire since they had a business idea but had not had the time to look deeper into the subject. The idea had occurred the commissionaire and he was interested to look if there was actual potential in there. The initial idea was to make a business plan for the new business idea but that subject needed to be narrowed down. The final product was to find out the initial points what should be covered when beginning a new business form.

The objective for the thesis was to find out what are those steps in order to begin creating a successful and working Europe wide pet accessories wholesale business. What are the very first things to do when starting to expand the domestic business into a Europe wide business?

The methods used in the thesis making process were searching information concerning the thesis. After finding the resources needed the commissionaire's wishes were compared with the previous knowledge. After comparing the wishes and current environment and knowledge the conclusions are introduced. These conclusions are mainly the author's own interpretations based on the theory of what the commissionaire's company should do.

The main results were the tasks that the commissionaire should do when beginning to work on the business expansion. These results make it easier for the commissionaire to expand their existing company from a domestic e-shop to a working Europe wide pet accessories wholesale business.

Key words: Europe, wholesale, business idea, pets, portal

TIIVISTELMÄ

Oulun seudun ammattikorkeakoulu

Degree Program in International Business/ Kansainvälinen liiketalous

Tekijä: Minna Ervasti

Opinnäytetyön nimi: Starting up an Internet based pet accessories wholesale business

Työn ohjaaja: Helena Ahola

Työn valmistumislukukausi ja – vuosi: Kevät 2012

Sivumäärä:50+2

Opinnäytetyön aihe tuli toimeksiantajan kautta, sillä toimeksiantajalla oli uusi liikeidea. Hän ei ollut ehtinyt itse tutkia uutta ideaansa sen syvemmin, joten oli luonnollinen valinta toimeksiantajalle antaa aiheeksi tämän idean toteutuskelpoisuuden tutkiminen.

Työn tavoitteena oli selvittää, mitkä ovat ne ensimmäiset askeleet, mitä yrityksen pitää tehdä saavuttaakseen toimivan Internet pohjaisen Euroopan laajuisen lemmikkitarvike tukkukaupan. Mitkä ovat ne tarvittavat tehtävät, jotta tällainen liiketoiminta onnistuisi saada käyntiin?

Opinnäytetyön tietopohja saavutettiin keräämällä dataa erinäisistä lähteistä, analysoimalla jo löydettyä tietoa ja peilaamalla sitä toimeksiantajan suunnitelmiin. Näiden vertailujen pohjalta tehtyjen johtopäätöskien avulla saavutettiin ehdotuksia tarvittavista toimenpiteistä. Konkreettisuuden vuoksi työssä verrataan jo valmiiksi olemassa olevaan yritykseen ja haetaan yhteneväisyyksiä ja eroja toimeksiantajan ideassa ja toiminnassa olevan yrityksen välillä.

Tuloksena työstä toimeksiantaja saa suunnitelman, miten liikeideaa kannattaa lähteä työstämään. Toimeksiantaja saa ajatuksen, mistä yritys voisi aloittaa liiketoiminnan laajennuksen ja mitä asioita ottaa huomioon alkutaipaleella.

Toimeksiantajalla on tämän työn tuloksena helpompi lähteä laajentamaan yritystään haluttuun suuntaan, koska ensiaskeleet ovat jo valmiiksi selvitettyinä. Tulevaisuudessa toimeksiantaja voi syvemmin tutkia, miten eteenpäin ja miettiä markkinointisuunnitelmia ja lopulta rakentaa toimiva liiketoimintasuunnitelma tämän työn kautta saamallaan pohjalle.

Asiasanat: Eurooppa, tukkukauppa, liikeidea, lemmikit, portaali

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1 INTRODUCTION

The commissioner for the thesis was found by sending e-mail to their company's e-mail and offering to do a thesis for them. The commissioner company is Yappy Fashion Oy. They are currently offering pet luxury products in domestic e-shop. Yappy Fashion also imports products to Finland and sells product families to retailers. At the moment their main markets are in Finland and the profits come mainly from domestic markets.

After contacting the commissioner there were a few phone calls made and different thesis topics introduced. The main idea was that the topic needed to be international and that the commissioner would also benefit from the thesis and from the thesis results. Thus there were multiple good topics the commissioner chose one of them over the others.

The commissioner for the thesis had an idea what their company would like to accomplish in the future. The idea was to have a portal/wholesale which would work in the pet industry in Europe via the Internet. The new angle to this business idea is that there are no already existing business forms like this in the pet industry sector in Europe. The commissioner wanted to create a new business setting that would bring all the European supplier and retailer companies that work within the industry closer together.

The European pet product companies would be able to buy products and product families from one portal instead of looking from multiple different producers. This would make the importing of the goods easier for the European companies and also get more variable products. The business idea would be also a great opportunity for the companies that produce the goods in the Asian markets and in the USA since they would be able to come to the European markets without big efforts.

The objective for the thesis is to find out all the necessary tasks for the commissioner how to start up an Internet based pet accessories wholesale business. There are a lot of things needed to be taken into consideration such as the regulations and directives within the EU-area and whether the business idea is going to be profitable enough. The

analysis of the current situation and the future are as well important when creating an action plan for the future expenditure of the business.

The main research question for the thesis is what are the main points when beginning to expand the business? The goal for the thesis is to find out all the compulsory factors that the company should look for before making the actual business plan.

The thesis includes a thorough analysis of the company's current situation as well as the possible future situation. The European pet accessories markets are carefully examined as well even though there are no individual country analysis rather than just having the whole Europe examined as a one entity. The regulations and directives are an important part of any importing or exporting company and needed to be defined.

The thesis will mainly concentrate on comparing the actual surroundings and knowledge and the commissionaires wishes. The results are mainly the author's own observations and suggestions based on the theory and previous knowledge.

2 METHODS

The purpose of the thesis is to find answers to the research questions. The research questions for the thesis are: what are the main tasks when beginning to expand the business? What are the factors that need to be covered before starting the business? Along the writing process also other questions related to the research questions will be solved and determined. The most difficult part in the thesis process is finding up-to-date data about the pet accessories markets. Also tracking for all the regulations and laws might be difficult at least for the Asia and USA part when dealing with the manufacturers and importing from there to Europe.

The thesis is conducted and reported as a zipper model. The model could be described so that the thesis moves logically from one topic to another. The “theory” part for the certain topic is introduced at the beginning of the chapter and then the collected data is analyzed and handled after the “theory”. The theory is in this thesis more like defining the basic concepts related to the topic rather than the theory normally used. This way the thesis is interesting to read and the theory is easy to remember as well for the reader. As the topic for the thesis is intriguing the best method was to go from solving the problems in order. The result of the thesis is aiming to create new and learn at the same time.

The method used could be also described as action research. Action research is defined as follows “Action research is “learning by doing” - a group of people identify a problem, do something to resolve it, see how successful their efforts were, and if not satisfied, try again. While this is the essence of the approach, there are other key attributes of action research that differentiate it from common problem-solving activities that we all engage in every day.” (Rory O’Brien 2002, Date of retrieval 18.4.2012) This method is right tool because the problems occurred during the data collection are then handled and solved. After solving the problems the learning by doing has happened. This method is very interesting for both the reader and for the researcher since it gives the ability to focus on one topic at the time and move on with solutions. This way when all the topics have been through it is very easy to sum it up and make conclusions.

Another method that is partly used in this thesis is the desktop research. The deskwork research is defined as follows: “Desktop research consists of those research processes which do not necessitate going into the field. It consists, literally, of those things which can be done while sitting at a desk.” (Blaxter, Hughes, Tight 2001, 66) Desktop research is also a method that could be linked to the thesis process. Since the topic is multinational and the problems that the thesis has are the type that it is not relevant to do field study. At this point the thesis needs to find a ground where the Yappy Fashion Oy can start working on. The field study might be more suitable in the future when going into more details in the topics. For now the best thing is to do a desktop study where the necessary data needed is searched and analyzed.

