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DEVELOPING A DIGITAL PRESENCE FOR CASE COMPANY
TEXPÖRSSI OY

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The purpose of this project-based thesis is to create a digital presence for the case company. Before this project, the company had an old web page with old information and the page was unresponsive. Thus, there was a need to develop a digital presence for the company, which meant a web store and a Facebook page.

The case company is a local, family-owned company which sells clothes for men and women over the age of 40. The idea for the project came from the need to serve customers better, as customers are nowadays accustomed to searching information and shopping experiences online. Additionally, it could be the starting point of a new revenue stream for the company, as the company has only two stores in the Satakunta region.

The project leaned on marketing theories, both traditional and digital, as well as profitability. The project itself was done using action research methodology. The project proper started with the launch of the company’s Facebook page in May 2018, and the project ended with the launch of the company’s web store in October 2018.

Primary data was collected throughout various conversations, and a single thematic interview was made as well. The person interviewed is an employee in a local company which sells outdoors, hunting and fishing equipment, mainly online. The thematic interview was done to gain more insight to potential problems concerning the launch of the web store, social media usage and profitability.

The project itself was successful in launching the company’s Facebook page and web store. Continuous development on both must be done after this project has ended, as customers demand more content and experiences. The profitability forecasts made in this thesis will also be current after the company’s web store has been open for a year, after which the company should make observations and implement changes accordingly.
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APPENDICES
1 INTRODUCTION

Internet and connectivity have become more than commonplace in our Western society – we use computers, tablets and our smartphones daily. With the rise of social media, we’ve become even more connected to our devices. As we’ve become accustomed to being “always online”, the ways we shop and interact with companies has changed as well. Companies engage in public dialogue regularly with their customers – something that was more than unheard of even twenty years ago. The rise of giant web stores, such as Amazon and Alibaba, have change the way we do our shopping – ordering clothing, food and other items online can be done in a few minutes. In the United States, same-day deliveries give shoppers instant access to their purchases, making the purchasing process quite effortless and quick. Surprisingly, under 20% of Finnish SME retailers had their own online store in 2017. (Website of Kauppalehti 2018)

Thus, I have chosen to develop a digital presence for case company Texpörssi Oy by launching a Facebook page as well as a web store for the company. The objective is to serve current and potential future customers in a way that is not tied to a physical location or time of day, while increasing the sales and profitability of the company. I will also analyse the company through a few marketing theories, such as SWOT analysis and Marketing Mix, to clarify the current marketing situation Texpörssi has. Before the project, Texpörssi has only an antiquated website with some general information – the kind that was more commonplace for a company to have in 2006.

The company’s employees used to have a negative view towards online shopping – partly due to their own experiences, negative mindsets or seeing online stores as a competitor. Doing this kind of a project even three or four years ago would have been met with resistance. As some of them have joined Facebook and grown accustomed to the idea that an online presence could be a positive thing, their attitudes have slowly changed to a more positive one. As I started talking about my Thesis project with them in 2017, I was surprised to see that most employees agreed with such a project wholeheartedly. In a way, I see that this also proves that many of Texpörssi’s customers as well can be found online, and more are joining as time goes on.
This thesis was done as a development project for the case company. The research method for this thesis was based on action research. Primary data collection was done through conversations with employees and stakeholder representatives during the Fall of 2017 through Spring of 2018. A thematic interview was done with Mr. Jani Valo during 2018. The interview was done to find out if any mistakes or problems could be avoided during the launch of the web store and Facebook page, and to find out any clever solutions the company might have had. Secondary data was collected from the company’s point-of-sale system as well as multiple online sources, such as websites of web store platform developers. The theoretical basis for this thesis is derived from the purposes and objectives of the project.

2 BACKGROUND

Texpörssi Oy was founded in 1982. In the first decades, it was a store that sold different variety of cheap wares – clothing, VHS tapes, toilet paper, and so on. Ultimately, competition from larger stores and chains grew larger, and the inventory in the stores began to change. By the end of the year 2007, almost everything else had been dropped from the store except clothes. Thus, the development of “modern-era” Texpörssi started.

Since then, the company’s style has changed quite a bit, as almost all of the so-called cheap clothing brands have been pruned from the store, and the rise of medium-priced brands has been apparent in the store. This can be verified easily from measuring the amount of an average purchase done during the day: seven years ago, the target price was set to 25 euros, and now it is around 46 euros – almost double the original target. The company’s sales margin has increased slowly as well from a bit over 42% a decade ago to a bit over 50%. Of course, Texpörssi’s sales have dropped somewhat in the process, as the company has lost sales volume in exchange for higher sales margin and average purchase.

Currently, Texpörssi’s marketing strategy is based largely on newspaper adverts in Länsi-Suomi and Satakunnan Kansa, usually twice a week. Back in the past this was a
somewhat working solution, as people were in the habit of reading newspapers. The rise of the Internet has taken a toll on newspaper subscriptions and new readers are hard to find for print media in general. Advertising is also one of the biggest expenses for Texpörssi, dwarfed only by inventory and personnel costs. Nowadays, advertisements sometimes boost sales, sometimes they have no effect at all. Thus, a new marketing channel is needed, so that the company could reach out to its customers. Additionally, advertising is a one-way communication channel, and Texpörssi’s current and potential customers cannot engage in dialogue with the company in an easy manner.

Even though Texpörssi has a loyal customer-base, many people still view it as a “granny-store” – a place that they’ve visited over fifteen years ago with their mom or grandmother to buy something cheap. Thus, there is a need to update the company’s brand, as Texpörssi has many potential customers who don’t know what the company is really like.

Currently, Texpörssi has two stores: one in Rauma, and one in Pori. There used to be a store in Turku as well, which was closed in 2006, as the building the store was located at went under a large renovation. The company’s store in Rauma is still visited by many customers who used to shop in Texpörssi at Turku. But as the company has not been adding any more store locations, it is evident that Texpörssi’s sales cannot exceed a certain level, because Rauma and Pori both have a finite number of current and potential customers.

The locations of both stores are owned by Texpörssi, which theoretically helps to keep costs low, as rent in shopping centers is quite high. Of course, ownership makes it hard to change location of either store, because store properties are currently hard to sell in both cities, and both stores are a small walk off from city centers. Additionally, there are costs from repairs and upkeep as well. As such, changing locations in either city could be potentially extremely harmful for the company overall, as costs, property sale time and price could be hard to predict beforehand. Changing locations might repel old customers as well, but not bring any new ones.

Optimal weather has also a large impact on sales throughout the year. The underlying problem is that items are ordered almost a year in advance, so that the suppliers have
enough time to order them from the factories and ship them to Europe, from where they are further shipped to Finland. Thus, seasonal clothing such as summer dresses or heavier winter jackets are always a major risk for a small clothing retail store – if the optimal weather arrives (i.e., heatwave in May, cold front in October) then seasonal clothing will boost sales by a large amount. If we compare Texpörssi’s Spring sales from 2017 (which had snow in May) to Spring sales from 2018 (which had a record heatwave in May), then it becomes evident that the overall effect to sales for the whole Spring was over 11% - a robust amount from just a few weeks alone. Rainy days also influence sales, as many people will postpone their plans to go shopping, or they go to larger shopping centers. Thus, the company needs new sales and marketing channels that can reach potential customers even during bad weather.

3 PURPOSE AND OBJECTIVES OF THE PROJECT

The purpose of this thesis project is to start and develop digital presence for the case company, meaning that I, the researcher, will start and oversee the development of the company’s Facebook page as well as the web store. I have been a co-owner of Texpörssi since 2011, and my father has been the second owner and CEO of the company. Currently there is a generational transition ongoing in the company, and in the Fall of 2018 I will become the new CEO of Texpörssi and majority owner. Thus, the company is already undergoing a change of sorts. Similarly, a few of Texpörssi’s employees will be retiring during 2019-2020, and the company needs to think about the future of its customer service as well. This project thesis will bring about a change in Texpörssi’s service staff’s work as well, as they will need to be aware of the company’s digital marketing and sales channel. The best possible outcome would be to incorporate the company’s staff as “digital champions”, who promote, develop and comment on the company’s Facebook page.

In the previous chapter I’ve explained the history of the case company and the various reasons for the starting point of this project, which are rebranding, opening new marketing channel, engaging in dialogue, increasing sales, after-sales promotion, expand
customer-base, overcome location-based problems and overcoming sales-hindering weather conditions. These all are objectives which should be solved by the launch of the web store and Texpörssi’s Facebook page, not by the thesis itself. Even if the project does not solve these immediately, the company’s web store and Facebook page will both continue their existence and development even after the project is over. These online objectives can be turned into concrete objectives, for example doing a questionnaire about Texpörssi’s branding, measuring the number of followers and engagements the company’s Facebook page has, measuring sales from the web store, and so on. The measurable objectives will be more defined once the project is in its final stages, and maybe even a basis for a whole new thesis as well, as a part of continuing cycles of development.

Vilkka and Airaksinen state (2004, 49.) that every project-based thesis should have a main focus group. The main focus group for this project is Texpörssi’s current and future customers – everything should be done with the focus group in mind and changed accordingly, if need be.

DIGITAL PRESENCE DEVELOPMENT

Figure 1. Thesis framework
The digital presence development process sets the framework for this thesis (Figure 1). The process can be seen as basing itself on classical marketing theories, such as SWOT analysis and Marketing Mix. This is followed by theories of digital marketing, which includes theories on Facebook and Google. These are then followed by theories on web store development, and finally on theories and calculations of profitability.

4 METHODOLOGY AND IMPLEMENTATION OF THE PROJECT

Saunders, Lewis and Thornhill describe (2016, 189-190.) action research to be an emergent process which aims to develop solutions to real organizational problems through participation and collaboration. They find that action research has five occurring themes: purpose, process, participation, knowledge and implications. The goal of action research is to produce practical outcomes throughout identifying issues, planning action, taking action and evaluating action (Figure 2). Action research is a cyclical process, in which diagnosing, planning, taking action and evaluating action repeat at every cycle – thus enabling learning and error correction at every cycle.

Figure 2. Action research model (Saunders, Lewis and Thornhill 2016, 191)
An action researcher always works with the members of the case company or organization either as a facilitator or a teacher. Participation is needed from the organization for the process to be called an action research. The researcher passes on knowledge and information to members of the organization, making them effectively co-researchers as well. If members of the organization are allowed to participate in the project, they are more likely to accept and promote change. (Saunders, Lewis and Thornhill, 2016, 191-192.)

Action research combines abstract, academic knowledge with experiences of each participant’s everyday lives and personal knowledge. Combining both sources of knowledge makes an action research to be robust, and also to be useful for the organization in a realistic manner. Action research is argued to be best used by part-time students who can work at their target organization at the same time, as the project’s timeframe is usually medium to long term. (Saunders, Lewis and Thornhill, 2016, 192-193.)

Vilkka and Airaksinen state that a thesis can also be based on a project. Examples for project-based Thesis are making a web page for a case company, developing guidelines for training new employees or planning and developing an intranet for a case company. A project-based Thesis has an end goal and it lasts for a limited time. To make the project a success, it needs to be planned, organized, executed, overseen and evaluated closely. (Vilkka & Airaksinen 2004, 47-48.)

A project-based Thesis must have a purpose, objective and definitions. These might be found by doing a SWOT analysis for the project, for example. The project must have a target audience. The project should be written out in different phases, so a timeline can be followed. The timetable for the project should be reported as precisely as possible. The project must also comment on resource usage: how much time, money, employees, machinery, etc. were used by the project? A good project must have some form of risk analysis as well. (Vilkka & Airaksinen 2004, 48.)

There are multiple ethical questions that a researcher must consider while doing research on a subject. An ethical research must follow established scientific practices.
Even choosing a research subject is an ethical choice done by the researcher. Any ethical research will not accept plagiarism in any form, generalize results without critique, falsify findings, give misleading information or leave negative findings out of the research. (Hirsjärvi, Remes & Sajavaara 2009, 23-27.) As this thesis is a research project that is done by the company’s owner, there is a heightened risk of ethical conflicts that the researcher has noted, but which should also be on the mind of the reader as well.

The project was implemented between May to October of 2018. I kickstarted the project by participating in a sales and marketing development course held by ELY-keskus and consulting company Balentor Oy in Pori in late 2017 to early 2018. In May I launched Texpörssi’s Facebook page, chose the web store platform and started to follow the cyclical process from there on forward – from graphical look of the site to logistical and payment method choices and content creation. The official launch of Texpörssi’s web store was in 4.10.2018. The cyclical process is still ongoing, as much still needs to be done with the company’s Facebook pages and web store.

5 THEORETICAL BASIS FOR THE PROJECT

5.1 The Marketing Mix

The use of marketing mix is one of the core concepts of modern marketing. It is made up of everything a company can do to increase sales of a product or service. These possibilities are further divided into the four Ps: Product, Price, Promotion and Place (Figure 3). Each of the four Ps have different marketing tools that can be utilized by a company. (Kotler & Armstrong, 2016, 78-79.) My decision to choose the 4P model was based on the general awareness the 4P model has, as well as the scope of the work – utilizing the 7P model might have been a deeper study into the company itself, but it would have taken more time from a tight schedule.
Figure 3. The four Ps of the marketing mix (Kotler & Armstrong 2016, 78)

An effective marketing program should aim to utilize each marketing tool needed by the organization to best attract their target customers and to deliver value to them. The four Ps are only concerned on how things are seen from the seller’s point of view, and not from the customers. Thus, each P can be substituted with a C as follows: Product – Customer Solution, Price – Customer Cost, Place – Convenience and Promotion – Communication. (Kotler & Armstrong 2016, 79.)

5.2 Branding

Brand building and brand management are essential in today’s business world. A brand is made up of a name, term, sign, symbol, design or any combination of these that indicate who is the maker or seller of the product. Customers see that branding is an important and value-adding part of a product or service. Customers also develop emotional ties to brands, which brings an additional element to each product beyond their physical attributes. (Kotler & Armstrong 2016, 263.)

Brands represent everything that a service or product means to a customer. Because of the emotional element branding brings to a product or service, it exists more inside the minds of the customers, and thus each customer might view any given brand differently than the next. We can measure the power of a brand through brand equity. High-value, powerful brand such as Coca-Cola have high brand equity. Any brand that a customer reacts favorably to has positive brand equity, while generic brands might
have negative brand equity. A strength of a brand can also be measured by brand value, which is an estimated sum of capital each brand is worth. If a brand is powerful, it will have many benefits for a company, such as more loyal customers or bargaining power with suppliers. Ultimately, the better a brand is, the stronger and more profitable the customer relationships are. Thus, brand equity actually generates customer equity, which is the ultimate goal of branding. (Kotler & Armstrong 2016, 275-276.)

