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A BUSINESS MODEL FOR AN ONLINE CLOTHING STORE IN
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Abstract

This thesis aims to create a business model for an online clothing store in Finland, named Poppy T&J. The main focus is to study existing business models of the fashion industry as a reference to develop Poppy T&J's business model. The thesis also tries to examine the PESTEL conditions in Finland.

Based on a review of the literature on different types of business models, business model canvas theories were selected to implement the business idea. Further research was also conducted about the most critical theoretical frameworks, such as social media marketing and PESTEL analysis. The research method for this thesis was qualitative with a case study research. Moreover, the research approach is deductive.

A business model canvas for Poppy T&J was the most significant result in this study. In addition, a comparison of the three different clothing brands was carried out to study their business models. The results of the PESTEL conditions in Finland serve as an overview of the macro-environmental factors in Finland. This thesis is a notable guide to start with a business idea in the fashion industry; therefore, in order to run the business, further researches should be studied.

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Appendix 1 Examples of Poppy's T&J clothing

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1 INTRODUCTION

In this chapter, the author is going to introduce her background, the reason why she started this thesis, and the structure of the thesis. The author also gives an overview of her business idea and her business's objectives.

1.1 Background

When it comes to the choice of writing a thesis, an exciting topic that the author familiar with is the number one consideration. My biggest passion and interest have always been fashion. The fact that I grew up from a family of entrepreneurs and my family business is manufacturing clothes has given me a mindset of an entrepreneur and love for the fashion business. With a creative mindset, I could not stop thinking about new business ideas during the period I was pursuing my degree. Robsen (2013) has said:

The excitement of a new idea is awesome. The idea that you can create something new, innovative, valuable, and loved – something that solves a problem or brings pleasure – is wild. When that idea pops up, it's like a new toy, an obsession. It's something that needs to fly or be given birth to. It's a Rocky Horror Picture Show moment. As Dr. Frank-N-Furter would say about his creation, Rocky, he had discovered the 'secret to life itself'. It's very personal. It's yours. You made it ...".

That sum ups exactly how I feel about entrepreneurship. Moreover, being an international student in Finland has given me the advantage of viewing things from different perspectives. I believe I could bring Finland something new and in-demand from my home country – Vietnam. I have always been keeping an eye on the fashion market in Finland. I realized that it is far from the "shopping paradise" that I always dream of. Finland has a high price level on almost every good, including apparel. Considering how high the price is for a design piece of clothing in Finland I decided to have my clothing line here. Taking advantage of having a family that has been doing business in Fashion for years in Vietnam, I can cut down the production cost as much as possible. I also saw potential growth in the fashion industry in Finland. As reported by Finnish Commerce Federation, annual clothing consumption is predicted to grow at a rate of about 2% from the now to 2030. In 2017, the purchasing of clothes in Finland was amounted to about 4.1 billion euros (Statista, 2020).

By applying the knowledge I have gained from university and different internships to my thesis with the topic I am confident about is an excitement. I decided to write about my business idea and the business models for an online clothing store in Finland.

1.2 Poppy T&J

In this section, I introduce poppy's business idea, the example of Poppy T&J's collection, as well as the company's objective.

1.2.1 Business Idea

It is said that a business idea is the first step and the beginning of a business. Business ideas are ideas that are valuable for customers, profitable for the entrepreneur, and beneficial for society and are transformed into services or products. (Pekesen, Feb 2020)

I saw the potential growth for the fashion industry in Finland, as mentioned above. Furthermore, I think that there should be more variety of clothing brands in Finland. There are different brands to choose from; however, most of the brands are fast-fashion labels such as H&M, Zara, Bik Bok, and test tubes. It seems that the quality of these clothing brands does not satisfy customers. According to a survey conducted by two bachelor's degree students from the University of Gävel, among 94% of 50 Swedish students aged 18-25 suggested that H&M should improve its quality (Shi & Yu 2013). Therefore, the author saw the opportunity to enter the fashion market in Finland, specifically and Nordic countries generally. Poppy is found to let buyers have more choices in clothing. Poppy's business idea is to offer clothes with better-quality at a reasonable price. Poppy's first market consumers are female, aged 18-28. Poppy's motive is comfortable to wear, easy to style, and easy to combine. With that motive, Poppy aims to create classy pieces of clothing, which are essential, stylish, yet chic in women's wardrobes (Appendix 1). Poppy also focuses on the quality of the product and offers better-quality in regard to the fabric texture than most fast fashion at a lower price than most designer brands in Finland.

1.2.2 Company's Objectives

Poppy T&J's objective in the next five years is to have a successful business. I believe that, within five years of developing the business, the company will have a stable place in the Finnish market. Figure 1 shows Poppy T&J's development timeline over five years.

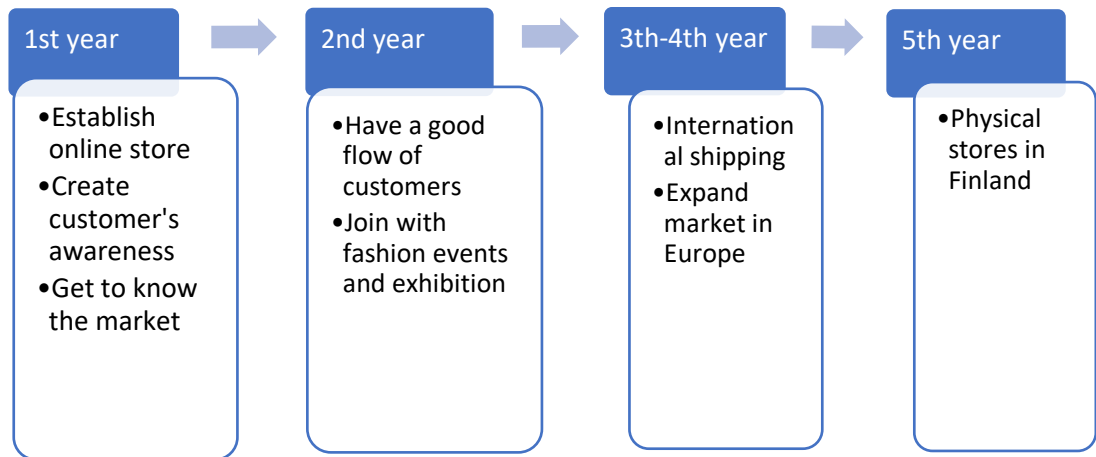


Figure 1. Poppy's five years development plan.