At the beginning of the thesis project the literature material needed for the thesis was gathered and necessary data was collected from those resources. Because all the literature for the thesis was already collected the writing was quite effortless. The theory part of each section was written based on the resources. It made the process faster since the analyzing parts and solution findings were the ones that took the time. If the material for the theory would have been searched during the thesis writing process the process would have taken much more time.

The data needed for the analyzing sections were collected mainly from different web-sources. Findings from the Internet were mainly done by web research using Google and Ebrary. There were some difficulties finding accurate data especially from the pet markets figures and facts in Europe. It seems that most of the accurate data is collected and administrated by companies who take charges to register into their services. This made the data collection quite hard. There were no interviews made since the thesis topic is not concerning any subjects that would be suitable to go into so deep at this point. Interviewing e.g. market leader companies managers might be a good idea when the business expansion is a bit further ahead. This thesis is mainly focusing on the points that need to be covered when in very beginning of the business expansion process.

The thesis reflects the company’s and the authors’ interpretations to the situation with the theory framework of the subject. As a result the thesis will create a sufficient backbone to the commissionaire to start working towards the expansion.

3 BUSINESS MODEL OF YAPPY FASHION OY

Every company works with some type of business model and it might be a mixture of several different business models. Business model is what the company does to get its money. In other words business model articulates how the organization or company creates and delivers value.

Definition of business model: “The plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs.” (Investopedia.com, 2012, Date of retrieval 21.4.2012)

Business model of Yappy Fashion Oy for the future is going to be mixture of different traditional business models. The company is going to work as a middle man for both to the producers as well as for the distributors. The idea is to create a channel via the Internet and there the producers could be able to get their products to the markets and e.g. have their own advertisements in the channel site. For the distributors it would be a great place to find all the products they want from “under the same roof”. Also the idea that Yappy Fashion has is to have all the orders sent at one time, so the orders would be handled consolidated.

The business model would be a mix of commission model, which gets its profit from the products sold to the distributors and also a mix of advertiser model in which the profit comes from the advertising spaces. Of course this type of business model is not the easiest way since Yappy Fashion Oy needs to keep the producers happy and eager to commit to this new business model and as well keep the distributors happy so that they keep on buying from the portal.

Basically the money that comes for Yappy Fashion Oy is if they decide that the business form will be portal and they will have some advertisements from producers. Producers then have to pay a certain amount for an advertisement campaign to get their advertisements to the portal. If Yappy Fashion Oy is going to make day, week or monthly letters then as well get their advertisements on the letters as well. Later on if the business starts going good there could be e.g. x amount of money that the

producers need to invest in order to get themselves into the portal etc. Yappy Fashion Oy creates a channel for the producers who otherwise would not be able to come to the European markets e.g. because of lacking in the resources etc. This way new producer would enter the market and create more competition and variation in products. Yappy Fashion Oy's idea was to also work as a marketing based agent for the new producers in USA and Asia. Also Yappy Fashion Oy could work as a business account manager for a producing company. This way the producing company would get their own sales person who would be taken care especially of that certain company sale. There could be agreement on what the sales mark-up would be etc. and different values defined what the producer wants to achieve and then the sales person works towards achieving them

From the other point of view Yappy Fashion would also be getting money from the distributors that purchase from the portal. The prices would be set that much higher that some type of profit would be earned. This portal would be only for professional people working as distributors not for the end-customers. The basic idea is to offer easy ordering and diverse assortment of products both from the already established well-known producers as well from the new and fresh producers. This way the distributors would get the best possible selection of pet products available and get all the products with one delivery. This would be a bonus for the distributors as well since they would not need to pay multiple shipment fees etc. if all the products came at once.

This idea is the basic structure of how Yappy Fashion Oy would hope their new business would work. The business model is interesting and it offers challenges for Yappy Fashion and definitely is going to be a lot of work to get the system started and going. There would be multiple different tasks as they would be agents, advertising company, wholesale company, Internet portal up keepers, e-shop keepers in Finland and taking care of the orders and the logistics.

4 COMPANY'S SITUATION ANALYSES

In order for a company to know where to go with its business it is crucial information to know where the company stands at the moment. In other words the company should do some analyzing about not only the future but the current situation as well.

There are also external factors affecting the company's business doing which need to be taken into consideration. The basic information needed to make managerial decisions is the company's current internal factors and the objectives that they have for the future and the external factors that have effect on the company. These external factors are usually either competitors or marketplace that defines different rules or regulations that are changing and must be followed.

Even with the most careful analyzes and strategies the company must always have a plan how to cope with risks. Risks are something that very often occurs when doing business and having an enterprise. These risks need to be analyzed and managers to have an idea what to do if everything does not go as expected.

The marketplace is giving its own liabilities and for a company to be successful it needs to be aware of its surroundings. There are different legal issues concerning the city or country where the business takes place and environmental regulations. The list of what to take into consideration varies but definitely the company should be aware of all the mandatory tasks.

4.1 Industry analyses

Karami, A. defines analyzing industry as follows: "Basically, organizations scan the environment in order to understand external forces of change so that they can develop effective responses that could secure or improve their market positions in the future." (Karami, 2007, 189)

There are different ways how to analyze the industry and one of them is to use Porter's Five Forces model. These five forces are: the threat of new entrants, the bargaining power of buyers, the threat of substitutes, bargaining power of suppliers and the degree of rivalry between existing competitors.



FIGURE1. Porter's Five Forces (Porter, M. 2008. Date of retrieval 9.5.2012)

The threat of new entrants

“New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition.” (Porter, M. 2008, Date of retrieval 9.5.2012)

In this case the threat of new entrants cannot be predicted. The pet industry is growing since more and more people have pets and they want to have lots of products for their animals. In the modern day pets are not just pets anymore in a way the pets have grown to be a part of the family. This means that the pet industry gains from the change of a point of view towards pets.

The industry in Europe does not have any united company that would handle all the European pet shops. Every country has its own market leader and that is it. So this way there is always a threat of new company setting up in some European country but at the moment there is no direct competition since there are no existing Internet based pet

wholesale portals. There is still always a possibility that some other company has spotted the same opportunity and is researching it at the very moment.

The bargaining power of buyers

“Powerful customers - the flip side of powerful suppliers - can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions.” (Porter, M. 2008. Date of retrieval 9.5.2012)

The bargaining power of buyers which are in this case the enterprises' working within Europe is not very relevant. There are a lot of buyers in the pet industry and the products offered vary in different types with different marketing strategies. Others offer cheaper prices with tolerable quality and others focus on the best possible quality with a bit more expensive price. So there is so to speak something for everyone. Since there are so many buyers they do not have that big of an impact if some buyer threatens integrate backward into the industry.

The threat of substitutes

“A substitute performs the same or a similar function as an industry's product by a different means. Videoconferencing is a substitute for travel. Plastic is a substitute for aluminum. E-mail is a substitute for express mail. Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product.” (Porter, M. 2008. Date of retrieval 9.5.2012)

In this pet accessories industry there is a big threat of substitutes because almost all the products those are in the markets (e.g. shampoos, clothes, leashes etc.) are being made with all the producers. In other words if you produce some unique product it does not take long that similar product is produced and then offered with a lower quality and price. Even if you have patented the exact product it does not take long to some other producer has made their product as close as possible to the original. As an example few years back a product called Furminator, which is one type of a comb to dogs, was

launched to the business with quite good reviews. It did not take long time that there were substitute products to that Furminator being sold in cheap markets with lower quality and price. In the pet industry it is really rare to manage to create a product that is not being copied right away.