Brands can position themselves on the market on three different levels. The lowest level is about product attributes, such as material used for a T-shirt. Attributes are easily copied, and as such offer low branding benefits. The second level is about benefits, i.e. why you should choose a T-shirt made of functional material over a cotton T-shirt. The third and most effective brand positioning is beliefs and values. These connect the most with the customers on an emotional level, which is much harder for a competitor to copy. (Kotler & Armstrong 2016, 276.)

5.3 Buyer Decision Process

Consumer’s buying decision process is divided into five parts: Need recognition, Information search, Evaluation of alternatives, Purchase decision and Post-purchase behavior. Each customer might go through these five steps at their own pace, sometimes they might skip or reverse the order of some steps. Need recognition might start internally (thirst), or externally (advertisement). (Kotler & Armstrong 2016, 183.)

A customer might engage in information search if they feel the need for it. There are several sources they might find information from, such as personal, commercial, public or experimental sources. The most effective one of these is personal sources, such as a neighbor or a post on social media. After the information search, the customer has a better understanding of the market and different brands and their attributes. Then, they are ready to evaluate their alternatives, which is a complex process that depends on the consumer and the buying situation. Sometimes evaluation is done using logic, sometimes it is done on impulse only. (Kotler & Armstrong 2016, 184-185.)
After the evaluation phase, the consumer is ready to make their purchasing decision. Two things can still change their intentions at this point: the attitudes of others and unexpected situational factors. These might be, for example, the advice a wife gives a husband during a car purchase, or the economy might take a sour turn. After the purchase is done, the consumer will either be satisfied or dissatisfied with the decision. It is determined by their pre-purchase expectations versus the product’s perceived performance. If the product does not fulfill the customer’s expectations, they will be dissatisfied with their purchase. If expectations are met or surpassed, the customer is happy with the decision he has made. Customers also suffer from cognitive dissonance with major purchases – they might be happy with their choice, but later on they might still think about the drawbacks of the product they chose versus the good qualities of the brand they didn’t choose. (Kotler & Armstrong 2016, 185.)

Understanding the buyer’s decision process is the key to good customer relationships, which in turn bring more overall sales and positive word-of-mouth for the company or their products. Some companies aim to meet customer expectations, some always aim to delight. On the other hand, if customers are not satisfied, things take a turn for worse. They will most likely not be coming back again as a customer, and negative word-of-mouth is told to more peers than positive ones. Most unhappy customers never tell about the dissatisfaction they feel to the company, but they take their business elsewhere. Therefore, a company should measure customer satisfaction and encourage their customers to complain and give negative feedback – without it a company cannot improve. (Kotler & Armstrong 2016, 186.)

5.4 Customer communication

Every company needs more than just a product or the right pricing. They need to be able to communicate their value proposition to their customers, and all communication should be planned carefully. A company’s promotion mix consists of five different aspects: Advertising, Sales promotion, Personal selling, Public relations and Direct and digital marketing (Figure 4). All of these five categories have their own set of tools that can be used to communicate with customers (i.e., magazine ads). The use of the company’s marketing mix should work seamlessly with their promotion mix as well,
because all aspects of the promotion mix communicate something in their own right. The rise of multiple communication channels with the customers has led to a need to develop integrated marketing communications – delivering the same unchanged message throughout the whole company and its brands. (Kotler & Armstrong 2016, 446-449.)

Figure 4. Integrated Marketing Communications (Kotler & Armstrong 2016, 451)

The definition of value proposition is:”Describes the benefits customers can expect from your products and services”. (Osterwalder, Pigneur, Bernarda and Smith 2014, 6.) To help a company concretize their value proposition, the company could map out their value proposition into a value map with three different segments: products and services, gain creators and pain relievers. Products and services are the core of a company’s value proposition – without this segment, the customers cannot buy anything from the company and no value is transferred. Gain creators are all the ways a company’s products and services create customer gains – the benefits they are seeking from buying something from the company. Pain relievers alleviate the pain customers have in their jobs – meaning they are seeking to help them either professionally or in their daily lives. These jobs include functional jobs (i.e., cutting down a tree with something), social jobs (i.e. trying to look beautiful), emotional jobs (i.e. achieving a state of happiness) or supporting jobs (i.e. posting a product review on the company’s web store). (Osterwalder et al. 2014, 8-16.)
Before the project, Texpörssi has never had a written-down value proposition. Naturally the company must have some kind of implicit value proposition, or otherwise customers would choose to avoid the company entirely. There could be even a whole new project or thesis done on doing a value map for Texpörssi and implementing a desired change in the company while using it. For the purposes of this thesis though, I will try to compress Texpörssi’s value proposition into a sentence, which follows the template found in the book Value Proposition Design (Osterwalder et al 2014, 82-83):”Our adult clothing selection and service attitude help men and women over the age of 40 who want to look great and buy comfortable & affordable clothes without a hassle by reducing shopping time and avoiding teen fashion and enabling them to have a stress-free experience.”

5.5 Digital Marketing

As the previous chapter focused mostly on traditional marketing and marketing theory, this chapter will be going deeper into the digital world. I will go through such ideas digital and social media marketing plans, building a web site, how to gain customers and turn them into paying customers, email marketing and the role of social media. The structure of this chapter follows closely the book “Digimarkkinointi” by Jorma Kananen, as I feel that his style and structure of writing is close to what I envision my project to be when it is ready.

5.5.1 The marketing revolution of online

In traditional marketing, it has been hard to determine a return on investment (ROI) to each marketing campaign or advertisement, as we cannot exactly know how many people were affected by the company’s marketing. It is possible to do a marketing research, but the information comes after the campaign has ended. In digital marketing, the effect of a campaign can be seen in real time, and we have the ability to change the campaign or marketing process while it is on-going, if need be. Digital marketing can be also targeted for a very specific group of people, unlike in traditional media. (Kananen 2018, 13.)
Almost all people under the age of 55 use the Internet on a daily basis, compared to people over the age of 74 of whom 63% have never used the Internet. On the other hand, older people are increasing their Internet usage every year. As such, businesses can no longer ignore the power of being online or on social media. It might be possible that social media is actually the most influential marketing tool ever created, as no other media has ever made it possible to engage in dialogue with customers as well or cost-efficiently. In Finland, no other media has 2.5 million registered users than Facebook. Companies use social media mainly for brand development, marketing products, asking for opinions and recruiting new staff. Social media isn’t really a sales channel, but it is a way to guide customers to the actual market place, such as a brick-and-mortar store or web store. (Kananen, 2018, 15, 24-25.)

As more and more people are connected to the Internet via various devices, advertisement has been shifting towards online advertising as well. Digital advertising spending was approximately 150 billion dollars in 2015, which was 20% of overall marketing costs made by companies. It is estimated that by the year 2020 digital marketing spending will have doubled from the level it was in 2015, and by then it will be almost 40% of overall marketing costs. As more and more companies use and refine big data, it could be said that data is the oil of our generation. Big data helps companies to develop many parts of their business, such as logistics, marketing and sales. (Sponder & Khan 2018, 14-15.)

The marketing world is slowly changing from outbound to inbound marketing, where the consumer is actually part of and in the center of the marketing process itself. Inbound marketing enables companies and consumers to engage in dialogue. Compared to outbound marketing, inbound marketing is more cost effective, more relevant and also an investment. Cost efficiency comes from utilizing free social media platforms that only require content creation from the company (i.e., posting on Facebook) and using outbound marketing online is much cheaper than on traditional media. Inbound marketing is more relevant to the consumers, because they are the ones who choose which brands and pages they follow, thus they are more engaged, and the customer relationship yields better results. Inbound marketing should be seen more as an investment as a cost, because good or excellent content is a competitive advantage over rival companies. (Kananen 2018, 16-19.)
5.5.2 Digital and social media business plan

A company should device a digital business plan, which helps clarify their goals and objectives, as well as find a useful strategy to achieve these goals. The goals and objectives should be clear, precise and measurable. (Kananen 2018, 31.) One way to set goals for a company is to use the SMART-model (Figure 5).

**Figure 5. The SMART Model (Kananen, 2018, 38)**

Goals can be further divided into several sub-goals. For example, if the goal of the company is to gain sales of 50 000 euros from the company’s web store in a year, this can be divided into smaller sub-goals such as daily web page visitors, weekly sales targets and so on. Setting goals is always subjective, and a company might fail or exceed those goals. If the goals cannot be met, then the company needs to find out if the original goal was wrong, or if something happened during that time period that caused the failure. (Kananen 2018, 39-41.)

Another, narrower way to view goalsetting for a company is to approach the subject by using key business requirements (KBR) and key performance indicators (KPI). Key performance indicators measure and track the company’s digital progress, while key business requirements are the actual goals that KPIs are meant to realize. For example: a retail company wants to attract more visitors to the product pages on the company’s web store (a key business requirement). Conversion events for the chosen KBR would be product views, adding products to shopping cart and proceeding to the checkout page. The measurable KPIs the company could use are revenue, average revenue per visit, order conversion rate and average order value. Of course, the company could, and should, have multiple KBRs, such as increasing brand awareness, increasing sales for a certain product or growing their email subscriber list. Naturally, the KBRs depend
on the needs of the company, and then the KPIs are derived from the chosen key business requirements. Once the company has defined their KBRs and KPIs, then they must measure the results, analyze them, decide on an action and improve. This method of acting on data is called the Analytic Cycle of Improvement. (Sponder & Khan 2018, 90-93.)

A company should always make a competitor analysis of their current situation. In social media, a basic competitor analysis should answer to these eight questions:

1. Which competitors operate in the same digital market space as us?
2. How many followers do they have?
3. What kind of posts or updates are competitors using?
4. What kind of content are they posting?
5. Which messages get the most replies from customers?
6. What is missing from their communication?
7. At what time do they post on social media?
8. When do their followers reply to theirs posts?

The answer to these questions can be placed into a spreadsheet (i.e. Excel) for each competitor. This should give the company answers on how the company’s competitors operate, or if they are present on their targeted social media at all. Competitors can also be benchmarked by the number of visits they receive. Using free software, we can find out which key words or phrases bring the company’s competitors most traffic to their site, and what kind of key words are they using. (Kananen 2018, 41-43.)

In the Fall of 2019, Texpörssi will start to utilize KBRs and KPIs more closely – currently some KPIs such as revenue, average time spent per visit and average revenue per visit are followed, but there are no set goals for each indicator. After a year, Texpörssi should have enough data to set target values for a select number of KPI’s. Similarly, online competitors are not yet closely followed, but this will hopefully change in the Fall of 2019 as well. The current objective is to acquire a dedicated person to handle the social media side of things, which will include competitor analysis as well.
5.5.3 Web page development

Most companies outsource the development of their web pages to a software company or web developer. Managing the site should be left for the company itself, as making regular content and updates through an outside source could be slow and cumbersome. It is important that the company has a vision of what the company’s web page should be like, so that the software company could more easily make the site as desired. References are important when choosing a software platform of web developer for the company – they give the company an understanding what is possible to do or achieve with a certain platform or developer. Page style and layout are equally as important as well because the site has to be inviting and easy to use for customers. Of course, the single most important thing a web page has is its content – it might be engaging or funny posts on Facebook, or the products sold in a web store. (Kananen 2018, 52-53.)

More or less most web sites follow a certain visual style, which has developed to its current form during recent years (Figure 6). Of course, the visual style and page layouts are always undergoing a small reformation in one way or another, as larger companies like Google and Facebook update their styles and others follow in suit.

Figure 6. The current meta for customer mindset (Kananen 2018, 57)
If the visual style is different than what the customer’s mindset is, the customer can be put off or pleasantly surprised. Everyone has a different mindset when they see a web page for the first time, and customers decide quickly if they like it or not (not unlike first impressions with people). Other visual factors include the web site’s architecture, aesthetics choices such as colors and fonts, functional buttons, the use of an ingress, logos and so on. (Kananen 2018, 58-70.)

The visual style of Texpörssi’s web store followed closely the meta customer mindset. The whole outlook of the web store was done as a custom work by the web store platform provider, which ensured that from a technical and visual perspective the site looks great and the coloring and style match Texpörssi’s brand.

5.5.4 Attracting traffic to the web site

To attract more customers to the company’s web site, they must utilize various customer drivers. These drivers can be divided into three different subgroups. The first one is to utilize traditional marketing mix methods, such as using radio or TV advertisement, flyers and so on which tell about the company’s web site. The second group consists of using social media as a driver, such as Facebook or cooperation with a blogger. The third method is to have the web site be search engine optimized (SEO), so that consumers might find a company’s site through Google, for example. Without SEO, the site might stay hidden from relevant customers. (Kananen 2018, 101-102.)

Search Engine Optimization has been around since the late 1990’s, and even though it does not cost a company anything per se, it does take up resources from a company, as they need to spend effort and time to make SEO work for the company. There is no way for the company to control the long-term outcomes of the SEO they have done, as everything is controlled by a protected search algorithm. For example, Google changes their search algorithm from time to time, and companies are not informed on the changes. This might lead to a situation where a formerly working SEO is made redundant in a single, hidden update to the algorithm. The two main tactics a company can use for their SEO are keyword research and content creation. Keyword research
is faster and easier to do, while content creation takes time but is more effective. (Sponder & Khan 2018, 207-209.)

It is important to note that not all traffic to the company’s web site is useful. If the wrong kind of customers come to the company’s landing page and quickly leave, this will affect negatively on the site’s visibility on Google searches as well. Thus, understanding the target customer and their possible search phrases and words becomes even more important. It’s also important to note that customers have different kinds of search phrases depending on where they are on their buyer’s decision process (as discussed in this thesis). Recognizing these different phases can help speed the consumer’s buying process. (Kananen 2018, 103.)

Thus far the target customer group for Texpörssi has been the same for physical stores as well as the web store. The main difference has been the amount of sales generated by men online, compared to physical stores. Currently, over 60% of all sales have been done by men, and 40% has been by women in Texpörssi’s web store. The ratio from sales done in physical stores is 85% women and 15% men. This has been quite unexpected, and the situation will be monitored closely – there might be a need to add even more products to men to Texpörssi’s web store in the future.