Poppy's first-year plan is to get to know the market and then proceed to establish an online store. Moreover, to create sales, there must be customers, and Poppy plans to focus on marketing and spreading customer awareness. In the second year, the company aims to generate a good flow of sales, which equals to a good flow of buyers. To achieve that, the company has to attend different fashion events and exhibitions to gain exposure. In the next two years, the company will expand its market not only in Finland but also around Europe and worldwide. For the fifth year, the author plans to have her first physical store in Helsinki, Finland.

1.3 Previous thesis and knowledge

Based on the author's research and findings in Theseus, no thesis has been studied about the business model of an online clothing store in Finland so far. For this reason, this thesis will give valuable insight into how business models work, which is a very first step to take into account when enterprises start a new business idea. The author or entrepreneurs can optimize business models' theories to start building the actual business model for an online fashion business or a business that fits their needs.

On the other hand, there are similar theses related to the topic regarding the fashion industry in Finland. There are three theses relevant to this one. The first thesis was about a “Business Plan for a New Online Clothing Store in Finland,” written by Jenni Martikainen in 2014. In this thesis, Martikainen focussed on building a business plan, considering all factors that go with starting a business, from PESTEL to a SWOT analysis to a Marketing Mix. Both of the theses have the same topic in terms of the online shopping and fashion industry in Finland. However, Martikainen takes a further step in her thesis by building a business plan, compared to this thesis, which starts with the very first step after having the business idea and focusing on getting the business model right. With that being said, Martikainen’s report can serve as a reference for this company’s future business plan.

The second thesis was written by Aresenii Biliba and Nikita Mishchenko in 2017. This thesis aimed at developing a clothing line for LAMK University in Finland. The thesis studied the establishment of a clothing company using the help of PESTEL, SWOT analysis, the 7s Framework, and Business Model Canvas. Regarding the structure and method, this thesis has a lot of similarities with the current topic. However, the business line was built on a university brand, which means a different target groups and different products to offer and, of course, a different business model.

The third thesis was written by Laura Hagelberg in 2015. It was titled “Overall Insight in Fashion Business”. The primary purpose of the thesis was to study fashion history, the fashion industry, fashion life cycle, and consumer behaviour. Hagelberg has conducted interviews with experts who have over 20 years of experience in fashion field to get insight into the fashion world. This thesis helps in providing a comprehensive understanding of the fashion business from the past until now. Based on that, I gained more substantial knowledge to support my business model and idea.

1.4 Structure of the thesis

The structure of thesis is shown in Figure 2.



Figure 2. Structure of the thesis.

This thesis consists of six parts. The first part is the introduction, where the author introduced her background, business idea, and business objectives. The second part is where she went through the theory of making business models and how to execute a business idea. Additionally, the theory of social media marketing and a PESTEL analysis is also explained and studied. The third part is where she explained the accomplishment of this thesis. She answered what the purpose of this thesis is. The fourth part is Implementation; in this part, she demonstrates the method she used to conduct this research. The most significant result of this thesis is the business model canvas created for Poppy T&J, which is presented in the fifth part – the results of the thesis. Besides, the author also had a review of existing business models in the Fashion industry, and PESTEL analysis in Finland was also studied. The last part of the thesis is the conclusion, where the author reflects what she has found and studied and applied.

2 THEORETICAL FRAMEWORK

This chapter will study different types of business models. After that comes an assessment of those business models with a table of comparison based on their features. Which business model is the most appropriate for the business idea will be selected. An overview of the PESTEL analysis will be explained. The framework will also introduce the concept of social media marketing since the business idea focuses on online selling and marketing.

2.1 Business models

In the past 30 years, the world has changed significantly, and so has business. People have come up with different ways of making money, and the appearance of new, innovative products on the market has been increasing rapidly. However, a successful innovative business idea is no longer a guarantee to a prosperous business. This is where business models start to take their roles and shape a new way of approaching the economic market. The concept of a business model is still relatively new to businesses, and there is no common understanding as to how a business model is defined. This chapter studies, explains, and discovers different types of business models based on findings. The research method of this report is a qualitative and deductive approach. I am going to describe the definition of business models and introduce different types of business models. There are various business models out there; however, I have selected the five most well-known business models.

2.1.1 Definition

In the last few years, the word business model has become trendier and can be seen as one of the great buzzwords of the internet boom (Magretta 2002). According to Wikipedia's definition, in economic, social, cultural, or other contexts, a business model is a way an organization creates, delivers, and captures value. In a simpler form of understanding what business model is, Michael Lewis (1999) stated in his book *The New New Thing* that, "All it really meant was how you planned to make money."

A good business model, in the end, has to answer those golden questionnaires of Peter Drucker: Who is the target customer? What value can the company bring to the customer? How is the company going to do that? As a matter of fact, it is a tool to help entrepreneurs as well as enterprises to explore the costs and expenses they need in order to set the price for their products or services. Besides, entrepreneurs can benefit from business models as a guideline to structure their organization's costs, revenue stream, and to find a way to deliver their value proposition to the customers.