Bargaining power of suppliers

“Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants.

Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices.” (Porter, M. 2008. Date of retrieval 9.5.2012)

The risk of suppliers does not directly affect Yappy Fashion’s business operations because they are in fact a type of suppliers themselves. The business process is that they contact the producing organization and make a deal of product x and then import the product x to the country. When product has been imported it is sold to some or many companies that then sell it to the customers.

Thus, the business doing is still indirectly affected by suppliers since the company orders the products straight from the factory. The factory X’s prices are determined by the costs since the production line needs to be profitable. If the e.g. raw material costs increase then the price of the single unit has to increase as well. Or this is at least the easiest way to try to cover the costs. Of course there are also other ways to calculate what costs need to cut down or change in order to the business to have a positive outcome. This means for Yappy Fashion Ltd. that the price of the single unit increases and this way the factory’s supplier do have an impact on Yappy Fashion’s business as well.

The degree of rivalry between existing competitors

“Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.” (Porter, M. 2008, Date of retrieval 9.5.2012)

The structure competition is somewhat there when thinking about the pet accessories markets in Europe. Even though each country has their own market leader there are still multiple quite equal sized smaller businesses. These smaller businesses have more intense rivalry with each other. But these rivalry situations do not have an effect on Yappy Fashion's business idea. Yappy Fashion would be more like a connector between the manufacturers in Asia and USA to the distributors working in Europe.

Costs of the industry depend on whether looking from the manufacturer's point of view or from the supplier's point of view. In Yappy Fashion's case the fixed costs are not that high since they are not having premises or large amount of staff or big loans. The costs for Yappy Fashion come mainly from the variable costs since the more products are being ordered the higher are the costs.

The rivalry from the differentiation point of view is not high. There are versatile product range and lots of different options from where to choose from. Switching costs are not high either since there is small barrier to change from one producer to another.

The Strategic objectives used in pet industry differ a lot from each other's. Other suppliers/producers rely on the product and its capability to speak for itself. They are not using that aggressive marketing tactics. Others then on the other hand bring the product much more to the targeted customers and make sure that the product has been noticed. Both styles might work; it highly depends on the target groups and their buying process habits.

Exit barriers for producing companies are quite high since the company loses a lot of resources and it is as a fact always expensive to shut down a factory. On the other hand the suppliers working in pet industry are in lot of the cases working as franchising companies and for them the costs are not that high, at least compared to the costs incurred closing down a factory. Of course it is a rare situation that a company could close down its business and have no loss at all. In Yappy Fashion's case the business plan that they have, if it would come true and they would establish an Internet wholesale portal. It would cost them the money invested into the expenditure of their business and also the costs occurred during establishing the necessary tools to create the working portal.

4.1.1 Competitors

“Usually competitors are analyzed via the market research questionnaire, observation of competitor activities or by the publications produced by the competitors.” (Brown, 2006, 44)

“What the company should be covering is that who are the major competitors? Are the competitors’ products aimed at the same market segment? How do the competitors’ products compare in terms of ability, quality and price? Is any competitor planning major change in marketing strategy? How do the expenditures compare? Are the competitors positive or pessimistic about the future marketplace?” (Brown, 2006, 44-45)

The competition that Yappy Fashion Oy has at the present time is both direct and indirect. The competition for future pet wholesale portal is indirect because there are no existing enterprises that are exactly on the same market segment.

Current direct competition for Yappy Fashion is the big importers such as Best Friend, domestic producers e.g. Topcanis and wholesalers e.g. Shetland, Asop, VipVescor and Petopia. These groups are directly competing in the same markets. It could be said that there is strong competition in the markets and to succeed you need to have something that differentiates you from the competition. For Yappy Fashion the differentiation is in their product range that offers luxury goods and excellent quality.

Indirect competition that Yappy Fashion Ltd. has is by e-shops managed from abroad and the competition between fashionable ethical products versus traditional cheaper products. The e-shops from other countries are appealing alternative even more and more Finnish people. The easiness in ordering from online is luring and many times the products are offered with a lower price in different countries. This of course affects the domestic markets in decrease of sales.

The main competitors that the Internet pet accessories wholesale business has are the enterprises that are leading their own country’s markets. These companies do not emphasize their business in whole Europe mainly just their own country. This leaves the possibility to the commissionaire’s company to conquer the European markets, so to speak. Yappy Fashion has the chance to make the marketplace united so that any pet enterprise within any EU country is able to order their offerings.

This idea that Yappy Fashion Oy has come up with is not unique. There is similar type of business activity going on in the USA. For example one company working in USA is called Pet Edge. Their business idea is quite similar to the one that Yappy Fashion Oy has with just a little bit different marketing strategy. The success of the Pet Edge in the USA has given positive hopes that the similar type of business form would be successful in Europe as well. The difference between what Pet Edge does and what Yappy Fashion has on their mind is that Pet Edge is working merely as a wholesale business working via the Internet. Yappy Fashion's idea varies on this since they are not interested in having big warehouses. This makes Yappy Fashions business idea fresh but on the other hand there are no previous experiences if these types of business form works. The factor of unknown is a risk but sometimes taking risks leads to great successes.

4.1.2 Risks

There are multiple different risks that might come across when having an enterprise. Naturally, first thing that comes to mind is that if the world's economic situation goes worse or even if the own country's economics go down. But there are also other risks that need to be taken into consideration besides the obvious economical point of view. There might be e.g. technological changes, customer loyalty risks, environment risks, personnel risks etc.

Taking risks is something that most of entrepreneurs have to do because at the time you are making a decision you cannot predict the future. The most common every day situation where a manager is heading a possible risk is when making business decisions.

Törnqvist and Nordberg (1968, p 49) have divided a typical decision making process into a five stage. First part is to analyze the decision situation and clearing the past to be sure what the future is wanted to be. Second thing to do is to analyze the different options which could be chosen. Third part is to create a possible future scenarios based on those different options. Fourth task is to compare these scenarios and then finally fifth is to make a decision. This is fairly simple process and comes quite naturally or at least should come. Otherwise it is just random pick and the result might be extraordinary or go horribly wrong. It still needs to be emphasized that it is a very rear

occasion that an entrepreneur has enough liable information to make a risk free decision.

In order to be a successful entrepreneur in today's world one must have a strategy concerning risks and how to cope with them. How you can manage the enterprises risks and how to continuously learn from it? It is very important to prioritize the risks into groups that are logical. E.g. you need to make sure that risks that have more negative effect on your business are being handled first and the least harmful are taken care later on. In the actual life that we live in things do not always go as planned.

What are the possible risks concerning Yappy Fashion Oy now and in the future? At the moment Yappy Fashion's do not have large risks in sight. It seems that pet accessories markets keep increasing and people are more willing to spend on their pets than ever. Naturally the economic situation is on every company's mind but so far it does not insist on taking any extra care.

The future hopes of expanding the business on the other hand has multiple risks. One big part is that will the expansion succeed? Are there enough resources to manage all the negotiations with potential partners, with the manufacturers and create a successful supply chain process? Are there enough capital to invest to the business and if not how to get more? All these factors contain risks and even though these are handled and the business gets started what if something goes still wrong? Actually always when doing a business expansion it contains a high risk and especially if there is no existing similar companies in the market. If everything goes as planned and works out perfect it might be really rewarding and creates big profits but there is always the risk that the business idea fails and the business needs to exit at least that business.

4.2 Company's current situation

Knowing the industry is essential but not enough. It is also important to be aware of the company's own current situation. In order to make any future plan one needs to know where the company stands now.