A company can also use search engine marketing, such as Google Adwords, which allows the company’s web page to appear in the first few options in Google searches when customers use the search words or phrases the company has opted to buy in. The price of this service depends on the chosen words. In 2017, Google received the most money from their Finnish version from words related to insurances and personal finance. In addition to Google Adwords, a company can market themselves via social media or their own web site, they can buy marketing efforts from a marketing agency, or they can earn marketing from volunteers such as non-sponsored bloggers or shares and likes on Facebook. (Kananen 2018, 104-106.)

Search engine marketing (SEM) and search engine optimization both have their uses from a company’s perspective. SEM can be used for short-term marketing campaigns or in precision-marketing to a certain customer group. SEM can also benefit the branding of a company in the long-term, as potential customers view targeted search results
even if they do not click on them. When compared to search engine optimization, search engine marketing can be targeted to a very specific or wide audience at certain times and geographical locations. (Sponder & Khan 2019, 20, 38-39.)

A different way to attract traffic to the company’s web site is to organize various contests. A company might arrange a sweepstakes on Facebook, where everyone who enters it has a chance to win something, such as a gift card. The problem is that this might attract people who are actually not the company’s target customers – they only want to win a prize. The solution for this is to arrange the sweepstakes so that it commits people more to the company’s brand. This might be that to enter the sweepstakes, you must comment what you would do with your prize, take a selfie, tell a story, enter a name for the product, give a name to a given photo, vote for discounts and so on. (Kananen 2018, 107-110.)

Companies shouldn’t organize contests or sweepstakes just because they think followers want one – a contest should always be run to promote a company’s business and it should have measurable goals. A company should control the way people can enter the contest (i.e. a selfie) and how long will it last. The prize should be something that is linked to the company and not something everyone wants to win. A picture of the prize is one way to raise interest in the target customers as well. Using a hashtag might be preferable if the company wants the contest to spread around different social media. And lastly, the company should always test that the contest works also for mobile users, as many consumers only use the Internet from their phones. (Kananen 2018, 111-112.)

E-mail marketing is still an effective digital marketing tool, even after the rise of social media. A study found that e-mail marketing is 40 times more effective in capturing customers than Facebook and Twitter combined. On the other hand, e-mail marketing has a bad reputation because of spam e-mails, which account around 70% of all sent e-mails. Companies that use e-mail advertising must balance between adding value to customers’ lives instead of being a source of annoyance. Almost all legitimate companies have a way to unsubscribe from their mailing list. (Kotler & Armstrong 2016, 541-542.) After the implementation of General Data Protection Regulation in the EU, consumers living in the EU area always have an option to opt-out of mailing lists or
demand their data to be removed (Website of Tietosuoja 2019.) Texpörssi’s web store has also a built-in ability to send mass-emails, but the option has been left untouched before the start of Fall 2019 when a new person will take over the company’s email marketing.

A company might engage in affiliate marketing, which means that a different web site under a different company has a link to a company’s site or product which in turn directs customers to the wanted direction. The affiliate site might be compensated by one of three ways: pay-per-klick, pay-per-lead or pay-per-sale. Of course, for the company marketing themselves the most cost-efficient solution is pay-per-sale, as then both companies are guaranteed money. This is not so with pay-per-klick and pay-per-lead. A prime Finnish example of an affiliate site is Hintaseuranta.fi, which compares product prices for the consumer (from their partnered sites), and then directs traffic accordingly. Banners and display ads work based on clicks as well, but they can be seen to be annoying by many users. A good banner ad should always have a connection to the site it is displayed on. (Kananen 2018, 115-116.)

Once traffic starts coming to the web site, it is important to get the customers engaged with the site and to keep them returning to it. Keeping current customers engaged with the site is much easier than prospecting for new, potential customers, just as in regular marketing theory. There are four different factors for keeping consumers engaged with a company’s web site (Kananen 2018, 119.):

1. Relevant content (site matches the need of the customer)
2. Ease of navigation on the site (disorienting web site doesn’t engage)
3. Site is quick to load, responsiveness (customers demand fast load times)
4. Content is current and up to date (all relevant information is new)

5.5.5 Converting traffic into a purchase

Conversion from a visitor to a purchasing customer might happen by micro or macro conversion. Micro conversions are procedural steps that ultimately guide the consumer towards the macro conversion, also known as a purchase. Micro conversions can be
logging on to an account in the web store, navigating the web store or subscribing for a newsletter. Micro conversions are a way to measure how engaged a customer truly is, but they are also indicators if the web store is actually working as intended. By measuring the micro and macro conversions, we gain deeper knowledge on how visitors and customers experience and engage the web store. An overall conversion percentage depends on what kind of industry the company operates in. (Kananen 2018, 121-122.)

If the company has not managed to get the conversion percentage they have been aiming for, it might be that the company is not getting enough traffic on the site, or that the company is receiving customers outside of their target customer group. Sometimes the trouble might be a technical one, and the web page isn’t working as intended or the customers feel that the web page is cumbersome or unresponsive – the page does not match the customers mindset, as discussed before. If dropout percentage is high, it might be that the company has not defined the target customer group correctly. (Kananen 2018, 123-124.)

The situation in reality is complex, as different customer groups enter the site at various times, and each customer might be at a different phase in his buyer decision process as well. The company might make a purchasing process model based on how the company sees its desired target customer. The buyer decision process by Kotler and Armstrong was mentioned in brief previously, but the company might use a simpler model such as AIDA, meaning Attention, Interest, Desire and Action (Figure 7). Each phase of the process can be followed by measuring micro conversions. If the customer decides to leave the site just before he closes his action (finalizes the purchase), the reason might be a technical issue or an uncertain buyer. If the company cannot identify micro conversions at each phase, the company cannot truly understand the purchasing process of its actual customers. (Kananen 2018, 124-126.)
Figure 7. Various customers entering the purchasing process (Kananen 2018, 147)

The largest problems that cause customers to become dropout during their purchasing process are a) unclear structure of the web page b) scale of changes c) lack of repetition d) lack of support and e) friction. Naturally, if the web pages do not follow a logic or structure that the customer has in his mindset, the customer might drop out and go to a different web page. If the company changes its web pages in a way that doesn’t suit the needs of the customers, the customers become dropouts. Repetition strengthens the message the company sends to a customer, and it might be done through the company’s web page, social media, emails or even banner ads. If the company lacks repetition, the company again risks adding potential dropouts. Customers look for support from other consumers and people who they feel are innovators: references and real customer stories and recommendations might decide if the customer buys a product or becomes a dropout. Finally, friction might hinder the customer experience – if the customer can navigate quickly towards purchasing the process without pointless logins or klicks, then the customer is more likely to finalize their purchase and not become a dropout. (Kananen 2018, 147-150.)

5.5.6 Role of social media in modern business

Using social media requires planning from a company. Without a plan and way to measure if the company’s social media pages have succeeded or not, the company
cannot achieve progress or its goals in any way. As stated before, the company needs to know who its target customer group is online, what services the customers use, are the competitors already active there, can the company benchmark and learn from its competitors, and so on. After the company has a rough plan, the company can proceed to building a social media presence. Building and growing a community isn’t something that happens overnight. The company first needs readers or subscribers, who can later become brand champions and attract other potential customers. The relationship has to be beneficial to the customers as well – the relationship starts to resemble a symbiotic relationship in a way. Trust usually guarantees continuity for the relationship, as is between people as well. The company needs to give value and content to the company’s followers and customers in a way which the customers appreciate. For some companies this might mean just reduced pricing, for others it might mean almost a personal relationship with daily videos, follower contests and so on. Other key factors to social media success are transparency, coherence and subtle influencing. (Kananen 2018, 279-281.)

As there are multiple different social media platforms today, companies must decide on what platforms to use, and which to discard completely. Working on social media is time-consuming work, partly because of content creation and partly because data is unstructured. This is because the data a social media platform has is produced continuously by its users, and humans are much less predictable than robots or algorithms. Thus, a company must take advantage of social media analytics tools to the best of their abilities. (Sponder & Khan 2019, 190-192.)

Understanding the needs of the customers is key to understanding how to create value for them – some customers might value acceptance or a place to belong, while another customer might only value free products. The needs of the customers probably depend on a multitude of complex issues such as socio-economic status, age, sex, sexuality, family composition, spending habits and so on. Again, it is left for the company to understand these complex backgrounds and needs that tie the company’s community together, and how to best give the community value in return. For some companies it might be enough to visualize their median follower or customer onto Maslow’s Hierarchy of Needs, and this in turn could help them empower and engage their community.
5.6 Starting a web store

All marketing aims to secure a purchase from a potential customer. Thus, we naturally need a web store in which customers can do their online shopping – without it, the company’s digital marketing will only have limited impact, as there is no finalizing action to be made online. But just having a web store isn’t enough, even if it looks modern, as all businesses need customers to survive and to be profitable. Vehmas (2008) divides a web store project into three different phases, each with unique objectives. The first phase aims to open a high-quality web store, the second to bring wide-scale and preferred customer traffic, and the third phase aims to bring success to the company among its competitors. (Vehmas 2008, 1-2.) In practice this means that we need proper background information before starting a web store, the right actions and methods to run the web store and finally continuous optimization and updating to reach success. This thesis project will not include the third phase presented by Vehmas, as it goes much deeper into delivering information to and from customers, as well as virtual services such as adding chat bots to web stores once they are needed – or in other words, as soon as the web store has enough steady sales and visitors.

5.6.1 Phase one: groundwork

The first phase is divided into eight objectives, which are 1) the decision to make a web store 2) understanding the digital marketplace 3) need assessment and budgeting 4) choosing a supplier 5) planning and implementation 6) content 7) test use and 8) launching the web store (Figure 8). (Vehmas 2008, 2.)

When a company decides to start a web store, the company must understand that it must be done with dedication, as the launch and success of a web store takes time. If the company wants to try to go online for a while, the company is most likely bound to fail. (Vehmas 2008, 143.)
In its basic form a web store is just a web page where a customer can make an order or a purchase without having the need to visit a brick-and-mortar store or call the store – transactions (minus physical items) are done digitally. A basic web store is just a barebones web page which is still a functional store. A good web store supports the company’s marketing strategy, is functional and brings in new business from existing and new customers alike. An excellent web store increases greatly the sales of the company, and a de facto -web store is a formidable marketing power in its own right, bringing about new publicity for the company and excellent sales. Finally, a breakthrough web store becomes the main sales channel for the company and might even disrupt and change the industry. (Vehmas 2008, 4-10.)

The four cornerstones for a good web store are product selection, the organization of the products into coherent groups, the layout of the web store and online visibility. The right product selection will bring the desired target customers, as well as work as an online window to the company’s selection of wares. Organizing the products into understandable and easily navigated subgroups help the customers find their desired products quickly – meaning more sales as well. Usually a web store’s layout will try to balance between clarity and style – to stay stylish but at the same time remembering usability as well. Online visibility means that the company must be found easily.
through Google or other search engines, as well as having content updated regularly. (Vehmas 2008, 35-62.)

The company needs to assess what it can do itself, and what it needs to buy outside of the company. In the past, web stores used to be only available as installable software to the company’s chosen server PC, but now there are multiple lightweight solutions available that utilize a subscription-based model. Both options follow a similar logic, where the cheapest option available is usually the most bare-bones web store, but if the company has a larger budget available, then customization work can be done to make the web store stand out from others. Usually if there are no experts in the company, it is natural to hire an expert or a well-established supplier to help launch the web store. Things such as graphical design and layout are usually natural to procure outside the company as well. (Vehmas 2008, 115, 144.)

Budgeting is dependent on multiple things, such as a company’s size or its willingness to invest in their web store. Vehmas gives some rough guidelines on how to budget a software-based web store project: a simple web store would cost under 5000 euros, a versatile web store under 10 000 euros, a versatile and adaptable web store over 10 000 euros and a fully custom-made web store over 50 000 euros. Of course, the web store will always need updating and maintenance as well, and those should be kept in mind, if not included in budgeting. (Vehmas 2008, 143-144.)

Planning includes understanding the risks involved in a web store project. Major risks include underestimating or overestimating time taken for each part of the project, over-customization which exceeds budget, over-optimism with the ease of doing business online, wrong target customer or failed marketing for the web store. (Vehmas 2008, 114-115.) Additionally, the company should have an idea when the web store should have paid itself back and starts to make a profit. This depends on the industry the company operates in, the size of the company and so on. (Vehmas 2008, 112-113,143.) After the general plan and guidelines for the web store are set, then the company or their supplier starts to implement them into a working web store. Creating the content to the site should usually be left for the company itself, because they should be able to quickly change content (products, product information, etc.) as need be. The web store should be given to test use for a few selected users, after which the site can be launched.
Thus, the company should have a working, public web store without much traffic yet. (Vehmas 2008, 143.)

The main identified risks for Texpörssi were quite similar as to what Vehmas pointed out: underestimating the time taken to make the project successful, going over budget as well as over-optimism from online sales. As I was responsible for the project, it was on me to make sure that the project would be done in a timely fashion, money would not be wasted and to not expect a lot of sales from the first days or weeks after the launch of the web store.

5.6.2 Phase two: growing the web store

After the previous phase is done, the company is left with a working webstore without much users. Phase two helps to grow the web store via six different objectives: 1) target customer analysis 2) offering added value 3) online marketing 4) search engine optimization (SEO) 5) value-adding services and 6) commercializing visitor numbers (Figure 9). (Vehmas 2008, 274.)

![Figure 9. Second layer of web store project (Vehmas 2008, 2)](image-url)
To be successful, the company’s web store has to hit a critical number of visitors and actual customers. On the other hand, the company needs to be realistic with what its target number for sales online are, because building a customer base online is a long process. (Vehmas 2008, 229.) As noted before in chapter 4.3.5, converting visitors to actual customers is a critical phase of success. It is also paramount to analyze who is the targeted customer group and to analyze how these individuals use the Internet – for example, mothers are more likely to use and engage in conversation on sites like vau.fi. On the other hand, the way different aged users actually use the Internet has been levelled quite a bit in recent years, as older people have become tech-savvy as well. (Vehmas 2008, 32.)

Vehmas also states, that how a company analyzes its potential customers should be based on their age, sex, free usable income, the way they use the Internet, are they professional or amateur users and if they are professional or amateur buyers. If the customer base is too narrow or too wide, then the company cannot achieve enough sales, or it isn’t seen to be interesting enough for anyone in particular. One way to concretize this is to seek real people who could fit Texpörssi’s potential customer’s description, i.e. find women aged 40-50 who are in working life, probably have adult children, and are interested in fashion and using Facebook. Anecdotally, if finding corresponding people in everyday life is hard, then it might be that the desired customers are hard to find overall as well. Understanding the needs and wants of the target customer group can be valuable when designing the web store, as many companies still view that web stores are basically the same as brick-and-mortar stores as well. (Vehmas 2008, 33-34.)