There have been hundreds of findings and literature about business models concept from various authors during the past 30 years. A collection of definitions of business model was created by the two authors: Gorevaya and Khayrullina (Appendix 2).

There is no such thing as a one size fits all in business models; enterprises and organizations have to select or create the one business model that fits their needs and products. Luckily, there are plenty of existing business models that the company can refine and follow to find its competitive edge.

2.1.2 Hoffren business model

In 2002, Seppo Hoffren invented the Hoffren Business Model, which presents a structured guide on how to start a business. The guide focuses on its user-friendly aspects to make it easier to use even to a person who is not acquainted with what is needed to start a business. The business model's structure presents the necessary information of the companies and the founder, the dynamic business idea model, the reasoning for the founding of the company and the business idea, the company objectives, the need for financing, the strategies for profitability, a SWOT analysis of the business, conclusion, and summary (Figure 1). (Hoffren 2002, 1-39.)



Figure 3. Hoffren's Business Model (Source: modified from Hoffren 2002).

As can be seen from Figure 3, the dynamic business idea model divided into six elements, which are as follow: market need, image, product or services, target market, mode of operation, resources. By filling these elements, the enterprise is able to present and identify its business idea to its core.

2.1.3 Atomic E-business Model

The atomic e-business model is defined as a description of the roles and relationships among consumers, customers, allies, and suppliers of the company; it describes the primary flow of product, information, and money as well as the major benefits to participants (Weill & Vitale 2001). As Weill & Vitale proposed in their writing, there are a finite number of atomic e-business models, each of which captures a distinctive way to conduct e-business. By combining atomic e-business models as building blocks,

companies can construct custom-made e-business models and initiatives, using their competencies as their guide.

To assist in analysing business initiatives, Weill & Vitale have developed an e-business model schematic through their work with executives. Essential elements of the business model are highlighted in the schematic as a pictorial representation, like a map. The component includes the firm's interest, its suppliers, and its allies, the significant flows of product, information, and money, and at last, is the revenue. Figure 4 demonstrates the e-business model schematic of Dell. (Weill & Vitale 2001.)

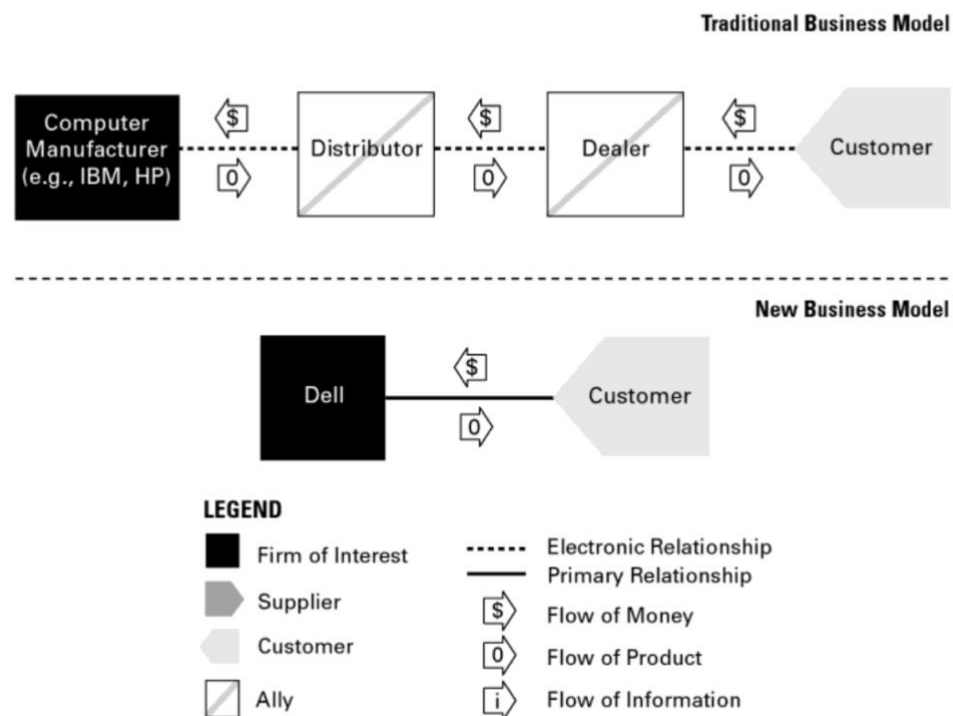


Figure 4. The E-business model schematic of Dell (Source: Weill & Vitale 2001, Place to Space,39-40).

When using this representation, the aim is to expose major contradictions of a business model, display each player's role in the value chain of the industry, underline the core competencies and IT infrastructure for implementing the model, and understanding which initiative owns the customer relation, data, and transaction.

2.1.4 Gassmann-magic triangle business model

The magic triangle business model was the creation of three professors Gassmann, Frankernberger, and Csik, who were based at the University of St. Gallen (2014). According to Gassmann, Frankernberger, and Csik, in order to get to the core business model innovation of a company, the model is divided into four dimensions: the customer (Who?), the value proposition (What?), the value chain (How?) and the profit mechanism (Why?). Once a company answers the four questions: Who is your target customer? What do you offer to the customers? How do you create the value proposition? And why does the business model get profit? The company will get a holistic picture of how to create and capture their value by defining those questions. (Gassmann, Frankernberger, and Csik 2014.)



Figure 5. Gassman-magic triangle business models (Source: The Business Model Navigator 2014).