Usually the current situation is known quite well by the managers. They are aware how the business is doing and they have their business plan to follow. Still it is useful to from

time to time check that the company is still on the right track and all the steps in the business plan are followed. Including the budgeted profit and loss statement, budgeted balance sheet and other possible financial budgets made. This way the company's management knows exactly where the company is at that point and has the reality went as planned.

History

The company Yappy Fashion sole trader has been founded in 2005. It is the first pet fashion e-shop in Finland which also imports brands that are well-known within products for humans. The company has been able to get exclusive representative contracts with e.g. Puppia, Puppy Angel, Wouapy etc. which are very high valued brands within the pet accessories industry. In 2010 the company becomes a limited company instead of sole trader.

Since the amount of dogs in Finland has increased within ten years and the largest increase has happened with the small dogs it is good news for Yappy Fashion. The amount of potential customers keeps growing and that leads to bigger sales. The pet owners can be classified as an own individual consumer group. The pet culture has changed and the pets are now family members and one could say as well that they are part of your style and image as well. The type of dog that you have tells awful lot of you as well these days.

SWOT

SWOT is a simple and widely used analysing tool in business planning. By using the SWOT analysis it gives the opportunity to find out the company's current strengths and weaknesses as well to find out future opportunities and threats. This tool makes it easy to companies assess their business operations.

The SWOT analysis is usable for any type of company or organization. The analysis can concern the whole company or be focused on just one part of the business. The focused analysis is usually more detailed and could be focused e.g. to the products, markets or human resources.

SWOT analysis could be also defined as “a scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (**S**) or weaknesses (**W**), and those external to the firm can be classified as opportunities (**O**) or threats (**T**). Such an analysis of the strategic environment is referred to as a **SWOT analysis**.” (QuickMBA, 2012, Date of retrieval 8.3.2012)



FIGURE 2, SWOT analysis

Strengths

The commissionaires company Yappy Fashion Oy is offering very good quality products with a unique marketing strategy. Their strategy is to offer luxury products with already quite well-known brands. These brands might not be known in Finland for their pet accessories but more for their products targeted to human customers. E.g. Yappy Fashion imports Juicy Couture’s pet products and Juicy Couture is best known for its perfumes, clothes and jewellery. This is something that no other pet company in Finland is doing.

Also strength for Yappy Fashion Oy is the knowledge how e-business works since they mainly sell their products via the Internet at the moment. This is a strength since their target is to expand their business from e-shop working in Finland to a Europe wide Internet wholesale portal. To succeed in that goal the knowledge of working via Internet is crucial. Also the knowledge of the common business doing is strong which gives the company strong backbone to work with.

Their importing logic has worked fluently which is of course a huge bonus. The company has created a working buying process and it makes the whole selling process efficient. The big department stores working as the customers are a strength as well since they are trustworthy clients. Usually the payments come as they should and the

contracts are kept as agreed. Yappy Fashion does not need to worry if the transactions go as planned or not.

From the international point of view the language skills are highly valued and as the Yappy Fashion's employees have that skill it is a great strength for the enterprise. It is quite hard to expand to the international markets if the language skills are not there or if it is just partly there. With the common language that both parties understand the mix ups are a lot easier to avoid. It is assumable that with good language skills it is a pleasure doing business with foreigners.

Besides the good language skills they already have international business knowledge. The company is importing at the moment from Baltic countries so international business is not new for them. They have experiences from negotiations and meetings with foreign business people. This is of course strength because they have knowledge and experiences that not all business is done the same way as in Finland.

The decision to act as a wholesale portal is a strength since they do not need to have large warehouses. It is easier when one has a contract with the manufacturer and they send the order that Yappy Fashion has received from the distributor/retailer. This way they are able to send the orders right away to the customers and avoid bigger storing problems.

Yappy Fashion has also quite good contacts already so it is easier to start implementing the plan. Contacts are very important in business life because usually when having good experiences with a company one recommends them to business partners as well. That makes it easier to start any type of new activity when you already have supporters. Yappy Fashion has been working in the industry already six years and has managed to make good contacts during that time.

They have proofs to show to potential partners or customers that they have successfully managed to introduce brands to the customers. This is a huge strength since they have results that they can show to potential partners that they as a fact are good company to work with. Because of all the strengths Yappy Fashion already has some companies on board if this Europe wide wholesale portal is going to happen.

Weaknesses

Yappy Fashion Oy's weaknesses are that as they are a small sized business, do they have enough resources to pull this off? Expanding a business in such a big way requires a lot of working hours and staff with knowledge. Also, it is a question of how much investing would it need to make the idea happen. Would it be Yappy Fashion's owners that invest to the business more or would there be e.g. partner interested in chipping into the business? Or would it be some investor interested only investing to the potential business idea.

Even though they have background as an e-shop it has been relatively small sized comparing to their future plans. And because the business has not been big or has not caught the eye of the bigger media the brand name Yappy Fashion is not widely known, at least amongst the end customers. In the future the company is not emphasizing on the end customers thus it is not too big of a deal.

The company is also quite dependent on the manufacturers this is because Yappy Fashion has decided not to have their own large stock so whenever a customer orders a product the order needs to be forwarded to the manufacturer. This leads to the point that if for some reason the manufacturer is not able to produce the product or able to ship or then Yappy Fashion loses the sale. Basically if the manufacturer has problems those same problems might affect also in Yappy Fashion's business.

As their plan is to be a wholesale portal to Middle-Europe the main weaknesses concerning the plan is constructing the logistics. It is not easy to create a working supply chain process. Analysis and careful planning is needed in order to create as effective and cost-saving process as possible. Big companies usually create their own department for logistics in order to make everything running smooth.

Also the business idea would need partners in Europe to be successful. This might be a weakness since it can be hard to introduce the new business idea and form to existing entities working in Europe. How to get them aboard in the business? This also takes resources and time to negotiate with the potential partners in Europe.

Opportunities

If Yappy Fashion manages to get the largest producers e.g. within Finland on board to this portal wholesale business it would be a good start to the business. It might also be profitable because it is more likely that suppliers within Europe will be more interested in purchasing through Yappy Fashion's portal if there are already big much known producers operating. Also it gives a good image of Yappy Fashion if it has both already good-known big companies and their products and then as well the new and fresh companies coming from Asia and USA.

In the pet markets where wide product ranges are available and end-customers vary a lot it is preferable that the suppliers could get all the different products ordered from one place. This is an opportunity for Yappy Fashion because this is one of the main ideas they want to create when working a portal wholesale company. Yappy Fashion wants to be a portal where it is easy and quick to order all the products needed for the supplier and see all the different products available.

It is an opportunity as well from the manufacturer's side. Yappy Fashion can be a marketing related middle-hand between the European suppliers and the producers working in USA and Asia. This is a chance for both Yappy Fashion and the producers because in this way Yappy Fashion will be able to bring to the European markets fresh and new products and the producers do not need to go through all the trouble in finding partners and negotiating etc. in Europe.

Threats

The main threats that Yappy Fashion would occur are the large producers. If the large producers e.g. Karlie would not be interested in working with Yappy Fashion and the portal they would then form the biggest competition for Yappy Fashion. Because the large producers are so well known and their business is established it might be hard to convince the suppliers to choose from Yappy Fashion's product range that would consist from new producer names and new products.

Also the already large suppliers might be a problem for Yappy Fashion because they have usually established their business models and routines so well and have the

product ranges they feel they need. These companies might not be interested in investing to anything new and to brands that are not yet reached by the majority.

4.3 Company's future

Future is valued amongst entrepreneurs because the future opens possibilities. The future is not yet here so there is a chance for almost anything. Usually when thinking about a company's future one thinks about the objectives that one has. Of course it is impossible to achieve ones dreams if they do not know where they are going. The objectives can be classified into a series of value statements such as vision, mission, goals and values.