Vehmas identifies nine different factors, that can add value to the end user of the company’s web store. He also adds, that a company must at least address each factor, and to bring true value to the customer, the company must excel in five factors or more. The factors themselves are as follows:

1. Selection of products – the selection is tailored for the targeted end customer and items are easy to find
2. Local support – the customer can ask for help or information in their desired language, should any questions or problems arise
3. Safety – customers need to feel that they can trust the company with their purchases as well as their information
4. Added knowledge – the customer can ask for specific information, that would be otherwise hard to get from anywhere else
5. Logistics – the product is delivered quickly and as cheaply as possible to the end user
6. Ease of payments – a wide selection of payment methods helps different customers to choose the ones they feel are the best for them, i.e. Visa, PayPal, pay-on-delivery and so on
7. Purchase as a part of a whole – the customer gains added benefits from each purchase, such as membership points
8. Low price – the company aims to reduce prices via mass production, low operating costs, lower margins, and other various ways to compete against other companies in the same industry
9. Lack of extra bureaucracy and administration – lowers the cost for the end user as companies can sell directly to the end users, without the need for middlemen or added formalities (Vehmas 2008, 24-25.)

Offering added value to a customer is done on the site itself. When compared to search engine optimization (which aims to bring in potential customers to the site), offering added value is meant to either lead a customer towards purchase, or to convert them into a returning customer. This usually means giving offers to new customers (i.e. -20% off any purchase if they subscribe to a newsletter or become a club member). Customers are quick to use benefits such as campaign prices, discounts or perks. In short, if we only follow the number of visitors but do not entice customers to make the next step (purchase, etc.), we will not be able to maintain a successful web store. (Vehmas 2008, 230-231.)

As discussed in chapter 4.3, digital marketing is a vital part of any web store project. Without marketing, a company cannot hope to gain more than a few customers, and success will not be possible. The company must reach a critical point in their online marketing, which is long-term work task. The critical point differs from industry to industry, but it is usually when the company reaches the awareness of five to ten percent of all potential buyers. After the critical point is reached, the positive experiences
and word-of-mouth marketing will surpass any extra investments to marketing. This doesn’t mean that the company can stop developing its web store, quite the opposite – people will not come back if the store feels like the content never changes. (Vehmas 2008, 191.)

The company can choose between different marketing channels, such as TV, newspapers, radio or online when the company wants to advertise its web store. The problem with traditional media advertising is that it is a singular event, and even though it reaches a large audience, it might not reach the target customers. Online marketing for online parts of any business is seen as more cost-efficient, barring any massive marketing campaigns on traditional media. For online marketing, the company has three different ways to approach it: paid advertisement (i.e. ads on Google or Facebook, banners), non-commercial advertisement (content creation) and social marketing (i.e. Facebook page) (Vehmas 2008, 191-192.)

Email marketing is a valid option as well, even though it still suffers from a bad reputation. Almost all people who use the Internet have an email address, and people regularly check their new emails as well. The ROI (Return On Investment) for each dollar put in email marketing is still very high, so it extremely cost efficient as well. On average, one dollar brought back 43 dollars via email marketing. Email marketing can be divided further into two subgroups: newsletters (advertisements), and correspondence with customers. (Kananen 2018, 238-239.)

There are five advantages to using email marketing: using emails is very common, it is cost efficient, consumers are willing to communicate with companies via email, changing email addresses is easy and emails can be attached with new innovations such as video footage. On the other hand, there are four critical factors that might hinder the power of an email newsletter. Firstly, the company must somehow acquire the recipients email address. Secondly, the company needs to avoid being caught in a spam filter. Thirdly, the owner of the email address might delete the message. Finally, the company must pique the interest of the receiver, converting a potential customer to make a purchase. (Kananen 2018, 240-242.)
Search engine optimization (SEO) is important because it can drastically help bring more people and conversions to a web store. Without SEO, a company might not get any traffic to the web store at all, or the traffic the site is getting isn’t yielding the desired results (conversions and purchases). This might be because the site doesn’t please the visitors, the site is receiving the wrong kind of traffic, visitors don’t know what to do on the site or a visit becomes a dropout quickly. The underlying problem might be that the company hasn’t done SEO for their web site, or that it has been done poorly. (Kananen 2018, 155-158.)

Google has a complex, changing algorithm which determines how “high” a page is when someone does a Google search. The algorithm includes: relevancy of page to key words, high-quality and unique content on page, amount of high-quality links, the page’s Trust rank, the percentage of how many searches result in a klick to the site, page load speed, the use of key words on the site, the length of content on site, use of HTTPS-protocol on site, age of domain, linked social media posts with the site, low bounce rate (i.e. few dropouts), engagement rates and lastly, the pages has zero pop-up windows while loading. (Kananen 2018, 160-161.)

Competition between companies using SEO is hard, as the basics of key words and general optimization are known to everyone. After traditional SEO there are still sixteen different ways a company can gain a competitive advantage from SEO: 1) shortening of the page url (under 50 characters or less) 2) Unique content which competitors cannot have 3) A catchy title on landing page 4) site uses easy to read, plain language 5) grouping of content to be easily read or understood 6) font size (best sites have a font size of 15-16 pixels) 7) improved page loading time 8) added visual content, such as video or charts 9) high-quality pictures 10) using one picture on average per 75-100 words 11) floating share buttons that follow the viewer 12) the ease of sharing content to social media 13) links to the site from trusted web pages 14) having longer text and more content in general 15) using social media to promote the web store and 16) reaching out to potential customers (i.e. emails). (Kananen 2018, 180-184.)

Commercializing visitor numbers, the last objective in phase two, means the conversion of visitors into purchasing customers. High visitor numbers are not, as stated be-
fore, an end-all be-all of a web store – the company needs to convert visits into pur-
chases along the purchasing process. One helpful way to understand visitors is to di-
vide them into subgroups, i.e. random visitors, visitors with no purchasing power and
potential buyers. If random visitors amount to more than 10% of the web store’s daily
traffic, there is something wrong in its SEO, thus diverting unwanted traffic to the web
store. Visitors with no purchasing power might be potential buyers in the future, and
they can be converted into such by marketing means, i.e. special offers for first time
buyers. The potential buyers can be further divided into two subgroups: impulse buyers
and buyers who seek a product or service. The former spend more time on the web
store, the latter are quick buyers. Impulse buyers are tempted more buy special offers,
and the company should aim to make them commit to the web store by becoming
member customers. Buyers who seek a product can be best helped by making their
searching easy, or by having the wanted product on sale in the first place. (Vehmas
2008, 231-232.)

5.7 Profitability and Investments

A key attribute to any successful company is to create profit for its owners. Financial
efficiency is an important aspect of profitability: every company must try to balance
its incomes against its expenses. This doesn’t mean that companies should try to max-
imize their profits in every turn: abandoning quality control, customer and employee
satisfaction or trying to sell their product with a high profit margin could lead the com-
pany to bankruptcy. (Suomala, Manninen & Lyly-Yrjänäinen 2011, 4.)

5.7.1 Elements for successful profitability

Viitala and Jylhä (2010, 294.) list four different elements of financial success for any
company: 1) a company’s sales must exceed its expenses, dividends and loan repay-
ments 2) a company must be profitable in the sense that of the company’s internal
functions give the most output with the least amount of input, and still giving added
value to the end customer 3) a company must have acceptable levels of solvency,
meaning that the company has enough money at hand to pay off its invoices 4) a com-
pany must have enough equity compared to external loans.
The four elements together form the core of a profitable business. Still, a company might have extended periods of financial crisis where profitability cannot be maintained. In crisis situations, it is up to the managers of the company to either end unprofitable operations (such as declining product sales) or to develop them back into profitability. (Viitala & Jylhä 2010, 295.)

Accounting can be divided into two separate categories: financial accounting and management accounting. Financial accounting includes law-regulated components (i.e. balance sheet, financial statement) that are public information. Stakeholders, such as suppliers, customers or investors, are concerned with this information. From a business management perspective, management accounting serves a critical role for profitability. Management accounting is intended to help the decision-making processes inside the company. (Suomala et al. 2011, 11-12.)

Sales and marketing are critical factors for the profitability of any company: marketing is supposed to attract the wanted customers (target customer groups), provide customers with the right products and services, provide the right sales arguments and to provide the right operating models for each target customer group. In a way, marketing creates the right circumstances for sales to succeed. And a company needs sales to generate revenue, without which the company has no positive flow of capital. A typical management accounting tool for sales and marketing is gross profit thinking. While production lines tend to see gross profit as sales price minus expenses, sales organizations are much more interested to sell as much as they can with a good gross profit margin. The pitfall of this kind of thinking is that it ignores the cost of logistics and other expenses linked to sales. Gross profit thinking is used mostly in the retail sector. (Suomala et al. 2011, 144-145.)

Gross profit margins dictate how much a certain product or service costs, or in other words, what its price is for a customer. Thus, pricing is also one key component towards good profitability. Basic economic theory dictates that a product’s optimal price (equilibrium) is found where demand and supply meet – high prices affect supply negatively (sales decrease), and low prices increase demand. If the free markets dictate the product prices for the company, then the only way to be profitable is to cut costs.
If the company would try to increase prices, customers would just buy from other companies who operate at a cheaper level. If costs determine fully the company’s pricing process, then the easiest way to determine the right sale price for a product is to add such a margin to the product that it will produce the projected amount of profits for the company. The company might implement target costing, where a target price for the product dictates how much costs can be. Price elasticity determines if raising or lowering price for a certain product affects the demand much, or almost not at all. On the other hand, price also has a psychological element to it, as many luxury goods have high prices compared to their manufacturing cost. (Viitala & Jylhä 2010, 305-306.)

Investment decisions differ from other company expenses: they usually have a high cost, they are often irreversible, and the projected returns are spread over a large timeframe. Investments can be divided further into two subgroups: financial investments (i.e. stocks) or real investments into physical or immaterial goods that increase production. Planning, timing and implementing the investment are strategic decisions that can help or hinder the company’s profitability. Investment decisions are usually made in the following order (Viitala & Jylhäuser 2010, 112.):

1. Recognizing the need for development and change inside the company
2. Seeking out different investment possibilities that could help the company to reach their desired target
3. Gain information about the costs and profits for each different investment possibility, which can also qualitative or quantitative effects within the company
4. Choosing the right investment possibilities, which usually isn’t purely based on numbers but on the experience and vision of the managers as well
5. Gaining investment financing
6. Starting the investment project and monitoring it throughout its implementation. Later on, the effects of the investment can be seen positively or negatively, and the managers can learn from their success or from their mistakes
5.7.2 Investment calculations

An investment differs from other expenses in the way that the use and gain of capital have a different timeframe: using money on the investment project is usually a larger, one-time sum, and it is followed by smaller, repeating cashflows (i.e. sales of a new product). The investment will most likely have running expenses as well. The temporal difference of capital flows gives us the need to somehow approximate if an investment is profitable or not – usually done by different investment calculations. (Leppiniemi 2009. 15.)

There are a few different ways we can calculate the profitability of an investment. One of the most common ones is the net present value method (NPV), which compares the net present value of cash inflows to cash outflows. If the NPV is positive, the investment is profitable and thus potentially accepted. If the NPV is negative, the investment should be abandoned at this phase. The problem with net present value method is that we must decide how much profit the investment must make beforehand. The target profit might be the cost of capital used for the project (i.e. current interest rate), or a profit level which has been decided inside the company. (Leppiniemi 2009. 20-22.)

For example, a company calculates that a new production machine will cost 20 000 euros. It will bring in cash inflows for three years: first year the inflows are 12 000 euros, the second year 7000 euros and on the third year 5000 euros. The company’s target profit margin is 8%. The NPV of capital inflows are 12000*0,9259 + 7000*0,8573 + 5000*0,7938 = 21 080,90 euros. Thus, it can be calculated that 21 080,90 (the NPV of capital inflows) – 20 000 (initial investment) = 1 080,90 euros. As the result is positive, the company should invest into the new production machine.

A company can also use internal rate of return method (IRR) to calculate the profitability of its investment. Unlike NPV method, IRR indicates the company the inherit profit margin that leads to cash inflows matching the value of the initial investment. Thus, a profitable project should have a higher profit margin than what
IRR method suggest. The problem with IRR is that the company must, again, decide on its target profit margin beforehand and match it against the one calculated with IRR – if the internal rate of return is higher than the target profit margin, the investment is profitable. (Leppiniemi 2009. 24-25.)

Let’s use the values from the previous example. The company decides that its target profit margin is 15% based on their previous investment. The internal rate of return is $20000 + \frac{12000}{x} + \frac{7000}{x} + \frac{5000}{x} = 0$ The right result can be found by testing, using IRR tables or an IRR calculator. Calculatestuff.com’s (Website of Calculatestuff.com 2018) IRR calculator gave a result of 11.499%, which can be rounded up safely to 11.5%. Thus, the investment is not profitable, as the result of 11.5% is lower than the target profit margin of 15%.

A third way to calculate the profitability of an investment is the payback period method. This method gives the company information on how long it takes to earn the invested capital back. Payback period method does not inform any internal rate or profit margin for the investment – rather it is used in tandem with other calculations, such as NPV or IRR methods. For example, a company might make an investment that costs 100 000 euros, and the company expects regular yearly cash inflows of 40 000 euros. Thus, the payback time for the investment is $100 000/40 000 = 2.5$ years. The company might have different investment options at hand, and the company might also favor quicker payback periods, which is why payback method is used often with other investment calculations. (Leppiniemi 2009. 25-26.)

6 RESULTS FROM THEMATIC INTERVIEW

Mr. Jani Valo was interviewed for this thesis, because he has been working in a local company which sells outdoors, fishing and hunting products, among other things. The company will be referred as company A in this thesis to protect sensitive information.
The interview was done as a thematic interview, meaning that Mr. Valo answered questions which had been divided into different subgroups. Those different groups were: 1) background information about Mr. Valo himself and how he sees his work has changed, 2) general marketing questions, 3) Company A’s usage of Facebook, 4) Company A’s usage of Google and search engine optimization and 5) general questions about profitability and sales. The questions can be found in Appendix 2. The questions were divided into these groups as I felt that these were the areas that this project needed more information on. As such, the anecdotal evidence cannot be transferred completely to Texpörsssi’s web store project, as both companies operate on different fields and have started their web stores in different times.