Figure 5 shows the magic triangle. The reduction to four dimensions makes the concept easy to use and provides a clear picture of the business model's architecture (Gassmann, Frankernberger and Csik 2013). The reason why this business is "magic" is because an adjustment at one corner (value chain, for example) automatically requires adjusting the other two corners. In conclusion, with the help of this business model, the company will be completely clear about its customer segments, value proposition, value chain, and the profit mechanism. (Gassmann Frankernberger & Csik 2014.)

2.1.5 IBM Component business models

The component business model (CBM) is a technique founded by IBM to model and analyze an enterprise. It is a graphical representation or map of components of business or "building blocks" that can be viewed on a single page. CBM can also be used to evaluate the alignment of the enterprise strategy with the organization's capacities and investment opportunities, to identify redundant or overlapping business capabilities, to analyze sourcing choices for various components (buy or build), and to prioritize transformation options. (IBM 2012, 16)

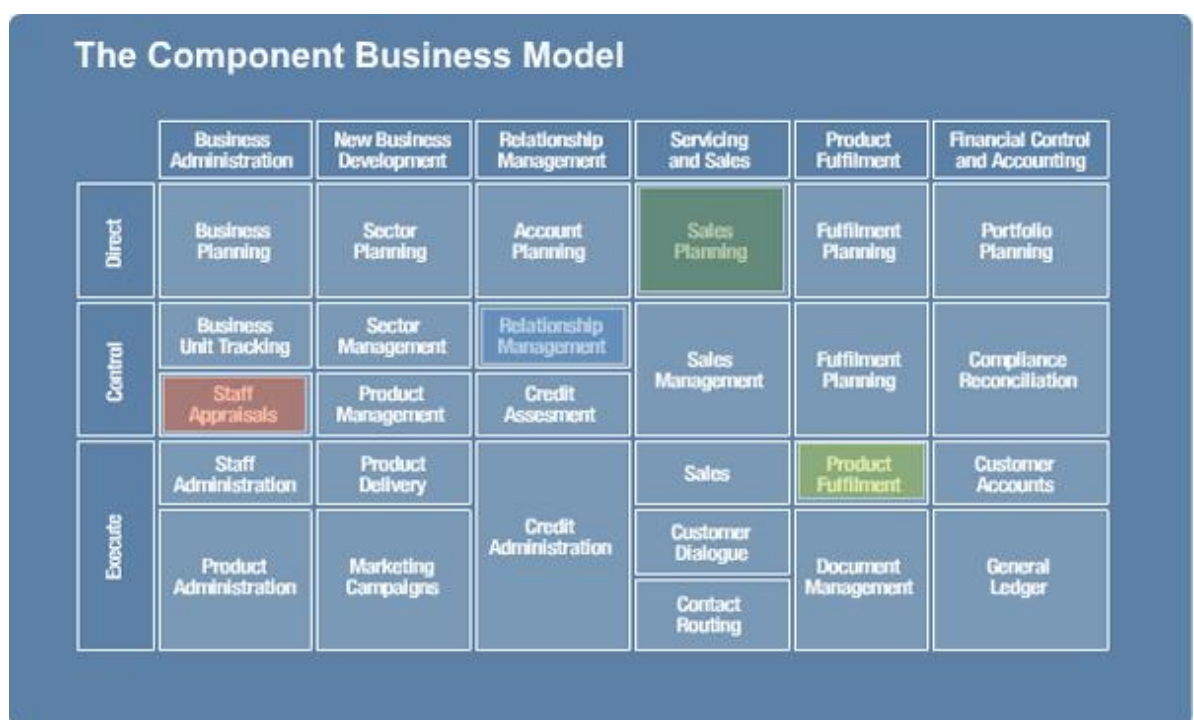


Figure 6. Example of CBM Map (Source: IBM Corporation 2006).

According to IBM (2005, 8):

CBM is not simply a way to imagine the future of the organization. It can also be used to put theory into action and drive the evolution toward a specialized enterprise, both internally and externally. This process involves three dimensions: one, developing a component view of the existing organization based on analysis of the business and the market environment; two, evolving toward specialization based on a reinvention plan within the context of changing industry dynamics; and three, advancing the organizational and operational infrastructure toward component-based enterprise optimization.

On the other hand, while reducing risk, driving business performance, boosting productivity, controlling costs and improving capital efficiency and financial

predictability, the model allows a firm to grow and derive. Ultimately, the company benefits from using component business model (CBM) to transform the internal and external specialization to a practical reality. (IBM 2005, 5-6.)

2.1.6 Business Model Canvas

One of the most famous business models is the Business Model Canvas developed by Alexander Osterwalder & Yves Pigneur in their book *Business Model Generation* (2005). The Business Model Canvas (BMC) can be understood as a lean start-up template for businesses to define and communicate their business idea or concept quickly. It is a strategical management tool with a visual chart consisting of nine building blocks to allow the company to visualize their business models, detect their weaknesses, and define their value proposition (Figure7). In addition, the business model canvas helps company to balance its activities by demonstrating potential payoffs. (Osterwalder & Pigneur 2010,14-42.)