Vision

"A vision is the image that a business must have of its aims and goals before it sets out to reach them." (Hindle, 2008, 209)

For Yappy Fashion Oy the vision of the future is bright. Not only increasing the business domestic but also expanding the business. The expenditure of the business is challenging but hopefully rewarding as well.

The vision is to get the new and less known producers from Asia and USA to join the portal. When the portal has been established the vision is to get the European suppliers as customers in the portal. This would be the vision that Yappy Fashion Oy has for its business a expenditure and hopes to reach at some point in the future.

Mission

Mission statement is roughly a summary what the company wants to be. It makes no sense to have long mission statement with complex phrases. The best way is to make it short and memorable so that everyone who sees the statement can have an idea what the company tries to achieve. The statement can also give boundaries to work with by determine the strategic goals.

Yappy Fashion's mission statement could be defined as follows: Be the leading pet accessories wholesale company in Europe.

Goals

Yappy Fashion Oy has multiple different goals for their company's future. One thing is to find out whether it is a productive and an idea worthwhile implementing to expand the business to European wide Internet wholesale portal, if there is potential to succeed in the business. The business idea if it succeeds would be very profitable so it needs to be carefully looked through.

There are also goals such as that the company's sales increase and to get better contribution margin to the products. In another words the goal is to make the current business more profitable.

Quite simple goals but on the other hand these goals are in almost every company's business plan. The ways how to reach the goals are the ones that define whether those are reachable or not.

To be effective the company should have objectives that are clear, measurable, achievable, agreed and monitored. This means in Yappy Fashion Oy's case that they have a clear idea for their future goal and what they want to achieve, which the Internet is based pet wholesale portal. Measurable goals will be made later on after the initial report done in this thesis. Achievable so that Yappy Fashion will be able to achieve the goals that they set for themselves. Agreed by all the people working towards the expansion and last but not least monitored. Monitoring is important so that you immediately notice if something is not going as planned and you will be able to make corrections before it is too late.

Also the characteristics SMART (Brown, B. 2006) are widely used when dealing with goals and aims of a company. The letters mean Specific, Measurable, Achievable, Realistic and Time focused. This is easy way to remember the most common tools to analyze your goals. It is important that you keep on track of your goals that you have made at the beginning and reflect them along the way. Sometimes the goals and aims might change but then it is good to gather up und discuss why the goals have changed and is the reason for the change internal or external. This way the management is on track of the company's direction and it is easier to make managerial decisions.

In already established companies there are also other factors that the company should take into consideration besides the company's own internal goals. There are factors such as customer satisfaction, thus it is very important to keep the customers so that means one goal for the company is to monitor also the satisfaction rate of the customers. Also organization development is important factor when talking about goals of the company. If the company does not regularly monitor its own business how is it possible to lead the company to the targeted future? It is important to keep looking and learn from the possible mistakes made during the previous period. Financial ability might be one of the most important factors that managers need to be looking for. It is crucial for a business that it meets its financial goals. Not many companies can be successful for years without making any budgets and the net profit being negative from year to year.

4.4 Portal vs. Wholesale

As the commissionaire first time introduced the idea to create this Internet based pet accessories wholesale business the idea was interesting. How to connect these two different types of business models into a one integrated new one. First it was important to understand what type of business models these are separately in order to know what the mixture would look like.

Portal

The portals are seen as connecting hallways between company's Internet and Intranet pages. The portals connect information from several different sources and able the passage of the information to large amount of people. The goal of a portal is to offer the customer an easy, effective and nice way to reach the information, service or product needed. Also portal's advantage is to offer wide range of products etc. with just this one portal so there is no need to go for several different places. Portal's offer advertisement places where companies can have their own advertisements for a price agreed. (Davdoy, M. 2001, p 29)

There are different portal types such as one of the first portal as Yahoo which mainly consists of the Yahoo page that collects different web pages links and as you search for something the Yahoo gives you the links that are concerning that information. As the

portals in the non-business world got bigger the idea to have also business concerning portals grew. The Enterprise Information Portals then came to the business world and the effect has been remarkable. It offers the business to have a whole other way to offer its services and information.

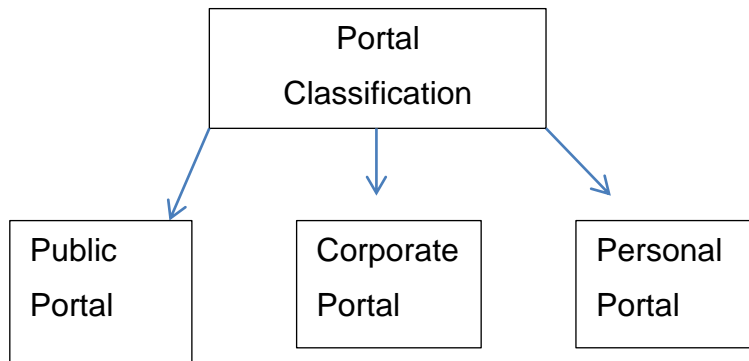


FIGURE 3. Portal Classification.

At nowadays the portals could be defined into three categories according to Davdoy (2001, 138) which are public portals, corporate portals and personal portals. Public portals are usually open and trying to get as much people to their portals as possible e.g. Suomi24 is a good example. Corporate portals are more concerned of their business and are backing up for their business operations. Also corporate portals are usually purely concentrated on actual business doing in their portals and merely from business to business point of view. Personal portals are meant for the end-customers and the usage of those portals is not restricted to use just with the computer.

Portal is a great way to connect different entities working in the same industry together. Through the portal it is much easier to explore new entities and find possibly new partners etc. All in all a portal is an easy and appealing way to do business especially in today's world where the Internet is preferable tool in business actions. It is appealing because this way the companies can work from home from their own offices rather than going out to the field and actually meeting the people and going into negotiations and meetings. It saves time and is more cost-effective.

Wholesale

Wholesale business has been around much longer than portals have. This is because the Internet is fairly new tool in the business world. The wholesale business has been around at least from the 1800s. It has changed from those times but still it has quite long history. As a simple definition wholesale business means that you buy large quantities of goods and you put them to your big warehouses and then you sell them to retailers and distributors.

The wholesale business is based on buying large stocks cheap and then selling them with a price that gives the company profit. The pricing strategies vary amongst the companies but the basic idea is the same.

For Yappy Fashion Oy these two business forms are mixed since they are both offering a portal with advertising places but they also sell these products to distributors. The only difference that Yappy Fashion Oy has that is not similar with the typical wholesale model is that they are not going to obtain large warehouses rather than using their current premises. Naturally they do need to have some sort of stock but as they intend to deliver orders in consolidated form they do not need to keep them long at their premises.

As Yappy Fashion Oy is going to have both business forms the thesis will contain both wholesale and portal in the title of the thesis. It does not make sense to drop either of them out because both are vital parts of the business. This might first confuse but after getting into the subject it makes sense.

5 PET ACCESSORIES MARKET ANALYSES

When a company makes market analysis the important thing is to find out the facts about the market that they are entering. Especially companies are interested to find the possible opportunities and threats that the specific market offers. When a company has done the market analyse it is easier for the company to know where the possible strengths or weaknesses of their own company compared to the market. Is there something that they can get out from analyze to improve their business?

Aaker, D. (NetMBA.com, 2010, Date of retrieval 21.4.2012) has defined seven different dimensions that could be used when analyzing a market. These dimensions are market size (current and future), market growth rate, market profitability, industry cost structure, distribution channels, market trends, key success factors. All these dimensions have different factors on which they can be evaluated. This type of market research gives quite good idea of the market and its possibilities as well as its threats. There are naturally other methods as well on how to find out the characteristics of a certain market.