The main goal with the interview was to find possible general pitfalls that a company might have experienced, and to learn from those failures or successes. From the interview I learned that Company A’s web store launch was quite successful, as they started receiving customers quite quickly. As source materials pointed out, no company can expect immediate success from their web store launch, and this was true to Company A as well. This in turn helped me to understand, that even one or two sales in the first week or two would be more than enough, and visitor numbers would grow eventually. Understanding that Company A uses a wide variety of online marketing tactics, such as paid advertisements, SEO and newsletters, helped me to understand and focus more on online marketing instead of advertising Texpörssi’s web store multiple times on newspapers. Company A also has a substantial amount of paid advertising through Google which cannot be done by Texpörssi during the launch of the web store. Surprisingly, e-mail marketing seems to be very successful with Company A and is something I intend to focus more on during the next season as well. Company A has a remarkable amount of online sales which are supported by a few different customer groups. Understanding that the target customer group(s) can vary during different times and seasons have been helpful for me as well, and currently Texpörssi’s biggest customer group are men over the age of 40 who are interested in jeans. Ultimately the best lesson I learned from the interview was that it is possible to try a wide variety of products, marketing tactics and ideas in a web store and find out which is the best for a given company.
6.1.1 Background information

Mr. Valo has been working at Company A’s web store since he graduated as an engineer from Satakunta University of Applied Sciences in 2011. Mr. Valo feels that the company’s web store has evolved over the years to be more customer-oriented: before, just having a static site and a problem-free shopping experience was enough to make sales. At those times communication with customers was mostly done via phone calls and emails. Now, it is important to have multiple ways to communicate with customers: built-in chat in the web store, Facebook, Twitter, Whatsapp and so on. As people have started to use more mobile devices, the shopping experience has been more focused in the past years towards those mobile customers as well. Mr. Valo stated that compared to previous years, SEO has become a key skill in his work. Before, just having their web store in the few top search results was enough, but now there is a constant need for SEO, great product images and product descriptions as competition has become harder.

When asked about what processes are the most time-consuming, Mr. Valo replied that processing orders, sending them and processing returns take the most time of his workday. There is a seasonal effect on his work as well, as during Winter months they have more opportunities to develop the web store as customer demand is low during those months. Finally, when asked if all employees do similar work tasks in Company A, Mr. Valo replied that only he himself and a second employee work fully with the web store. Employees who work in different departments in the store (i.e. hunting and fishing) write the actual product descriptions, as they have the most experience with the products.

6.1.2 General questions about Company A’s web store

Mr. Valo recalled that Company A’s web store was opened during late Spring of 2011. The opening of the web store was relatively painless and went quite easily but marketing the opening of the web store could have been more extensive. It took two days for the first order to arrive, but after that there has been orders on a daily basis. During those first days doing any sort of social media marketing would have been difficult for
Company A, as they had no access to any social media or marketing on hunting and fishing forums. The company launched its Facebook page after their web store, and they had no method to contact their customers with newsletters and so on. Still, Mr. Valo feels that they avoided making any big mistakes during launch, and everything else has been developed from that point on.

When asked about if the main products or product categories have changed over the years, Mr. Valo stated that the main categories are the same than what they were during the launch of the web store: hunting and fishing gear. They have also two new product categories that have become popular: Kånken back bags by Fjällräven, and camping gear. Of course, some products run out or they are discontinued, which means that some change naturally happens over time with the company’s inventory.

Company A has been using the same web store platform provider since the beginning. The toughest competition to the company comes from similar rival companies, such as Green Trail, and also some from large competitors like XXL megastores. The good thing for Company A is that usually the larger competitors are focused more into different areas, or that the competitors do not sell hunting weapons. Mr. Valo also feels that their brick-and-mortar store and web store support each other, as some customers that only know their web store have visited them in Rauma as well, as well as local customers regularly use and order products from their web store. People regularly check the availability of items from the web store before they drive to the store location – this saves the customers time and prevents frustration if desired items are not in stock. The web store also had the option to pay with billing or installment payments before they were available in the brick-and-mortar store as well. Mr. Valo feels that even if a company has a web store, their physical location is the “face” of the company.

When asked what are the possible strengths and weaknesses of company A, Mr. Valo said that their biggest strength is the expertise of the staff, as many have a deep understanding of the products as they are hunting, fishing or sporting hobbyists themselves as well. When talking about the strengths of the web store, Mr. Valo finds that fast deliveries and good customer service (as proven by feedback from multiple sites and Facebook) are where they excel. As for weaknesses, company A has a few departments
where almost all information has been accumulated to one employee. This is problematic in situations where customers are asking specific questions about products, and the employee is on their day off or on a holiday, thus they cannot successfully help the customer before the employee comes back. In a similar fashion, if products would be ready to be sold on the web store but they have no product information as their respective department staff haven’t written the texts, thus the product either waits for a text or is put to the site with no product text at all. As for biggest threats, Mr. Valo remarked that there would be a Motonet store opened in Rauma in late 2018, which have some of the same products that company A has, such as products related to ice fishing. On the other hand Mr. Valo also felt that the new Motonet store would be the biggest threat to the local HongKong store, as they have the similar business strategy and products.

6.1.3 General questions on marketing

When asked what kind of marketing channels company A is using to market its web store, Mr. Valo explained that the company uses newsletters, Facebook, local newspapers for advertisement, advertising in specialty magazines such as Metsästys & Kalastus, advertising on forums such as Perhokalastus.net and using applications that might remind a customer to return to the web store to finish the open shopping basket. There are a few target customer groups for company A, but the median customer for hunting goods can be seen as a middle-aged (or older) man. For fishing, the median customer is a younger or middle-aged man, but for the Kånken back bags the median customer is a woman. The target customer groups have only grown larger during the years, and some products, such as the Kånken back bags, have brought in many new customers and customer groups. Company A uses mostly three different social media to contact and discuss with its customers: Facebook, Instagram and Youtube. Of these three, Facebook is used the most.

When asked what marketing means bring in the most conversions, Mr. Valo stated that as harrowing as it sounds, but “pestering” the customers with newsletters and reminders brings in a surprising amount of conversions. He also states that even though this almost feels like sending customers spam, it is effective, and people do not really unsubscribe from newsletters. Also, once company A launched a customer chat on their
web store, it has brought in conversions as well. Traditional media is not really used to advertise the web store – usually magazine and newspaper ads are used to market certain products or campaign items, and TV commercials have been used only twice for the opening of the hunting season.

Company A uses raffles or sweepstakes sometimes. The one that they use the most is a monthly raffle for all customers who leave a review for any product. The winner receives a gift card worth 50 euros. This has helped the company to gain around ten to twenty reviews per month, when before the raffle they had zero reviews. This has in turn helped their status on aggregate website Hintaseuranta.fi, where if customers sort web stores by reviews, company A is the first one on the list.

According to Mr. Valo, company A does not have a marketing budget, and things are done “as needed”. The hardest part in marketing is seen the unpredictability of customers. There have been a few instances where all the employees at the company have felt that a marketing idea or product is guaranteed to bring in customers, but those times had ended in disappointment. Similarly, sometimes “bad” ideas or products have brought in a lot of customers. As Mr. Valo states: "Nothing is harder than pleasing customers”.

6.1.4 Company A and Facebook

As stated before, Company A launched their Facebook page in late Spring of 2011. Currently, the company has 4,295 followers on its Facebook page. Company A does not have a social media strategy, but the employees post on Facebook every time they feel that they have something to say. If the employees feel that they have not made a post in a while, they all brainstorm together to make a post. Facebook posting is also used many times as regular advertisements to tell customers that the store has something new to sell, or that the company has restocked a product. Mr. Valo feels that using Facebook has been beneficial for the sales for the company as a whole, and the company can use it to advertise its products in active hunting and fishing Facebook groups as well. Currently, company A sees Facebook more as a marketing channel than a communication channel, as commenting and private messages have been surprisingly
low throughout the years. The most effective Facebook posts have been about cam-
paign items which were sold for a major discount. Usually, customers who contact
company A through Facebook are younger than the median customer. Company A has
no set targets for likes or shares on Facebook, as the employees feel that if it had set
targets then they would be “forced” to make posts when there is nothing to say. This
could in turn lower the quality of the posts. Currently, nobody at Company A feels that
using Facebook is forced on them or on the customers. Employees even update the
company’s Facebook pages when they are on a hunting or fishing trip, which is done
completely out of their free will. Competitors’ social media pages are not followed
actively, as there is usually no time for it. More effort is used to follow what competi-
tors do on their web stores, what kind of products they are selling and at which price,
etc.

6.1.5 Google and SEO usage at company A

According to Mr. Valo, company A has been using Google Adwords, now known as
Google Ads, since the very beginning. Originally, Mr. Valo himself was in charge of
using Google Ads, but as the sales from their web store grew, the CEO of the company
took charge of using Google Ads. This was also partly due to the CEO being an avid
hunter and fisherman himself, which helped him relate with the target customer group.
Eventually, an outside service provider (which is the same as their web store platform
provider) took charge of company A’s Google Ads campaigns, as they proved to be
too much for a single person to take care of. Because of this, Mr. Valo doesn’t have
exact information about the number of used key words or phrases the company has.
When company A took care of using Google Ads themselves, they used a daily budget
for campaigns.

When asked about if there has been a change on what devices people use to browse
company A’s web store, Mr. Valo states that there has been a clear change from desk-
top PCs to more mobile usage, such as smartphones and tablets. Still, over 50% of
current customers use PCs to view the company’s web store. The web store platform
provider has noticed the changing device trend as well, as nowadays they have devel-
oped the browsing experience more towards mobile users, unlike before. Mr. Valo
explains that company A also follows data such as from where customers are browsing their web store from, but there has not been much usage of said data. There have been a few campaigns that have been geographically aimed for customers to the region between Pori and Turku. Company A is more interested in following what customers are buying, and marketing additional products that complement or work as substitutes for items that customers have bought. This marketing is done via emails. The customers that come from Google Ads campaigns to the company’s web store represent quite well the core target customer group that company A has, according to Mr. Valo. One exception to the rule are quite a few foreign customers, which seems odd as the web store uses Finnish language, and they deliver products only to Finland. Mr. Valo suspects that this is because the Finnish weapon and ammunition manufacturer Sako has a good reputation outside Finland, and some of their items are on sale on company A’s web store.

6.1.6 Profitability and sales

When asked about how much revenue are generated through company A’s web store, Mr. Valo estimates that about 60-70% of total revenue come through their web store. The revenue from their web store have been growing every year, and during the year Mr. Valo started working at the company, the total revenue was around 1 200 000 euros, of which some 700 000 euros were from the web store. The user interface and the look of the web store are bundled with the monthly payments to the platform service provider, and company A receives small free cosmetic updates to the web store during a larger, technical update. Mr. Valo estimates that the running costs for the whole web store are in a range of few thousand euros per month, of which marketing expenses (i.e. Google Ads) are at least a thousand euros per month.

When asked about which products or product groups are the most or least profitable, Mr. Valo states that clearly the least lucrative products are ammunitions and weapons in general. The reason for this is stiff competition both online and offline, which has pushed profit margins quite low. Supplemental items, such as gun cleaning kits, are where the actual profit is made. Additionally, fly fishing gear has a high profit margin, but in general they are sold less than weapons and ammunition. When asked about
what delivery and payment methods company A uses, Mr. Valo stated that for deliveries they only use Matkahuolto, as Posti doesn’t deliver anything that is a weapon or related to weapons in any way. For the payment methods, company A has two options on their web store: Paytrail and Klarna Checkout, both of which provide a multitude of payment options such as direct payment, installment payments, credit card payments and so on.

7 LAUNCHING THE WEB STORE

7.1 Pre-project timeline and conversations

The web store project was originally talked about even as early as 2013 between me and my father, but we felt that the timing didn’t really suit Texpörssi – our instincts told us that the company’s customers probably did not use online stores very much, and that starting the project would not be a profitable idea. After I started my training towards my Master’s degree in 2016, I entertained the idea of expanding to online. Thus, when it became time to start thinking about my Master’s Thesis, I felt that it would be beneficial to launch Texpörssi’s web store as a thesis project.

And on top of that, social media has had a huge boom since 2013 – Facebook has over two billion users, which has more than doubled from 2013 (Website of Statista 2018). Even recent scandals, which include the US presidential elections and Brexit, haven’t dwindled Facebook’s user numbers. It felt natural to include the launch of Texpörssi’s social media page together with the web store project, as both could potentially boost the company’s sales, profitability and help brand Texpörssi more to the younger scope of the company’s target customers.

In the Fall of 2017, Texpörssi was contacted by a Finnish business coaching company named Balentor, which would be holding a course for SME companies who operate in the Satakunta region. This course would be partially funded by the local Centre for Economic Development, Transport and Environment (ELY-keskus in Finnish), and
the companies themselves would pay 30% of the whole cost of the course. In Texpörssi’s case, this meant a fee of 1470 euros. The course had ten days of training in Pori, and then a business coach would come and visit each company. The business coach would be based on the needs of the case company, as well as the experience and skills of the coach.

The content of the course was to develop sales and marketing in local SME’s. The first two days’ (9.-10.11.2017) topics included company strategy, vision, mission from a marketing and sales viewpoint. Representatives from each company would make a small SWOT analysis of their current markets, and discussion topics ranged from customers to product design as well. A consultant from Balentor would give small lessons each day, which would in turn be followed by discussions in smaller groups. Most of the participants from each company were either CEO’s, owners or marketing managers, and their ages ranged from 35 to 65. Almost all of the participants knew about Texpörssi, and some had even been shopping in the store in Pori a few times.

On the second two days’ (12.-13.12.2017) topics were digital marketing and marketing leadership in a SME, as well as the successful productization of new and/or old products. The consultant (business coach) for this time was Mr. Kert Kenner, who is also one of the co-owners of Balentor. As before, discussion was held in smaller groups, where we analyzed each the web pages of each company. As Texpörssi’s old web page were made in around 2006, it was safe to say that they were not the most advanced or the best looking. During this time, I discussed about my idea to launch a web store for Texpörssi, and to “detonate” the old web page out of existence once the new site was ready.

On the third time (16.-17.2.2018) the topics were about factors which affect sales, developing the sales process inside a SME and practical leadership of the sales process. During these two days Mr. Kenner and I discussed about Texpörssi, and he promised to come and coach us for the two-day visit to Texpörssi.

On the fourth and fifth times (15.-16.2.2018 and 13.-14.3.2018) the main topics were customer-based thinking, customer relationship management and CRM systems, affecting the decision-making process of the customer, developing personal sales and
marketing skills and recognizing each person’s strengths and weaknesses during a sales process. Personally, these last two times didn’t offer as much to me, as I was more interested in points leading to the development of Texpörssi’s social media and web store.