The Business Model Canvas

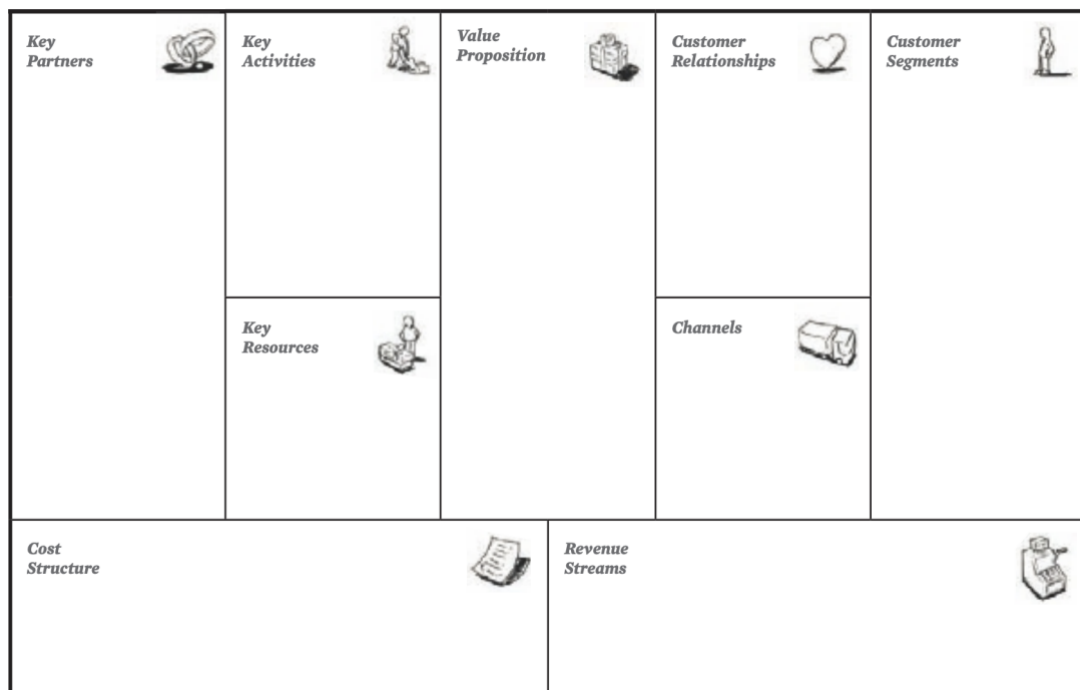


Figure 7. The Business Model Canvas (Source: Business Model Generation 2010, 44).

According to Osterwalder (2010), a business model canvas is much like a blank canvas where the company's picture is painted. The canvas illustrates nine elements that

describe a company's key partnerships, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure, and revenue stream.

2.1.7 Conclusion

After studying and examining different types of business models, I have to choose the one that best fits with my business and its needs. In this conclusion, the author will be comparing different features that these business models have to offer and their relevance to this case and how these features help the author to solve market research problem (Table 2).

Table 2. A comparison of different types of business models.

Features	Hoffren's Business Model	Gassman-magic triangle business model	Business model canvas (BMC)	Atomic E-Business Model	Component Business Model (CBM)
Value proposition (important)	Has this section vaguely under "Image" and "Market need" block.	Both have this feature as their most important part of a business model. BMC however offers a clearer guide for entrepreneurs how to answer and find out their value proposition.		None of these business models focus on this feature.	
Customer Segment (important)	Three of the business models have this feature.			Both don't have this feature	
Channels (important)	Doesn't have this feature. But mentioned vaguely in "mode of operation" section	Both have this feature in their business models.		Doesn't have this feature	Has this feature more precisely
Revenue Stream	Doesn't have this feature.	Both business models have this feature.		Has this feature as the flow of money not necessarily the stream of revenue.	Doesn't have this feature

Partners (network)	Doesn't have this feature		Has this feature as "key partner."	The main point of these two business models is their internal and external key partners.
Resources	Have this feature.	Doesn't have this feature	Have this feature.	Do not have this feature.
Cost	Doesn't have this feature.		Have this feature.	Do not have this feature.

As can be seen from Table 3, Hoffren's business model has the essential features that assist the entrepreneur in explaining a business idea in a more detailed way. However, this business does not fit this author's needs for her business. The reason is because of the lack of detail in applying to the particular business idea. There are a lot of similar features that share between the Gassman-magic triangle and Business Model Canvas in terms of value proposition, customer segments, channels, and revenue stream. Those features are the most important ones that I must consider when implementing them into my business model. Since the business idea is to import clothes from Vietnam to Finland, it is also important to take key partners, resources, and cost features into account. On the contrary, Atomic E-Business Model and Component Business Model do not have most of the features that I would need to apply to my business model.

In conclusion, the most appropriate business model which offers all features that compatible with the author's business idea is Business Model Canvas. Therefore, the author will take a closer look at the nine elements in the Business Model Canvas.

2.2 Business Model Canvas

Table 3 is an example that demonstrates the questions that need answers in each element to complete a business model canvas.

Table 3. Questions to be answered in the Business Model Canvas (Source: modified from Osterwalder 2010).

Key Partnership Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activity do partners perform?	Key Activity What key activities do we deliver to customers? Our distribution channels? Relationships? Revenue streams? Key Resources What key resources do our value propositions require? Our distribution channels? Customer relationship? Revenue Stream?	Value Proposition What value do we deliver to the customer? Which one of our customer problems are we helping to solve? What bundles of products and services are we offering to the customer? Which customer needs are we satisfying?	Customer Relationship What type of relationship are we expect to establish and maintain? How costly are they?	Customer Segment For whom are we creating value? Who are our most important customers?
			Channels Through which channels do we reach our customers? How are our channels integrated? Which ones work best?	
Cost Structure What are the most important costs inherent in our business model? Which key resources or activities are the most expensive?			Revenue Streams For what value our customers really willing to pay? For what do they currently pay? How are they currently paying?	

An entrepreneur can visualize a business idea by answering those questions in the nine elements of the Business Model Canvass. Each feature requires the user to think about a business idea critically.

Customer segments

Customer segments are defined as the different targeted groups of people or organizations that companies aim to create and deliver their values for. Customers are the centre of any business, without (profitable) customers, businesses cannot sustain. A company needs to characterize its own customer segments in order to deliver its values to the right customers and to enhance customer satisfaction. Customers are grouped into different segments based on their common needs, common behavior, or other attributes.