It does not matter what analyzing tool one chooses to use to evaluate the market one is going to enter. The best is to choose a tool that helps to understand the potential and the threats that there are and to know how to work with them within one's own business. In order to be successful you need to be aware of your target customers as well. So it is both the market environment as well as the actual people working within the industry that have to be analyzed.

5.1 Markets in Finland

In Finland the total amount spent in pet accessories markets are around 320M€ per year. The amount used in pet accessories is estimated to be 25M€. The growth of the markets is around 3.9% per year. It could be said that the pet market future is optimistic. (The commissioner's current business plan, Date of retrieval 20.3.2012)

The largest company in Finland working within pet market is Musti ja Mirri Ltd. which has 92 stores and the sales of 40M€ per year. Also Faunatar is quite big in Finland with

their 32 stores and sales of 7M€. There are altogether around 110 other companies in the same markets. But those companies are smaller and do not account big part of the total sales in the pet market industry. Big markets and department stores do also sell these same goods and they do take their own share of the total sales as well. It could be said that the majority of the sales is done by Musti ja Mirri and the rest of the total sale is divided with the smaller entities. (The commissioner's current business plan, Date of retrieval 20.3.2012)

Largest supplier in Finland is by far Best Friend Ltd. which total sales is estimated to be around 30M€ of which a small amount is accounted in abroad sales. There are few other companies working as well but they only account around 1M€ of the total sales. The Best Friend Ltd. has the largest contracts in Finland and has a quite good representative contract which confirms the market leader place. (The commissioner's current business plan, Date of retrieval 20.3.2012)

5.2 Markets in Europe

As the target market for the wholesale portal is going to be Europe and especially Middle-Europe it is important to have some type of understanding of the market. What does the pet industry in Europe look like? As the main focus of the wholesale portal is to sell pet products and not necessarily pet foods it is important to know how much of the total turnover goes to the pet products and what amount to the pet foods.

First thing is to realise the amount of actual pet owners in Europe. Even though the target customers for Yappy Fashion are not the end-customers but it still gives the idea of the market size and how many potential end-customers there are. According to a survey made by FEDIAF (2010, 2) in 2010 there were 70 million households in Europe, who owned at least one pet. This number has with no doubt increased since 2010. The estimated distribution of percentages was that around 25% were cats and 26% were dogs at that time. The rest were other animals e.g. fishes or guinea pigs etc.

In 2010 the survey made by FEDIAF (2010, 2) the turnover made by the pet products was €10, 5 billion and the pet food's turnover was €13, 5 billion. Here it is easy to see that the pet food market is bigger than the pet products market. These numbers have probably increased both and pet products market might have increased a bit more than

the pet food markets. Still the pet food markets seem to be taking the bigger turnover compared to the pet product markets.

In the survey of FEDIAF (2010, 4) there are estimated numbers of the dog population and how it has been distributed to the different European countries. With this information Yappy Fashion can get a clue of where are the largest amounts of potential end-customers. In 2010 the total number of dogs in Europe amounted to be 73 643 400. The top three countries with most dogs were (excluding Russia): UK with 8 000 000 dogs, France with 7 595 000 dogs and Poland with 7 311 00 dogs. For comparison to understand how large amounts these are the amount of dogs in Finland in 2010 was 651 000. Quite a big difference there compared to the European top 3 in 2010.

6 PARTNERS

6.1 Producers

Yappy Fashion Oy's idea was to get new producers from Asia and from United States to the European pet markets. The type of producers Yappy Fashion is looking for are the ones that might not be able to enter the European markets by themselves.

Asia

In Asia there are some companies that Yappy Fashion is already having some type of cooperation. These companies that Yappy Fashion Oy has already connected during other business not attached to this wholesale portal business idea might be the first ones to enter the wholesale portal. It would be the easiest way to get the business going to use some of the already existing connections.

Also Yappy Fashion could try to connect other interesting and up-and-coming companies whether they would be interested to expand their business to Europe. This might be too risky for the fresh and new manufacturers to enter a complex market like Europe on its own. This is why Yappy Fashion Oy wanted to give the opportunity of own key account manager who would take care of the sales part in Europe and marketing of the brand. This way the new company could just invest a certain amount of money and then the sales person from Yappy Fashion Oy would take care of the sales part. If this own sales person would not interest the manufacturer there would also be the possibility to just join the wholesale portal and possibly have advertisements in the portal. This way Yappy Fashion Oy would be acting just as their advertisement agent and run the advertisements in the portal.

Asia as a manufacturing place is intriguing since the work force in Asian countries is much cheaper than in Europe. This way the costs of goods made is much lower and gives the ability to also set prices lower. This is very appealing at least from the customer's point of view because everyone wants to get products as cheap as possible. Also the work force in Asia is more motivated which should lead to more effective production line. Because of Asia being cost-effective it makes it good place to look for new business partners.

USA

United States of America is the world's market leader when it comes to pet markets. There are big amounts of money spent on pet products every year. The big amount spent on pet accessories connected with the patriotic American's can mean only one thing. There are a lot of American companies producing pet products. American people are usually very proud to be American and if they can they will buy product made in America as well. This has been an advantage for American pet product manufacturers since they have been able to ride with being American.

In America there is such a big market that not many companies are interested to enter the more complex European markets with varying regulations. They have settled to just have international shipping and leaving the customers to deal with the tariffs and duties which usually occur when ordering from USA. This is unfortunate for the European customers who would love to buy these famous American products but are not interested to pay all the taxes and figure out what to do if the products end up in customs. Of course the rate of dollar against euro is one appealing factor when thinking about where to purchase these goods.

Yappy Fashion could do the same things to the American manufacturers as to the Asian ones as well. Yappy Fashion would offer an easy option how to enter the markets and the American producer would not have to figure it out all by itself. It would save the trouble from the American producer and would benefit Yappy Fashion by being able to offer these products to the European distributors and retailers.

The portal would also be beneficial for the producers who would like to enter the markets but not exactly know how. The trade fairs for pet industry in Europe are very expensive and the market is hard to enter because of the diversified locations of distributors and the lack of united market.

6.2 Distributors

The other side of the portal would be the customers which in this case are the distributors and retailers in Europe. Because the business transactions are made in

business to business form the purchasing processes are a bit different from the usual business to customers' sales. The process is presented clearly on the Figure 4.

Business to Business buying process



FIGURE 4. The B2B Buying process (Inboundsales.net, 2012, Date of retrieval 22.4.2012)

From the figure 4 the basic buying process model can be seen and used for analyzing the process from Yappy Fashion's point of view.

First when the distributors buying process starts their awareness arises. The distributor starts thinking that they need to change something. If the company is big they need to convince others to think so too. After having the idea that something needs to change they create requirements of what the new replacing product should be like. Usually here is the point of the process when the distributors get their idea of who the preferable vendor would be. So as early on as this, is the place that the best vendors should be able to convince that they are the best choice. This is something that Yappy Fashion also needs to think about. How to create a selling strategy that would lure the customers' right after their awareness has arisen.

Should Yappy Fashion be actively connecting with the potential customers and convincing them to purchase via the portal, maybe use the social media? Usually it takes proactive measures from a company to get all the possible customers but this could be a topic for a further research for Yappy Fashion.

In the evaluation part of the process you have hooked the distributor and the distributor has been convinced that the change is better and should be made. At this point they still want to make some research to find out if there are experts that have an opinion or other sources that might give them information. Here it is important to have some liable and credible people that will back off the company. In Yappy Fashion's case it would be good if there were some expertise or highly respected people agreeing that this portal is

very liable and good place to make purchases. The distributors are going to compare the different options and make decision based on their preferring. Here for Yappy Fashion it would be a good idea to point out their uniqueness in the market and other things that differentiate them from the competitors.