The two on-site coaching sessions were held at 10.4.2018 and 23.5.2018 in Rauma. During the first day my father and I discussed with Mr. Kenner about Texpörssi and its business environment. We talked about the company’s situation in Rauma and Pori, and how we view current markets in both cities. In a way, our three-way discussion was a SWOT analysis opened up, as we could, for example, literally walk into Texpörssi’s competitor’s store and show the company’s external threats. We discussed about Texpörssi’s coming Facebook page, web store and how they could help the company to increase sales and potentially profitability as well. When Mr. Kenner came back on the 23th, we started the day by launching our Facebook page. Secondly, I had done some research between the two dates and focused on finding out potential web store platforms that could be utilized for Texpörssi. Thirdly, we discussed about how we could market Texpörssi’s web store when it would be done, and which payment and delivery methods could be utilized. Finally, Mr. Kenner summed up everything we had talked about, and produced a PowerPoint file with all the key themes we had discussed.

7.2 Utilizing the 4P’s of Marketing Mix

Throughout the various conversations had during this project, there was also talks about if Texpörssi’s marketing mix (Product, Price, Promotion and Place) before the launch of the web store is enough, and should some parts be changed. Naturally this project unto itself would enact changes in Promotion and Place categories, as it was the main point of the project.

As briefly mentioned before, the marketing situation in Texpörssi is quite old-fashioned – most efforts in marketing are seen as purely newspaper advertising, even though there are already several other methods of marketing in place as well. For ex-
ample, probably the most influential marketing channel is word-of-mouth from existing customers to potential customers, and the marketing work done by salesclerks is also very important, as they are the ones who suggest various items to customers in the store. Display windows have also a large impact on what customers come to buy from inside the store. The layout of both stores has an impact on marketing as well – for example changing the place of a product can boost or lower its sales. Products can be placed next to each other in many different ways: colors, brand, usage and end-user (male or female) are all used when products are placed next to each other in the stores.

7.2.1 Product

Currently, it seems like the product selection at Texpörssi is where it should be. There is a wide range of variety between different product styles and sizes as well. The quality, design and features on most products are in order when compared to the price. The current product brands at Texpörssi are well-aligned with the company’s vision of an optimal product mix, but usually there are a few old suppliers closing down or left out of the company’s selection per year, and a few new suppliers are chosen instead. The packaging of the products is mostly in order, but there is always room for improvement from the supplier side to keep improving.

7.2.2 Price

The current pricing at Texpörssi aims for medium-priced items – if the prices would be higher, the company would be competing against high value, named brands. And if the prices would be lower, then the company would be competing against large supermarket chains like Tokmanni, Citymarket or Prisma. There are some discounts and special sales, but usually the number of discounts given is quite low. Most customers pay immediately with cash or credit card, but a few customers have the option to get an invoice with a payment period of 14 days – these are usually customers from care homes, who are unable to come to the stores themselves.
7.2.3 Promotion

Before this project, Texpörssi’s advertising and public relations were done almost completely through newspaper or TV advertising. There have been a few newspaper stories done about the company during its existence, but they have mostly been smaller stories. Personal selling is a big part of the company, be it from our salesclerks or even from the company’s customers who recommend the company’s stores to their friends and family. Sales promotions are done quite regularly, and the current aim is to have a larger, bi-annual “Texfree” campaign again in 2019.

7.2.4 Place

Texpörssi’s two stores have been the only sales locations before this project, and thus all channels and inventory have been tied to those two places. Transportation between Pori and Rauma has been always done by my father or myself. Logistics from the supplier to the stores is always handled by the supplier. After the completion of this project, people from all over Finland will be able to shop from Texpörssi’s web store, which will mean new logistical challenges for Texpörssi as well.

7.3 Utilizing SMART model with Facebook pages

As Texpörsssi had no previous experience with digital channels of any kind, deciding on concrete SMART objectives was quite hard as there was no history to help with predictions. From conversations we made a loose SMART model and decided that it should be updated during May or June of 2019. The model is as follows:

- Specific: the Facebook page would be aimed towards the company’s target audience, with a hope that younger users (aged 40-45 years old) would find the company as well.
- Measurable: the easiest indicator we decided on was the follower count on the company’s Facebook page. The target number was set to a thousand users by the end of 2018.
• Achievable: the follower count seemed like it would be ambitious, but achievable if done right. But it was also noted that the follower count shouldn’t be achieved with having users from outside of the core customer group, as those users probably would only want to participate in raffles and sweepstakes, and not actually produce any sales or visits to Texpörssi’s web store.

• Time-related: Again, the time limit for a thousand users was decided to be the end of 2018, as it felt to be a natural cut-off point.

7.4 SWOT analysis

A SWOT analysis (Figure 10) is one way to analyze what is the target company’s situation currently in the market. It is done by identifying Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are internal factors, while Opportunities and Threats are external factors. A company should try to utilize their strengths, find out the best opportunities, eliminate any weaknesses and avoid threats. (Kotler & Armstrong 2016, 79-80.)

Throughout the whole project, SWOT analysis has been done multiple times for training purposes for Texpörssi, including courses held at SAMK as well as the course held by ELY keskus and Balentor. These analyses have always been about Texpörssi’s current state, meaning no SWOT analysis has been done after this project was launched. Below are listed the things that were discussed the most during the Balentor course with various people on the course, as well as with my father and Mr. Kenner.

Figure 10. SWOT analysis for Texpörssi Oy
7.4.1 Strengths

We see that the company’s main strengths are its customer service and product mix, both of which are aimed for the company’s target customer group of women over the age of 40. Since I first started working in Texpörssi, the company has changed from a cheap-priced retail store more towards a medium-priced one. This has been done by changing Texpörssi’s suppliers slowly towards ones with a real brand name, and to ones who have good-quality products as well. For example, ten years ago the company’s main supplier was Novita which produced cheap clothing with questionable quality – some might even call them disposable clothing. Now Novita has stopped producing clothes altogether, and the company has not been a top supplier for Texpörssi in many years. Novita has been replaced by the likes of Brandtex (a multi-brand company from Denmark) and Micha (quality-knitwear producer from Denmark as well).

I have worked in customer service myself for many years and learned to care and understand Texpörssi’s customers quite well. Everyone in Texpörssi are genuinely interested in helping the company’s customers when they come to either store. The company’s mentality is to help the customer in any way possible, without forced selling – sometimes we might even direct the customers towards the company’s competitors if we cannot help them. Honesty is also one of Texpörssi’s employees’ strengths, and even a core value – customers deserve to hear the truth about products and if they suit them, without too much sugarcoating. Sometimes honesty might mean that the company loses some sales in the short term, i.e. suggesting a cheaper product instead of a higher priced one, but it is felt that in the long run it will bring in more sales.

7.4.2 Weaknesses

With weaknesses, we felt that the biggest one is a dated brand. Many potential customers might not visit Texpörssi, as they feel that we are a so-called “granny store”, where only older people go to shop. Some of these people might have even visited
either store in their childhood with their mothers or grandmothers, and the customers remember Texpörssi from how it was some twenty years ago. Though the company’s slow change from cheap wares to medium priced clothing store has been a long one, many new customers have been positively surprised when they have come inside either store. Thus, the company’s brand can exceed expectations in the minds of many potential customers but getting the “new” brand message through has been slow.

Even though customer service is one of Texpörssi’s strengths, there is still a need to develop the company’s customer service even more, as competitors are not resting either. Currently, three of Texpörssi’s employees will be retiring during 2019 and 2020, so finding new employees who fit the company’s brand and style of customer service might be a challenge. Balancing inventory size is always a risk: if inventories are too low, there is a risk of losing sales and profit. If inventories are high and the right weather conditions do not arrive, then capital is tied down to products when it could have been used elsewhere (i.e. invest). As most suppliers use JIT (just-in-time) deliveries or LEAN (minimizing any potential waste and maximizing productivity, thus maximizing value to customer) ideology, they do not have extra stocks of products if weather conditions become favorable. The problem with inventory control is that almost all products are ordered nine to twelve months before they arrive, making it hard to predict or know what kind the weather conditions will be when products arrive.

During the last few months of 2018, marketing had become a real issue within Texpörssi. 2018 had a record-heat Summer, with almost five months of non-stop heat temperatures, and a Fall that has been constantly warmer than the average temperatures at the time of year. Thus marketing, and newspaper advertisement in particular, seem to have little effect on the customers. To make things more complicated, the Rauma region de facto newspaper Länsi-Suomi will stop publishing their newspaper on Mondays and Wednesdays in 2019, which will most likely result in a negative cycle – less publishing means less readers, which means less revenue from customers and from advertisers as well. To further complicate things, Länsi-Suomi will start to use aggregated news from the same source as Satakunnan Kansa, which is the largest newspaper in the Satakunta region. As Texpörssi advertises in both newspapers, the company
feels that Länsi-Suomi will lose its importance in the long run, at least for Texpörssi as an advertising platform.

As Texpörssi’s Facebook page and web store have started, we have seen how much more effective online marketing can be, both paid and free marketing. Even Texpörssi’s competitors seem to have lost some edge from their marketing: Texpörssi’s local competitor that operates in Rauma and Pori might have full page advertisements on front page of Länsi-Suomi, and they seem to attract no extra traffic in their store. Even customers in Rauma have stated, that the whole city feels much quieter than before, although nothing has really changed in the city center in the last year.

7.4.3 Opportunities

As stated in the previous section, online has become a huge opportunity for Texpörssi. Even before the company had any tangible evidence of this or working sites, it was felt at Texpörssi that this leap must be taken now, or the company will be “forever stuck in the past” in a negative way. Both Texpörssi’s Facebook page and web store have had a positive start, and hopefully both will be growing in the many years to come. There have also been multiple discussions on utilizing some form of customer loyalty program, but there has not been found a working solution. Currently the best and easiest way to reach out to specific customers is through the company’s web store’s built-in CRM system, which has ways to contact customers through targeted or mass emails and text messages.

I also listed Texpörssi’s store locations as opportunities, as in a way they are external factors to the company – Texpörssi is tied down in both cities to the current locations based on ownership of them. The company is not able to change locations easily, as it would mean the selling of either or both properties, which might prove to be difficult. There is an abundance of empty commercial real estate in Rauma, and in Pori retail stores have more or less been centralized to the shopping centers Puuville and Iso-Karhu (both of which battle against each other as well). The reason why store locations are more opportunities than threats to Texpörssi is simple: the company does not pay
rent, and in both locations big renovations have been completed. Texpörssi’s locations are quite well known in both cities, and the last time either store has switched locations was in mid-1990’s. Texpörssi’s store in Pori is accessible and next to a busy street in the heart of the city. In Rauma, the store is in the old city, and the company owns their own parking lot which is free to customers. To sum it up, Texpörssi should continue to utilize its relatively cheap locations for as long as possible.

7.4.4 Threats

Generally speaking, affecting Texpörssi’s competitors (both brick and mortar as well as online) in a direct way isn’t the way I want to run a company. Of course, Texpörssi’s competitors are being monitored through a marketing mix-based logic: what brand of products do they have, what are their prices, where do they market and advertise, where are they situated inside the city or online, and so on. The size of Texpörssi’s competitors doesn’t matter: Texpörssi is in competition for the same customers as Halonen, Zalando or small local businesses that have a fraction of Texpörssi’s sales as well. This is not viewed as a bad thing, as competitors keep the company evolving as well, proven by this very project. If Texpörssi would not accept change as a part of everyday business, then the company would surely slip towards failure – bankruptcy.

Texpörssi cannot stop climate change alone, but of course the suppliers the company has, and other “green” choices can bring positive change to the climate. Economic cycles come and go, and Finland has been enjoying a positive economy for a few years now. The global economic situation is tightening up, with a possible trade-war between the US and China, and the ever-looming Brexit might cause some form of market chaos inside Europe.

8 DEVELOPING DIGITAL PRESENCE FOR TEXPÖRSSI OY
As stated before, creating Texpörssi’s Facebook page was the first concrete part of this project, which happened in May 2018. The actual launch itself was really quick, as it took about thirty minutes to get the page working with a few pictures. But as imagined, starting something is quick and easy, but managing it is the real work. In the next sections, I will go over the web store project more in-depth, including my decision-making process for each step as well.

8.1 Facebook after the launch

After the launch, Texpörssi’s Facebook page has been utilized in three main ways. Firstly, there has been posts about which offerings are going to be on the company’s newspaper advertisements. These posts have had a moderate engagement from followers. Secondly, there has been a few sweepstakes, where the winners got a gift card to Texpörssi’s store or web store. Sweepstakes have had a very large amount of engagements (likes and shares both), and they have generated moderate traffic to the web store as well. The third type of posts have been tied to the seasonal changes, which might be posts about new knitwear or the coming end-of-the-year sales. These have also had moderate engagements from followers. Unfortunately, activity on the company’s Facebook page has been quiet during Spring of 2019, mostly because I personally have been tight on time due to work, having two children during my studies and the thesis project itself. I plan on having a “soft re-launch” of the Facebook page in the coming Fall, with a dedicated person handling Texpörssi’s social media. There have been some talks about integrating Instagram to the company’s Facebook account as well, as there is a possibility to do double-posts both to Instagram and Facebook at the same time, thus removing the need to do updates manually to both platforms. The project should start during mid-September of 2019.

8.2 Choosing a web store platform

Developing Texpörssi’s own web store from nothing would have been extremely hard, as I do not have any coding experience, nor did we plan on hiring or subcontracting the work. Using a premade platform was much easier, since you get to read references, try out the platform yourself, and so on. And as the platform provider is in charge of
everything, it means that if any technical problems arise, customer service is always ready to help – unlike if Texpörssi had built its own site. After a while I had narrowed my selection down to three prominent choices: Nethit, Mycashflow and Koodiviidakko. I had used Mycashflow as a customer before, and I knew them initially from a customer’s point of view. Nethit was recommended to me by Mr. Jani Valo, as company A has been successfully using their platform for many years. Koodiviidakko came up from my Google searches as well, and I had no prior knowledge about the company, but it seemed to have good references.