There could be one or several large or small Customer Segments that an organization needs to define. A company needs to make a conscious decision about which customer segments that they want to target or not to target. This decision is a tool for a company to design its business model around a strong understanding of their targeted customers' needs. (Osterwalder & Pigneur 2010, 20-21.)

There are different types of customer segments, for example, mass-market - a large group of the customer with the same needs and problem, niche market-specific, specialize customer segments, segmented – a market segment with slightly different needs and problems, diversified – two unrelated customer segments with totally different needs and problem, and multi-sided platform – two or more independent customer segments. (Osterwalder & Pigneur 2010, 21.)

An example is Supreme – an American skateboarding shop and clothing brand opened in 1994 in New York. The brand offers exclusive designs, and limited editions cater to the skateboarding and hip-hop cultures and also to the youth culture. The main customer segment is called “hyper beats” (the term for street wear-obsessed). The main reason for that is because the brand has managed to impose its brand as a symbol of the ultimate underground cool (Huddleston Jr 2019). As reported by Winter, Supreme's target customer would be likely to work in creative fields such as graphic design or marketing. Due to the price of the clothes, customers are expected to have a disposable income of around \$800 per month. However, Supreme's core customers are “skate urchins, graffiti artists, filmmakers, and rappers” (William 2012).

Value proposition

The value proposition in this business model answers the question of what core value a company brings to its customers. This is the main reason why consumers choose to buy from a company rather than its competitors. In this sense, the product or service that the company is delivering should solve a customer problem or satisfy a customer need. The value proposition is not only the base of every business, but it is also the basis of the business model that connects all the blocks. It is a set of benefits that a product or a service can offer to the requirements of a targeted customer segment. Benefits can be qualitative; for example, one company offers a better price than another or a speedier

service. Benefits can also be quantitative, such as a unique design or a customized experience. (Osterwalder & Pigneur 2010, 22-23.)

Generally, the development of a value proposition is an important part of a company's business strategy since it gives insight to influence the decision making of a customer. At the same time, a value proposition is often used as material for marketing and a tool to drive sales. Take Patagonia – a clothing company that markets outdoor clothing as an example. They focus on selling designed clothes and gear for sports such as climbing, surfing, skiing, snowboarding, fly fishing, and trail running. Patagonia's core value is "Build the best product, cause no unnecessary harm, use business to protect nature, no bound by convention" (Patagonia 2020). The company's selling point is good quality products with an eco-friendly approach.

Channels

After defining the business's value proposition and customer segments, the next step is to know how to reach the customers. This is where the channel's building block does its part. There are three different channels: communication, distribution and sales. Through these channels, customers can experience distinct functions, including:

- Increase in customer's awareness about the company, products, or service,
- Make it easier for customers to evaluate the company's value proposition,
- Specific products and services are available for customers to purchase,
- A Value proposition is delivered to the purchaser,
- Enhance post-purchase experiences by providing customer support (Osterwalder & Pigneur 2010, 27).

For example, Cult Beauty is an online skincare shop that stocks some of the hot and hard-to-find brands and products. On the company's website, customers can give reviews and recommendations and rate a product. In this way, buyers can communicate with other buyers to know more information about the products.

Customer relationship

The customer relationship block describes what kind of connection a company wants to establish with its specific customer segments. The relationship can range from exclusive to automated and from dedicated personal assistance to self-service. The main motivation is to keep the current customers, to sell more to existing customers, or to find more customers. The customer relationship has affected deeply in the overall customer experience. (Osterwalder & Pigneur 2010, 28.)

According to Knilans (2017):

Powerful customer relationships are essential to business success. But, they aren't built overnight. Just like personal relationships, it's important to cultivate and nurture customer relationships. When organizations develop strong relationships with their customers, it can lead to loyal clients, positive word of mouth, and increased sales. On the other hand, while meaningful relationships require time and effort to build, they can fall apart quickly. Relationships have taken for granted deteriorate in a flash. The key philosophy to remember is that strong relationships are built around, making the other person feel important. When you accomplish this on an ongoing basis, success will follow.

Take Netflix as an example. It is the world's leading entertainment service. Netflix is known for providing the most personalized experience to its customers by knowing them very well. A considerable amount of data on customers is collected in order to provide customers with hyper-personalized recommendations. The data is used to help customers find their new favorite shows. Besides that, Netflix also succeeds in creating award-winning original content that is based precisely on what the customers want to see (Morgan 2018). By understanding what the customers want, Netflix now has 158 million paid memberships in over 190 countries (Netflix).

Revenue Streams

Revenue stream building shows where the cash flows from generating sales. Profit can be calculated by subtracting all the costs from revenues. A revenue stream is like the blood flow that keeps the business surviving. The company must determine from which stream they can convert money. Each stream may have a separate pricing mechanism due to various reasons and costs. There are two different types of revenue streams: transaction revenues and recurring revenues. Transaction revenues come from one-time purchase customers, while recurring revenues come from ongoing payments to either deliver the value proposition to customers or to provide post-purchase customer support. (Osterwalder & Pigneur 2010, 30.)

Airbnb is an excellent example of a business model that does not require companies to provide individuals with goods and services but to make money by connecting buyers and sellers. Airbnb is an app that allows people who want the service to connect with people who provide the service. Specifically, Airbnb connects people looking for accommodations to people providing accommodations. The primary revenue stream comes from service fees from booking charged by both guests and hosts (Investopedia 2020).