At the last part of the buying process there is the Decision part. Here the distributor is almost certain that Yappy Fashion Oy is indeed the right choice. Here Yappy Fashion could still highlight all the positive feedback that they have received and all the good things that might reassure the distributor of the right decision.

All in all it is important that Yappy Fashion will be active throughout the whole buying process. The European markets are still very country concerned so the competition is a bit different in every country. Every country has its own market leaders which are at the same time working as distributors. This is the part that Yappy Fashion Oy will have to work hard with since the market leaders are at the moment importing themselves from the already existing producing partners. How is Yappy Fashion Oy going to convince the distributors that it is better to purchase from the wholesale portal than separately from the different producers and manufacturers?

The distributors in Europe are scattered with every country having one or two large companies and then many smaller ones. All these countries together with all the big and small companies create the distributor market in Europe. The challenge for Yappy Fashion Oy is to figure out, how to lure them all as customers in the wholesale business. This might take time and most definitely does not happen over one night. But with right connections and getting e.g. each countries market leaders there it might be achievable. Yappy Fashion Oy needs to use here its business knowledge, connections and good negotiation skills to success.

7 LEGISLATION

7.1 Legal matters

The biggest challenge of getting the wholesale portal working is to familiarize with the legislations. What are the barriers that European Union has set for importing goods outside the European Union? Is there any legislation that concerns the whole Europe or is it just every country having their own legislations?

There has been a great change in the customs in the Europe in the last 30 years. The custom barriers between European Union countries has been managed to rid of. Now they are focusing on getting united custom legislation working. The legislation has been already established but it is not yet fully united with all the countries included in the European Union. The European Union is trying to create healthy competition and make sure that the products that do enter Europe are ethical and good quality. (EU, 2012, Date of retrieval 22.4.2012)

In this case when Yappy Fashion Oy is going to be the middle-man between the European suppliers and the Asian and American producers the Finnish regulations needs to be checked. After the Finnish legislations have been analyzed it is easier since there are no tariffs or duties between European countries.

According to Ministry of Foreign Affairs Finland's economic success requires the further removal of barriers to export and investment and an open import policy that promotes competition. The key challenges include customs duties and non-tariff barriers to trade and trade-distorting measures that are still prevalent in many markets. (Ministry of Foreign Affairs Finland, 2012, Date of retrieval 22.4.2012)

Tariffs

"Customs duties on merchandise imports are called tariffs. Tariffs give a price advantage to locally-produced goods over similar goods which are imported, and they raise revenues for governments." (WTO, 2012, Date of retrieval 22.4.2012)

The usual payments one needs to pay when importing goods to Finland are the tariffs and taxes. Tariffs are usually value tariffs and those are calculated as a percentage amount of the value of the products being tariffed. For some products there is tariff concerning the amount of the products and the evaluating tool can be e.g. the amount of the product in units or the weight of the products.

Usually the value of the product is based on the price paid for the product. To that price is included also the transportation costs to the first European arrival location.

Value-added Tax

“VAT is a consumption tax that the seller of goods or services will add to the price.”
(Vero, 2012, Date of retrieval 22.4.2012)

When importing goods from outside the EU into Finland the buyer must pay taxes. The Custom of Finland takes care of the value-added taxation and other tariff costs concerning the goods. The person who is importing the goods or who has made the custom announcement is obligated to pay the VAT. Usually the VAT in Finland is 23% and that is also the amount that concerns Yappy Fashion Oy's products. This value-added tax is something that everyone selling something in Finland has to pay so it is not only for the importing of goods.

Yappy Fashion's idea is to sell the products to other countries inside the EU. This type of transaction Finnish Customs calls distance selling. The most typical type of distance selling is Internet shopping/ E-shops. In some cases when the products sold are under production taxation as well the seller needs to pay indirect taxes as well. In Yappy Fashion's case the pet products are not on that product list so these indirect taxes do not occur. Since Yappy Fashion Oy has once paid the VAT when importing the goods to Finland it is not liable to pay more taxes.

7.2 EU and E-Business

The European Union defines the relationship between the European Union and e-business as follows: “By enabling companies to sell to consumers and work with partners without being physically present, eBusiness is essential to helping European

companies - particularly SMEs - take advantage of the Single Market, driving prices down and bringing "Europe's Best" to the world." (EU, 2007, Date of retrieval 22.4.2012)

Directive 2000/31/EC on electronic commerce is the base of the European e-business. The directive was adopted in 2000 and according to EU it sets up an Internal Market framework for electronic commerce, which provides legal certainty for business and consumers alike. It establishes harmonised rules on issues such as the transparency and information requirements for online service providers, commercial communications, electronic contracts and limitations of liability of intermediary service providers.

European Union has a policy which has been described as follows: "Europe is willing and encouraging the SMEs to look into the e-business world. E-business offers better ways to the SMEs to be innovative and profitable. It is very important for the SMEs to understand the value and power of information communication technologies (ICT). Those are few reasons why European Union has established The European e-Business Support Network for SMEs (eBSN)." (EU, 2012, Date of retrieval 22.4.2012)

The EU defines that the eBSN's "ultimate goal is to improve the effectiveness of public SME policies in fostering competitiveness by promoting the innovative use of ICT. eBSN is an eBusiness policy coordination platform, bringing together decision makers and public policy experts in the field of eBusiness, to share information and to discuss strategic policy direction". (EU, 2012, Date of retrieval 22.4.2012)

In the directive there are certain rules and regulations set that must be obeyed. There are rules for how the information should be presented, how the contracts are made etc. The basic knowledge you need to have of regulations can be found from the Directive 2000/31/EC.

8 BENCHMARKING WITH PET EDGE

“In *The Benchmarking Book*, Spendolini, M. defined benchmarking as a “continuous systematic process for evaluating the products, services or work processes of organizations that are recognized as representing the best practices for the purposes of organizational improvement”.” (Hindle, T. 2008, p 15)

Another definition for benchmarking is: “Benchmarking can be used to identify areas in which you can make significant improvements by adapting or matching systems that are proven better.” (Patterson & Kepple, 1995. p 19)

In this case the best way to do benchmarking is to compare Yappy Fashion Oy to a competitor because Yappy Fashion is not yet having the business operating. That limits the type of benchmarking that can be done because there are not financial information available or any other actual reliable information. This sets also limits to the credibility of the results of the benchmarking since it is conducted with the expectations and ideas that exist at the moment.

This type of benchmarking is called competitive benchmarking, where you compare your company to a competitive company. This point there is no exact rivalry but the company that is being used in this case is similar type of company just working within different markets. In other words in this case benchmarker is Yappy Fashion Oy and the benchmarkee is PetEdge.com

Because not many competitors are interested in sharing their business secrets it makes the competitive benchmarking the hardest type of benchmarking. Especially in this case since the real business operations of Yappy Fashion Oy for the wholesale portal have not been established yet. This means that the benchmarking is conducted through estimations. Also benchmarking is most of the time conducted with much longer timeline and the information is being gathered from six to twelve months' time.” Usually the competitive benchmarking includes this information: department of commerce, literature searches, newspapers and magazines, associations, competitor's press releases, plant tours, released legal documents, interviews, clearinghouses, databases, Internet and questionnaires.” (Patterson & Keppler, 1995, p.32)

As this is going to be a hypothetical benchmarking task it covers just the objectives Yappy Fashion is interested in finding out at the moment. These objectives are: find out the competitors business model and compare it to the Yappy Fashions one, look for the transportation solutions, finance solutions, warehousing solutions and order handling.

Business Model

The Pet Edge is working more like a traditional wholesale company. Their business idea is to offer the best range of pet supplies to the professionals and retailers across the USA. They have their own big warehouses on both East and West Coast. The company is established over 50 years ago and the business has transformed during that time to this form.