I was about to ask for a tender from each three, but suddenly I realized one big drawback in Nethit and Koodiviidakko. Texpörssi’s point-of-sale system is Solteq’s Tekso, which is pretty common in retail stores. Nethit was unfortunately a direct competitor with Solteq, meaning that if we were to choose them, then Texpörssi would have had to change its point-of-sale system as well. Koodiviidakko on the other hand appeared to be a good solution with great references, but the company also lacked the ability to integrate or accommodate their services with Tekso as well. Mycashflow was the only one that mentioned that their web store could be made to work with Tekso. The ability to integrate systems might sound trivial at first, but if in the future orders start to become frequent, it will be impossible to keep inventories updated manually for the web store, and from there the need arises for the possibility of integration.

As I discussed about the situation with my father and Mr. Kenner as well, we all came to the same conclusion: Mycashflow would most likely be the best option for Texpörssi. I downloaded the demo version of Mycashflow, and after a few hours concluded that the system was easy to operate, intuitive and with a multitude of add-on possibilities. The pricing options for Mycashflow were simple: the basic version would cost 49 euros per month, the advanced version 99 euros per month and the pro version 149 euros per month. The basic version only has a capacity for a maximum of 200 products, and with cloud storage space for 500 megabytes, which was not enough for us. Thus, we chose the advanced version, which has space for 2000 different products with cloud storage space for 2 gigabytes. The advanced version also has the ability to be connected to different systems – in this case to Tekso.
I asked for a tender from Pluse247 (the operator company of Mycashflow) for Tekso integration and for a custom-made layout. The integration would cost 950 euros, plus a monthly fee of one hundred euros. Tekso integration was discarded at this point as it would probably have been too costly compared to the benefits it would offer. The ability to integrate can be activated any time in the future. As we discussed the matter on a phone call later on the same day, For Texpörssi’s custom layout, it was decided to give the site a clean and quite simple layout without being boring. It was also noted that Texpörssi’s potential customers would most likely value functionality of the site over style and substance. There was a quick discussion on colors and fonts which would be used to match Texpörssi’s current brand. Thus, the custom layout would cost Texpörssi 8000 euros.

The price was acceptable, since it was a one-time investment. I accepted Pulse247’s offer quite quickly, and the delivery time was promised to be around six weeks. During that time, it was possible to give input and corrections before the layout was finalized. The initial layout was quite close to the one seen on the web store now (Image 1), with some minor text or image placement changes. Some basic information was added later on, such as phone numbers to both stores, and store locations – both of which were the only good things on Texpörssi’s older site.

Unfortunately, the launch of the site had to be postponed, as Texpörssi didn’t have any real inventory left from the record-heat Summer. As the first product deliveries started to trickle in from suppliers, I added them to the web store continuously, even though the web store page was not yet public. There was a soft launch timer started in September, and some final checkpoints were passed together with a coach from Pulse247. Eventually the 4th of October was decided to be the official launch date, as Texpörssi would then have enough inventory and there was a larger newspaper advertisement reserved for that date, where customers would be told about Texpörssi’s new web store.
I had also originally planned on using the domain of Texpörssi’s old pages (www.texporssi.fi) as the domain for the company’s new web store, but unfortunately it proved to be a complicated process. The old site was supposedly maintained by a company called DevNet, which both my father and I remembered to be as the domain owner. We messaged them and asked for a domain change key, which would relinquish control from them to Pulse247. Unfortunately, they were not the owners of the domain, but it turned out that the owner was SEK Oy, an advertising agency that had originally coordinated the launch of Texpörssi’s old site back in 2006. After numerous attempts of contacting SEK, I received an email from the company’s digital content manager. After some weeks the domain change key was delivered, and the domain is now under Texpörssi’s control. The transition happened after the launch date, which meant that Texpörssi needed to register the domain www.texporssi.com, so that the site would have at least one working domain on the day of the launch. Currently, both domains direct customers to the web store.

Before launch date, there needed to be done additional work as well. The web store needed to have a logistical solution on how the deliveries of goods would take place, and what payment method would be used on the web store.
8.2.1 Logistical choices

Choosing Texpörssi’s parcel carriers from the various logistical possibilities that are offered in Finland was quite easy. Posti (Finnish post office) and Matkahuolto (nation-wide transportation company) both have a wide of delivery options. Customers can either pick up their deliveries from their local post office or SmartPost boxes located in various stores and supermarkets. Matkahuolto uses a similar system as well, in which deliveries are picked up from smaller stores or kiosks by customers themselves. There are other delivery companies as well, such as PostNord or DHL, but usually they have much fewer delivery options for customers to choose from, and many people cannot wait at home to sign a delivery, thus missing their item. In fact, home deliveries seem to have dwindled down considerably after customers have become accustomed to picking up items from their local stores or SmartPost boxes – only one customer has chosen to order their item to be delivered straight to their home address during this project.

The cost of delivery for Texpörssi using Posti or Matkahuolto is the same, which means that the cost for the customer is the same as well, no matter which delivery company the customer chooses. The size or weight of the delivery does not affect the price for Texpörssi, as even the largest items are quite lightweight. There are no monthly fixed fees with either delivery company, so the costs to Texpörssi scale accordingly with the amount of sales.

8.2.2 Payment method choices

For payment methods, Mycashflow had a couple of different options. The most common ones were Klarna, Paytrail, Checkout and Paypal. It is possible to active all payment methods, but for a starting web store this isn’t probably worth it. Personally, I had used Klarna, Paytrail and Checkout before, and cost-wise Klarna and Paytrail were close to each other.

Both Klarna and Paytrail have a cheaper price to offer when using Mycashflow, than if ordered directly from either company. Through Mycashflow, Klarna has a purely
provision-based payment method (table 1), and the percentage depends on what level of Mycashflow platform the web store has chosen.

Table 1. Costs of different Klarna payment methods (Websites of Klarna and Mycashflow 2018)

<table>
<thead>
<tr>
<th></th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free version</td>
<td>3,99%</td>
</tr>
<tr>
<td>Basic version</td>
<td>3,49%</td>
</tr>
<tr>
<td>Advanced version</td>
<td>2,99%</td>
</tr>
<tr>
<td>Pro version</td>
<td>2,49%</td>
</tr>
<tr>
<td>Directly from Klarna</td>
<td>2,79% + 0,35€ per transaction</td>
</tr>
</tbody>
</table>

The costs for Paytrail are even more complicated, as companies using Mycashflow can choose a version without a monthly fee (table 2), which isn’t offered through Paytrail’s own site. The difference between a monthly fee (table 3) or a free version is about provisions: the free version has added provision percentage when end-customers pay using their online bank or credit card. Paytrail does have a few advantages compared to Klarna, which are basically the wider ranges of online banks a customer can choose from, a wider range of credit card options, as well as the rising payment method through Mobilepay.

Table 2. Costs using the non-monthly fee Paytrail through Mycashflow (Website of Mycashflow 2018)

<table>
<thead>
<tr>
<th>Monthly fees</th>
<th>0€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment through an online bank</td>
<td>0,35€ per transaction (0,50€ for customers of Nordea) + 3% provision</td>
</tr>
<tr>
<td>Visa or Mastercard</td>
<td>0,35€ per transaction + 3% provision</td>
</tr>
<tr>
<td>Collector bank bill or installment</td>
<td>0,35€ per transaction + 3% provision</td>
</tr>
<tr>
<td>Mobilepay</td>
<td>0,35€ per transaction + 3% provision</td>
</tr>
</tbody>
</table>
Table 3. Cost of regular Paytrail through Mycashflow or Paytrail (Website of Mycashflow and Paytrail 2018)

<table>
<thead>
<tr>
<th>Monthly fee</th>
<th>59€</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payment through an online bank</strong></td>
<td>0,35€ per transaction (0,50€ for customers Nordea)</td>
</tr>
<tr>
<td>Visa, Mastercard</td>
<td>0,35€ per transaction + 2% provision</td>
</tr>
<tr>
<td>Collector bank bill or installment</td>
<td>0,35€ per transaction + 2% provision</td>
</tr>
<tr>
<td>Mobilepay</td>
<td>0,35€ per transaction + 3% provision</td>
</tr>
</tbody>
</table>

So ultimately, there were three different payment methods to choose from: Klarna, regular Paytrail or Paytrail without monthly fees. To make things more complicated, almost all options have a provision of sorts, some options have a fixed fee only, and some options have a fixed fee and a provision. I had to make an educated guess on how much sales we could be making and based on those estimates choose the best payment method for Texpörssi (table 4). I chose the number of transactions as my variable, with an estimated average purchase price of 60 euros. I also tried to give the benefit of doubt to each payment method, meaning that if there were multiple payment methods (i.e. online bank, credit cards, etc.), I chose what I viewed to be the most common of payment methods, which is online bank transactions.

Table 4. Total monthly fees for varying transaction amounts

<table>
<thead>
<tr>
<th>Method</th>
<th>Transactions, average Price of 60€</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Klarna</td>
<td>17,94 €</td>
</tr>
<tr>
<td>Paytrail</td>
<td>21,50 €</td>
</tr>
<tr>
<td>Paytrail with fee</td>
<td>62,95 €</td>
</tr>
</tbody>
</table>

Evidently, Klarna is the cheapest option with 10, 20 and 40 transactions, but when transactions increase to 80 and 160, then Paytrail with a monthly fee becomes the cheapest option. Somewhat surprisingly, Paytrail without fee seems to always be the second or most expensive payment method. I also estimated that the monthly fee version would have 30% customers who use Nordea as their bank, and 70% of other bank users. Even if all customers would use Nordea, the order of the cheapest options in 80 and 160 transactions wouldn’t change. Based on these calculations I concluded that using Klarna would be the best option for Texpörssi’s web store. And as stated before,
Mycashflow allows the use of multiple payment methods at the same time or switching between methods on the fly. Thus, if transaction amounts would increase heavily over time, it would be cheaper to change from Klarna to the monthly fee version of Paytrail. Of course, costs are just one issue: people might in the future want to pay using Mobilepay (a smartphone payment application), but Klarna doesn’t support it yet.

8.2.3 Investment profitability calculations

With the initial cost and some cash outflows known as well, we can start making investment profitability calculations. The three different calculation methods mentioned before were payback period, internal rate of return method (IRR) and net present value method (NPV). From web store development theory, we also know that cash inflows are slow when the store is launched, meaning that we should estimate low sales for the first months up to a year. After that, it is reasonable to expect that sales would pick up as returning customers start to outweigh new customers.

The initial investment cost for the web page project was 8000 euros, and the monthly fee for the advanced version on Mycashflow is 99 euros per month. I used the option for an annual license payment, which means that we receive two months for free. Thus, the yearly subscription cost for Mycashflow is 99*10 = 990 euros. We can also divide it to receive Texpörssi’s “real” monthly cost of 990/12 = 82.50 euros.

We can estimate that the first year would be the slowest for sales, resulting on an average of ten successful customers with the average purchase of 60 euros (see Table 4). After that, the year is estimated to have 20 transactions per month, and in the third year an average of 30 transactions per month. Thus, yearly capital inflows would be: (10*60*12=) 7200 euros for year one, (20*60*12=) 14 400 euros for year two and (30*60*12=) 21 600 euros for year three.

From the estimated transaction numbers per month we can calculate how much cash outflows they also produce, via payment and delivery costs. To make the calculations a bit simpler than reality, we can estimate that each delivery costs 4,90 euros and that
successful sales do not produce any returns as well. Thus, cash outflows for each year would be:

- **Year one:** Logistical cost is \((4.90 \times 10 \times 12) = 588 \text{ euros}\). Payment method cost is \((10 \times 60 \times 12 \times 0.0299) = 215.28 \text{ euros}\). Added up, the running costs for the year are 803.28 euros.

- **Year two:** Logistical cost is \((4.90 \times 20 \times 12) = 1176 \text{ euros}\). Payment method cost is \((20 \times 60 \times 12 \times 0.0299) = 430.56 \text{ euros}\). Added up, the running costs for the year are 1606.56 euros.

- **Year three:** Logistical cost is \((4.90 \times 30 \times 12) = 1764 \text{ euros}\). Payment method cost is \((30 \times 60 \times 12 \times 0.0299) = 645.84 \text{ euros}\). Added up, the running costs for the year are 2409.84 euros.

We can now calculate the net cashflows for each year. For year one, the net inflow is \((7200 - 803.28 - 990) = 5406.72 \text{ euros}\). For year two, the net inflow is \((14400 - 1606.56 - 990) = 11803.44 \text{ euros}\). For year three, the net inflow is \((21600 - 2409.84 - 990) = 18200.16 \text{ euros}\). With these three net cash inflows and Texpörssi’s original investment cost of 8000 euros, we can make all three investment calculations.

With net present value method, we must establish what the target profit margin for Texpörssi would be. The project has not needed any external loans, so we do not need to pay any interest, but there have been considerable workhours used for the project. Thus, let’s estimate that the target profit margin is 10%. We can then calculate the net present value of cash inflows, which are \((5406.72 \times 0.9090 + 11803.44 \times 0.8264 + 18200.16 \times 0.7513 = 28343.43 \text{ euros}\). As this value is considerably higher than the initial investment of 8000 euros, we can determine that the investment would be profitable.

To find out the internal revenue, we can simply again use the IRR calculator at Calculatestuff.com. The result is a considerable percentage of 99.08% - clearly above the 10% we estimated in the NPV calculation. Of course, the internal revenue rate would
have to be high, as Texpörssi’s estimated sales for the three years almost double the amount of money with discounting taken into effect.

Lastly we can use the payback method. We can easily calculate that the initial investment will be paid back on year two, as the 8000 euros will be paid back roughly 67% after year one (5406.76/8000), and the final 33% will be easily paid back during year two. Of course, all three methods rely on us simplifying reality, which is much more complex. I’ve left out multiple variations, such as extra advertisement costs, Google Adwords, package returns etc. as they can vary wildly as well.

8.3 Post-Launch

On the day of the official launch (4th of October 2018) we ran two advertisements about the company’s webstore: one in Länsi-Suomi and one in Satakunnan Kansa. I had very low expectations for orders on the launch day or even on the first week, as most books I had read about web store launches had explicitly mentioned that all web stores start out slow, and they build up momentum as time goes on. The launch was also made public with a Facebook post to Texpörssi’s followers as well. On launch day, there were no orders, but three minutes after midnight Texpörssi received its first order. On the same day I set up Google Analytics for the web store, so that Texpörssi could in the future gain detailed information about the number of visitors, their visiting hours, and so on. Instructions for setting up Google Analytics were sent from Mycashflow, which made the whole process quicker as well.