Key Resources

Key resources are assets required in order to make a business model work. Without the required key resources, companies will not be able to deliver their value propositions, reach the markets, and endure relationships with targeted customers. Depend on the type of business models; key resources can be varied. Key resources are classified as physical, intellectual, human, and financial. Physical assets can be manufacturing facilities, buildings, vehicles, machines, systems, and distribution networks. Intellectual resources are brands, proprietary, knowledge, patents, copyrights, partnerships and customer databases. Human resources might be needed in order to keep everything running. Financial resources are cash, lines of credit or stocks. (Osterwalder & Pigneur 2010, 35.)

Amazon is known to be the world's greatest e-commerce hub, they offer an exceptionally wide range of goods. Amazon's key resource is its sophisticated technological infrastructure that is crucial for the day-to-day performing of its business. Besides that, the company also own various physical resources, such as warehouses and film studios. (Cleverism, May 2020)

Key Activity

The same as key resources, key activity is also required to make a business model run smoothly. Key activities are the most important actions a company must take to also offer a value proposition, reach the market, and maintain customer relationships. Different key activities fit with different types of business models. There are three

different types of key activities: production, problem-solving, and platform/networking. (Osterwalder & Pigneur 2010, 37)

For instance, a social media marketing agency's key activity is to handle most of the social media marketing responsibilities of a company. It will take care of social media publishing activities, social media audits, the marketing strategy, and competitor analysis.

Key Partnerships

Key partnerships are the chain of suppliers and partners that a company needs to build partnerships with to carry its business. In order to optimize business models, reduce risk, or acquired resources, a company must create its own alliances. There are four types of partnerships: "Strategic alliances between non-competitors; coopetition: strategic partnerships between competitors; joint ventures to develop new businesses; buyer-supplier relationships to assure reliable suppliers" (Osterwalder & Pigneur 2010, 39).

Take Nike as an example. Nike is one of the largest sellers of athletic footwear. Its products are supplied by 112 footwear factories, which are their key partners, located in 12 countries. Moreover, most of the factories are located in Vietnam (49%), China (23%), and Indonesia (21%). Other key partners that Nike also relies on are apparel manufacturers, technology companies, equipment suppliers, professional service firms, and other suppliers. (Investopedia 2019.)

Cost Structure

The final block in this business model is the cost structure, which represents all costs incurred while managing a business. From creating and delivering a value position to maintaining customer relationships to creating sales, all of these result in costs. There are two types of business model cost structures: cost-driven (using low price value proposition, maximum automation, and intensive outsourcing) and value-driven (focusing on premium value proposition and a high degree of personalized service). (Osterwalder & Pigneur 2010, 41)

Let us take a look at Google's cost structure as an example. Google is a worldwide, famous search engine. According to Belyh, Google's cost elements are divided into four listings: R&D, data center operations, traffic acquisition, and sales & marketing.

2.3 Social Media Marketing

Since the whole business idea is about building an online clothing brand, I think it is compulsory to get to know the online world of marketing. In this section, I study and explain the social media marketing concept to fully understand how it works to apply to my business model. One of the most favored online activities is social media usage, as the expected number of social media users will reach about 3.43 billion people in 2023 (Figure 7). (Stastisca 2020.)

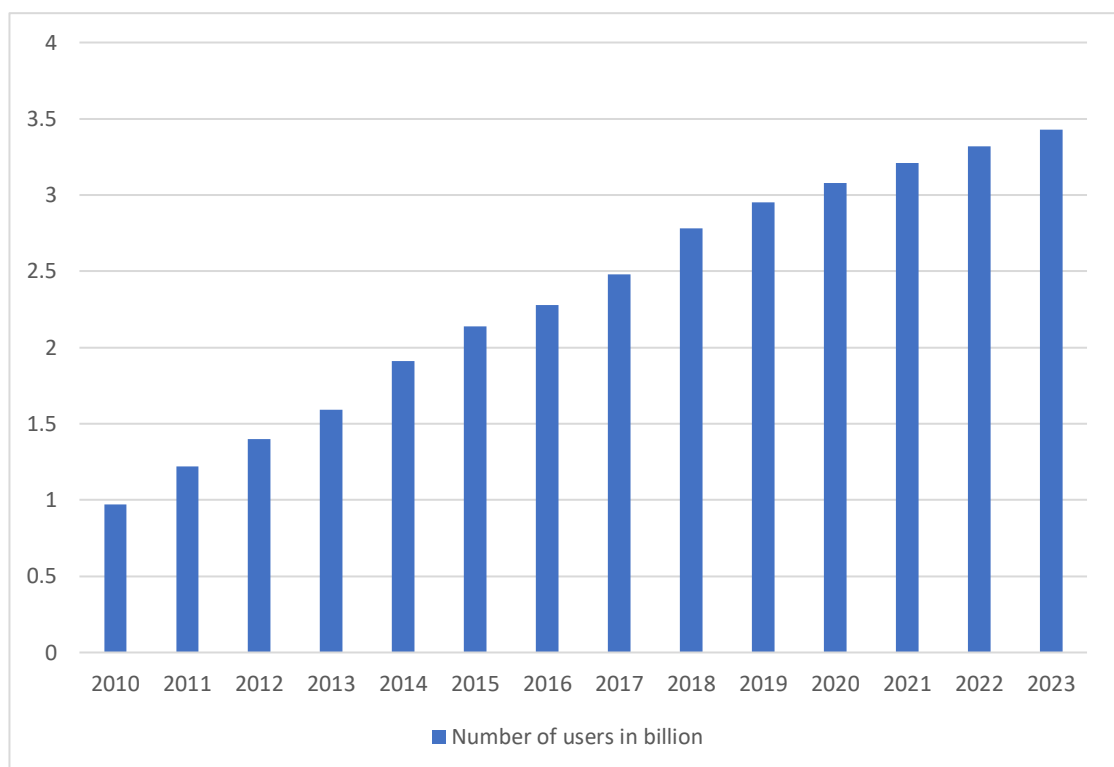


Figure 8. Number of social network users worldwide from 2010-2023 (Source: Modified from Stastisca 2010).