Pet Edge is also constantly looking for new factories and inventing and patenting also products of their own. They do also have outlet stores where the retailers and distributors can purchase as well.

Because they have large warehouses in both coasts Pet Edge is able to ship the ordered products very fast. Their main selling place for the products is still the Internet.

In comparison to Yappy Fashion's business model there are differences. First of all Yappy Fashion is having a different type of wholesale business. There will not be any large warehouses since Yappy Fashion is merely going to act as a middle man. The common ground that they have with the Pet Edge is that they both offer large variable product range for the retailers and distributors. They both aim to be the leaders on their own markets and be the best customer servers as possible.

Transportation

Pet Edge is offering shipment of the products done within the same day if the order has been given before 1pm, orders delivered later than 1pm. will be handled and shipped next day. The fact that they have large warehouses in both East and West coast makes it possible to have so fast deliveries. In international orders Pet Edge does not promise any certain delivery time and leaves all the possible costs to the buyer.

The actual deliveries are made by UPS, which is a transportation company in the USA. They have determined their costs of delivery and have lists where the costs can be calculated. E.g. the size and the weight of the product are the determinant factors. If the size of the order is so big that it does not fit to the largest possible size of UPS, it is going to be transported via the motor freight shipments.

Yappy Fashion's idea for the shipment of the products is quite similar. They would probably use international transportation shipping company e.g. DHL. There are of course many different possible transportation firms available and in the future when deciding on the company Yappy Fashion Oy will probably ask for the offers of the different companies and analyze and compare these before deciding on what company to pick.

Since Yappy Fashion is going to do business only inside the EU area they do not need to think about the possible orders coming from outside the Europe. Of course if Yappy Fashion wants to later on e.g. further expand their business to global then they need to figure out shipments and deliveries again.

Financing

Pet Edge is offering four different types of payment options for their customers. They accept the most usual credit cards such as Visa and Master Card, Checks, gift certificates and open account billing. The first three options are available for everyone but the open account billing is meant for companies that are well established and usually government agencies and municipalities.

Yappy Fashion will first buy the product from the factory by itself and then send the product to the supplier. The supplier then has a chance to either pay the product right away or within 30 days after receiving the delivery. Also the possibility to offer some type of financing could be an option. There might be a financing company involved which would offer the capital to the supplier right away and also Yappy Fashion would get the payment right away. This option still needs to have further look before taking it into action.

Warehousing

Pet Edge has two large warehouses from which they handle the products to all around the USA. Yappy Fashion then on the other hand is ordering the products from the factories and right away shipping them forward to the European customers. This is why they are not interested in investing into large warehouses etc. Naturally they need to have some type of warehouse where the products rest for a few days but it does not need to be large. At least at the beginning their current warehousing premises will do for the start. Of course if it seems later on that those premises are not suitable at all, they can think about other premises.

Order handling

Pet Edge is offering four different styles to do the ordering, which are: online ordering, order online from print catalog, ordering by phone and ordering by mail or fax. In ordering Pet Edge has a policy that orders which have been submitted cannot be canceled. The only chance then is to return the goods when they arrive. The reason for this is that they handle the orders very quickly after receiving them and it would take too much work to look for the orders and cancelling them.

Yappy Fashion's ordering politics would mainly focus on being done in the portal. If some problems occur during the ordering process it would be possible for the customer to phone Yappy Fashion or send e-mail. The policy on canceling already submitted orders has not yet been decided and needs to be looked into later on.

All in all there are some similarities in Yappy Fashion's and Pet Edges business forms. They both want to be the best on the industry and offer wide range of products. Both of the company's focus on the Internet in their business and want to achieve as high customer satisfaction as possible. The differences come in the actual way of how they conduct their businesses.

9 CONCLUSIONS

During the process of making the thesis several different things needed to be clarified in order to get the desired results. The aim was to answer to the question: what are the tasks needed to be covered when beginning the business expansion?

At the beginning Yappy Fashion Oy needs to make up-to-date analysis of the company's current situation. Analysis including the SWOT and all the resources pointed out. After the analysis of the current situation is finished Yappy Fashion Oy needs to think about the future. They need to assess the goals, mission and vision in order to know where they want to go, what is the future's direction.

Naturally it is not enough to only know the company's internal factors. Yappy Fashion needs to analyze the markets they are interested in entering to. Without the knowledge of the marketplace it is hard to create a successful business. Marketplace also usually sets its own liabilities and limitations on how the business can be conducted so for that reason as well the market research is important.

Yappy Fashions should as well look for all the legislative matters that companies are obligated to do. In order to be a reliable and credible partner the obligations need to be met. Otherwise there might be unpleasant surprises during the distribution and shipping of the products.

Last but not least Yappy Fashion should compare their business idea to already existing companies in the same industry. It might be eye-opening to also analyze companies that have similar business idea from another industry as well. Even though all of the business ideas might not be possible to be straight away transmitted to Yappy Fashion's own business, there still might be good ideas to work with.

After these first analyses have been made it is easier for Yappy Fashion to truly start on working with the business idea and making some actual business decisions. After all the work is half done when it is planned properly.

From this thesis the commissionaire will get good basic tools and knowledge on how to start. They will have now the basic knowledge and conclusions what the author has made and from there they can go further with the research.

10 DISCUSSION

The process of writing the thesis was a learning process. During the process time needed to be managed properly in order to get the thesis finished. The objective set for the thesis was quite vast and the actual idea of getting the whole business plan made had to be narrowed just to the beginning of making a business plan. In the process the objectives were met and the main information about starting the expansion of a business was introduced.

The work methods used in the thesis process were suitable for this type of initial research. The main resources were from E-books, websites from the Internet and from books. The hardest part on seeking the information was from the pet accessories markets. It seems that most of the liable information about the European markets was in different portals which were quite expensive to enter. It made it quite impossible to have up-to-date numbers of the markets and of course it affected on the analysis. The analysis of the European markets was done with the latest numbers that could be found for free, which were from 2010.

For Yappy Fashion Oy the recommendation for the future is to make more detailed analysis of the markets and make the business plan further. It would be a good idea to have a meeting with the people who will be making the expansion and talk the goals and such through one more time. After the objectives are clear for everyone it is easier to divide the tasks related to the deeper analysis. E.g. interviewing potential customers of what they would like to have, make detailed analysis of the costs of the expansion, look for the possible partners or investors etc. Now when Yappy Fashion has received the basic tools to get the project started they need to make effort and start being active and searching for different options.

This thesis project teaches a lot of patience and time management. It seemed at the beginning that this will not take too much time or effort, but that thought was wrong. In order to make a good thesis one has to give it time and thought. Every big project gives you something new and every time you have finalized a project it is an accomplishment.

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APPENDICES

APPENDIX 1:

Comissionaire 6.3.2012:

Affirming the idea presented by the author in the previous email.

Author 5.3.2012:

Asking for help with the facts and figures of Europe's pet accessories markets. Suggesting a thesis topic which was narrowed down from the previous idea. Asking permission on using the commissionaire's company name to use when contacting organizations with the European pet accessories market information.

Author 19.1.2012:

Sending the previous email again since the commissionaire had not responded to the previous email.

Author 7.12.2011:

Informing the commissionaire about the current situation. Asking some questions about the topic to get better understanding what the commissionaire hopes to get as a result of the thesis.

Comissionaire 21.10.2011:

Commissionaire sends the current business plan of Yappy Fashion Oy. Email includes a list of the current partners that Yappy Fashion Oy has and the brands that they import. Also a list of versatile different companies that Yappy Fashion Oy has interest on was provided.

Author 21.10.2011:

Author concludes the first phone call made with the commissionaire and the topics

handled during the call. The initial idea for the topic for the thesis is presented.