I also set up Google Ads for Texpörssi’s web store. Originally, I had made a deal with Medialuotsi Oy, who also are responsible for Texpörssi’s paid advertisements on Facebook, that the company would also manage Texpörssi’s online marketing with Google as well. But the campaign was set to start a few weeks after the launch of Texpörssi’s web store (the campaign finally started on the 1st of November 2018). Additionally, Medialuotsi Oy had only agreed to manage Texpörssi’s Google Display advertisements, which are displayed on various pages throughout the Internet. The Google Display ads are targeted towards a specific customer group, such as women over the age of 40 who are interested in fashion. But as Medialuotsi Oy would only be
responsible for the Google Display advertisements, it meant that advertising Texpörssi’s web store through Google searches was left unnoticed before Texpörssi’s own Google Ads account was made. Setting up the basic Google Ads for the web store was fairly simple: first, you choose how many different ad campaigns you want (currently we have one), and then you choose which words of phrases prompt your page up in Google searches. Finally, you choose a daily budget. I set the daily budget to 15 euros, which I felt wouldn’t be too large of a sum compared to Texpörssi’s newspaper ads: a month would cost around 450 euros, which for example is less than one regular advertisement on Länsi-Suomi for Texpörssi.

After the first month Texpörssi received successful payments for 693.81 euros. A few orders have been returned, and there have been a few size changes as well. Each new incident has helped in understanding how to process the customer’s money back, how to change the customer’s original order to match any size changes, and so on. As Texpörssi’s online marketing starts to gain momentum, the web store is bound to receive more customers as time goes on. Personally, I’ve been happy with the amount of orders thus far – the failure to use properly gain control of Texporssi.fi domain name most likely hindered us in the beginning, as it would have had the benefit of being a well-established domain with many years of history behind it – thus making it more valuable in Google searches, for example. Thankfully, Texpörssi now has control of both texporssi.fi and texporssi.com domains, which both direct potential customers straight to the web store.

Underneath I will follow through the two layers for Texpörssi’s web store project (Appendix 1) with dates and major occurrences filled in as things have progressed. The first layer starts from the decision to make a web store and continues until the launch of the web store. The second layer starts from the launch and ends with commercializing visitors.

1. The decision to make a web store: initial idea came about in 2016, finally locked in the beginning of 2017

2. Understanding the digital marketplace: not many local competitors have a web store, but competition comes from larger companies (i.e. Halonen) or even
from Texpörssi’s suppliers themselves (i.e. Nanso has a web store of its own). There is a need to assess and understand the ever-fluctuating marketplace on a monthly basis at the very least.

3. Need assessment and budgeting: As Texpörssi lacks any employees who can code, there was a need to procure the web store from a provider who had a subscription-based model. There was no budget per se, as I followed the basic rules set by Vehmas, which stated that a bare-bones store would cost under 5000 euros, a good store would cost around 10 000 euros, and a premium quality store would cost around 50 000 euros. As the unique design for Texpörssi’s web store cost 8000 euros and the subscription fees for the whole year are 990 euros (yearly billing gives a two-month discount), the total costs for just the web store were 8990 euros. Thus, I felt safe to say that the investment cost was within reasonable price-range for this project.

4. Choosing a supplier: as stated before, there were three potential web store platform providers that I considered, but ultimately Pulse247’s Mycashflow platform seemed to be the best fit for this project. Choosing the platform provider was done before I could know how much the project would cost for Texpörssi.

5. Planning and implementation: Both planning and implementation were done between May 2018 and late September 2018. The risks of the project were quite obvious: Texpörssi might use resources for a project that will not pay itself back to the company, meaning it will be a failed investment. On the other hand, it is risky to stay away from a web-based customer approach, as it would give a headway to the company’s competitors, as well as lock Texpörssi more into using traditional media for the company’s advertising. There has always been a rational optimism about the project within the company. All of Texpörssi’s employees have said that the company should have an online presence if it wants to serve current and potential customers better. Texpörssi’s chosen target customer group posed a risk as well, because the customer group’s online behavior is still quite undervalued compared to younger online customers.
6. Content: Most content was added once the products of Fall season of 2018 were being delivered to both of Texpörssi’s stores. Even after the launch I have added multiple new products to the web store and continue to add them as quickly as I can. Currently, the biggest problem is the lack of proper product photos from suppliers for some products. This might mean that in the future Texpörssi might have the need to take good-quality product photos, which means added investment costs as well.

7. Test use: I was personally responsible for test using the web store during September and October of 2018. My tests included multiple different shopping basket sizes, different payment options and different delivery options (Posti or Matkahuolto). All of my test orders worked as intended, and I concluded that the site would be ready for customer use.

8. Launching the web store: Official launch date was on the 4th of October 2018, but the actual site could be potentially reached a day before if anyone would have known official working domain address.

9. Target Customer Analysis: Texpörssi’s online target customers are the same ones as with the brick and mortar stores. Potentially the web store could attract new customers who have never even heard of Texpörssi, but who could still be the company’s potential customers.

10. Offering added value: There are several ways to offer added value to customers online. Texpörssi’s approach is to have a selection of products that fit its target customer group (i.e. the same selection the company sells at its brick and mortar stores). Customers are free to ask any additional information about anything, and are even encouraged to fill a form, call either of Texpörssi’s stores or email their questions to the company. Safety is also somewhat of a hot topic since EU countries have implemented the General Data Protection Regulation (GDPR) directive. Thus, the web store has an additional page where it explains Texpörssi’s data handling and codes of conduct. In addition to this, the web store uses SSL (Secure Socket Layer) encryption between the cloud-based web store and the customer, adding extra security to payments. Logistically,
Texpörssi aims to process all deliveries on the same day, so that the product reaches the customer as quickly as possible. Klarna’s Checkout service handles each customer’s payments, and online customers have a multitude of payment methods at their disposal. Currently, Texpörssi does not have a membership program per se, but customers can already subscribe for the company’s newsletter, and each customer who has ordered a product has received a code which they can use on the next purchase – usually the amount has been 15% off the total sum of the order.

11. Online marketing: During the launch of the web store, Texpörssi used one large-sized advertisement in Länsi-Suomi and Satakunnan Kansa to promote the new web store, which were the only traditional media advertisements the company has used to promote the web store. Online, the company has used paid Facebook advertisement, paid Google Display advertisement and Google Ads advertisement. Of course, Texpörssi has done social advertising on Facebook as well, as it can be regarded as being cost-free but time-consuming.

12. Search Engine Optimization: As stated before, I have done SEO for Texpörssi’s web store after the site was launched. Additionally, all of the company’s products have Google-sensitive meta data, which means that the products can also be seen in some Google searches as well. This data has been added each time a new product was added to the store.

13. Value-adding services: Vehmas stated that value-adding services are discounts, campaigns and even bonus point systems for subscribed customers (Vehmas 2008, 230-231.) Currently, Texpörssi has no active value-adding service in place as such, which should be changed. For example, giving all customers who subscribe to the company’s newsletter a -20% off from a single purchase could be a good idea. As stated before, for customers who have ordered products from Texpörssi’s web store, I have given a discount code.

14. Commercializing visitor numbers: The final part is to combine everything that has been done - SEO, online marketing, having value-adding services and so
on. Thus, Texpörssi’s web store’s status is currently at this point, as the company should now switch its focus more on commercializing visitor numbers. Texpörssi is gathering more data every day about customers who visit the web store (location, age, gender, etc.). Managing shopping baskets gives the company further insight to what products customers have clicked on, and where they might be susceptible to making a purchase if they receive a discount coupon.

9 CONCLUSIONS AND FUTURE DEVELOPMENT IDEAS

The purpose of this thesis was to develop a digital presence for the case company, Texpörssi Oy. This was to be done by starting and developing a web store for the company, as well as launching and maintaining a Facebook page for the company. The core part of this project was done between May and October of 2018, where the launching of the company’s Facebook page can be seen as the starting point of the project, and the ending on the 4th of October when the company’s web store was launched. The most time-consuming part of the project was the launch of the web store, because before launch the web store needed content (mainly product pages), successfully integrated payment options, working delivery options, a custom outlook and so on. Naturally, work has continued on both platforms after the launch project has ended.

The trustworthiness of a qualitative research can be attributed to four different criteria: credibility, transferability, dependability and confirmability, and lastly reflexivity. One way to achieve credibility is by data triangulation, which means that data is gathered from multiple sources, which are not usually related in time, space or person. Transferability is achieved by describing behavior and experiences in context, so that an outsider can understand their meaning without first-hand experience. Dependability and confirmability are achieved by the researcher’s audit trail, which leads from the start of the project to the end of their report. Reflexivity is achieved when the researcher examines their own assumptions, values and potential misconceptions throughout their research. (Korstjens & Moser 2018, 121.)
I estimate that the project went, overall, quite well. I found that once I managed to start the project, it was quite easy to always take the next step forward towards the completion of the project. I feel that this thesis is credible, as I have tried to amass information from various sources using different methods, at different times and spaces: from people, books and online websites. I will leave it up to the reader to find this thesis transferable – I have tried my best to describe the situation the case company was in before, and the spiraling steps in between towards the project’s final completion. The audit trail I have made could of course be much deeper – I could have recorded every talk and conversation I have had with employees, web store platform providers or Balentor’s course attendees, but this would have proven to be a strenuous workload, spanning the timeframe of over two years. Still, I think that the trail from the start of the project to its finish is at least adequate. For reflexivity, I have tried to keep my decision making as logical as possible, without reporting some doubts, hopes or worries I have had throughout this project. Hopefully, I have conveyed my aim for honesty and own position in the company for the reader, but I must also state that I am ultimately a positively-oriented person, and that might have had a subconscious effect on my work or reporting that I am not aware of myself.

The objective of the project was to serve current and potential future customers in a way that is not tied to a physical location or time of day, while increasing the sales and profitability of the company. Additionally, there were eight sub-objectives for the project, which were rebranding, opening a new marketing channel, engaging in dialogue, increasing sales, after-sales promotion, expand customer-base, overcome location-based problems and overcoming sales-hindering weather conditions.

Some of these objectives take a long time to come into fruition, such as rebranding, and continuous work needs to be done even though the actual launch project has ended. Of course, as the project came to a successful finish, I can say that we have already served many customers who have never even heard of Texpörssi before. Thus, the project already has turned future customers into existing ones. The success of profitability and sales forecasts will be seen after a year, but currently it seems that the sales from the web store’s first year will settle around 8000 to 10 000 euros.
This project has multiple potential topics that could become new thesis in the future. For example, a researcher could make a questionnaire both online and offline to study the different expectations and desires these two groups have. Similarly, a researcher could dive deeper into digital marketing and make multiple marketing campaigns for the company on Facebook and Google. Afterwards, they could examine the results which might be anything from views to clicks to sales.

My recommendation for other SME companies and entrepreneurs who are thinking about creating their own digital presence project is that they should start immediately! Customers are already online, and companies that do not go online will most likely slowly fade away into obscurity. Failure should not be feared either, as the digital world is quite fast to forgive and to forget. From an entrepreneur’s perspective, the workload can be quite high for a project like this one, but it is also rewarding. Of course, getting help from a tech-savvy friend or relative always helps, but there are professionals available as well if money is not an obstacle for the company. As SME companies can seldom compete against bigger competitors with the price of listed items in the company’s web store, I suggest that SME companies should focus on perfecting their customer service online as well. Personally, I feel that good manners, quick responses and fast deliveries are the core competence for SME companies, as well as the ability to talk with an actual sales person (or in Texpörssi’s case, the company’s entrepreneur), who can use their deep knowledge about the items in online sales situations as well.

The decisions I have made in this project might not be transferrable to all companies – some might choose a different platform provider or make their own website; some might choose to go to Instagram or Twitter. The most important thing for any company is to find their right customers, at the right time at the right platform.
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A. General background about you and other employees

- When did you start working for the company?
- What kind of an education do you have?
- How do you feel that the company’s web store has developed throughout the years?
- Do you have some set of skills that you need more now than before (i.e. Google Ads campaigns?)
- What kind of work do you do the most? (send packages, customer service, etc.?)
- Which function takes up the most time of a workday?
- Do all salespeople in the company work in the brick and mortar store, as well as the web store?

B. General information about the company’s web store

- When was the web store opened?
- What kind of experiences did you learn from the first weeks and months?
- What kind of products did you mostly sell during launch? What about now?
- Has the company used the same web store platform since the beginning?
- Which companies are the toughest competitors for your company?
- Does the web store help to make sales in your brick and mortar store?
- What do you feel are the company’s strengths and weaknesses?
- Do you see any new opportunities or threats for the company in the future?

C. About marketing the web store

- What different options do you have for marketing the company’s web store?
- What is the company’s target customer group?
- Has the customer group changed during these years?
- What social media platforms does the company use to reach out to its customers?
- Which things help the most to acquire conversion for the web store?
- Has the company given up on some form of advertising (i.e. newspaper ads, radio ads)?
- Does the company sometimes have raffles or sweepstakes? Have they been effective?
- Has some marketing tactic brought in a spectacular number of customers or conversions online?
- Does the company have a marketing budget?
- Are there any difficulties with marketing at the moment?
D. Facebook

- When was the company’s Facebook page launched?
- How many likes does the page have?
- Is there a social media plan for the company (for Facebook)? Or is posting done “when it feels right”?
- Has Facebook been beneficial for sales?
- Does the company feel that Facebook is more of a marketing/advertising channel, or more of a communication channel?
- Do some Facebook posts bring in more customers and/or conversions to the web store?
- What kind of customers usually communicate through Facebook with the company? (i.e. complainers, people with questions, etc.)
- Are there any objectives that the company has regarding Facebook? (i.e. a certain number of likes)
- Does someone alone decide what is posted on Facebook, or is it a team effort?
- Does the company follow its competitors on Facebook? Have they ever “stolen” a good idea from a competitor?

E. Google

- Does the company use Google Ads?
- Does the company have many different ads or campaigns on Google Ads?
- How many key words do they have for their campaigns?
- Do they have a marketing budget for Google Ads (click-based? daily budget?)
- What devices do customers use when they come to the company’s web store (PC, tablet, mobile)? Has there been a change in these during the lifetime of the web store?
- Does the company take note where/when/at what time people come to the web store? Has this information been used in any way?
- Do the visitors of the web store match with their target customer group? Are there a lot of “unwanted” visitors?

F. Profitability

- How much sales (roughly) does the web store generate?
- Have the sales of the web store been increasing yearly?
- Has the company invested a lot of money to their web store (i.e. graphical design)?
• How much does the upkeep of the web store cost for the company per month?
• How much is used on marketing the web store per month?
• Is there a product or a product group that are more profitable than others? (i.e. 20% of products bring in 80% of sales)
• Does the company have multiple delivery and payment methods on their web store?