Figure 8 shows that in 2019, around 2.95 billion people were using social media worldwide. As stated by Stastisca, there has been a constant increase in social network penetration worldwide, ranked at 49 percent in January 2019. In Finland in 2019,

WhatsApp was the most-used social media platform, followed by Facebook and YouTube. (Statista 2020.)

With that being stated, social media platforms have a tremendous impact on businesses nowadays. Marketers make the most out of social media channels to reach current customers as well as potential customers because of its heavy user traffic. This is called social marketing, where marketers use social media platforms to connect with their audiences to promote brands, boost sales, and drive website traffic (Buffer 2019). There are multiple platforms on the internet, and each platform targets a variety of users and produces different or similar content. Even though each platform serves different purposes, its principle stays the same. Users online can always create or post content, or interact with other users online through commenting, liking, or sharing or sending a private message. A user can have multiple social media platforms to serve his or her needs. Some of the widely used social media platforms in January of 2020 are Facebook, with about 2,5 billion users, followed by YouTube with 2 billion users, and WhatsApp with 1 billion users in third place. Instagram and Tik Tok, with around 1,000 million users, fall just behind the top three (Statista 2020).

In other words, social media marketing has brought two distinct opportunities to both consumers and marketers. The first opportunity is to establish a formal marketing practice based on information that customers would readily share with each other. The second opportunity is to ensure better information when evaluating the products or services as a customer. (Evans & Bratton 2008, 13-14.)

Social media marketing will always change and evolve over time. At first, businesses started with publishing their content on social media just to create traffic to their website and sales. Nowadays, there is a multitude of ways to use social media for businesses. The first way is social media listening and engagement; businesses would keep track of what people say about their brands on social media conversations and react to relevant mentions. The second way is social media analytics: by analyzing reach, engagement and sales on social media, businesses will understand how they are performing. Last but not least is social media advertising: with the help of data analytics, a business can reach a set of the specific audience that is highly targeted by social media ads. (Buffer 2019.)

2.4 PESTLE Analysis

A PESTLE analysis is one of the tools used by organizations to analyze a business better due to the complexity and changes of external factors. It is a framework to help businesses evaluate their broad environment. There are six factors in a PESTEL analysis (Figure 8). The letters stand for political, economic, social, technology, legal, and environmental factors in the macro forces. (Paul, Yeates & Cadle 2014.)

It is elemental to conduct a situational analysis before taking any kind of strategical action or tactical plan, especially in marketing and export management. A PESTEL analysis should be conducted every six months because external factors are always changing. With the help of PESTEL, if done right, organizations can differentiate themselves from the competitors and create a competitive advantage. (Oxford College of Marketing 2016.)

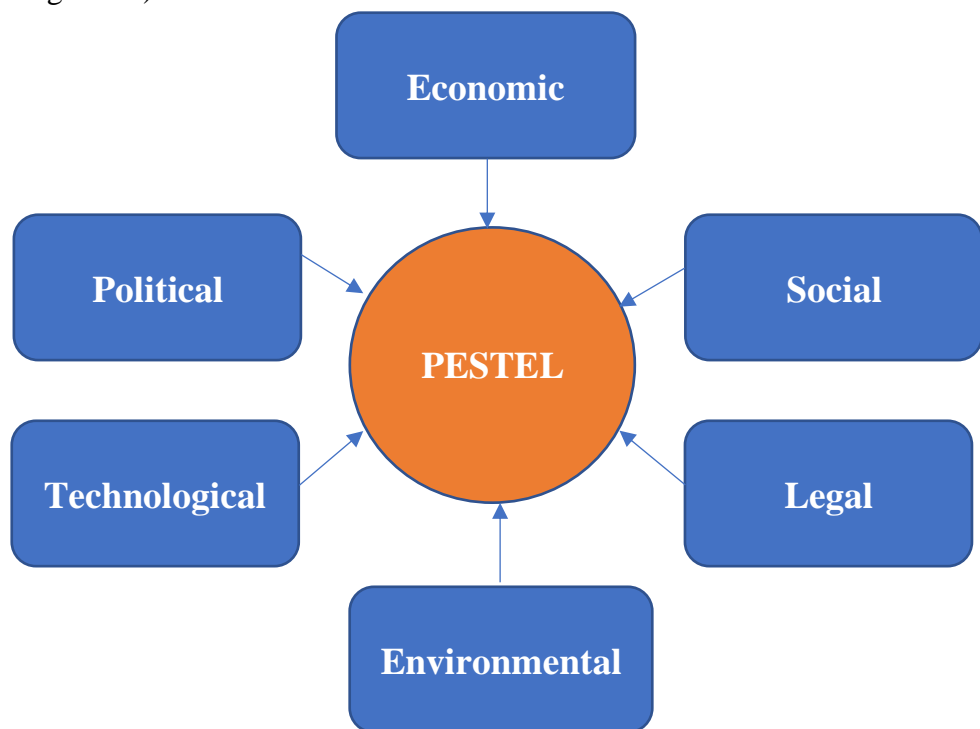


Figure 9. PESTEL analysis factors (Source: modified from Oxford College of Marketing 2016).

Political factors

The government is always a part of an economy, depending on how and to what degree it influences the economy. These influences include factors such as government policies

(social welfare), trade and tax regulations, tariff, government stability, and policy. (Paul, Yeates & Cadle 2014.)

Economic factors

Political factors impact how an organization does business and also how profitable they are. These economic factors are interest rates, money supply, inflation, unemployment, disposable income of consumers and businesses, availability, and cost of energy. Taking these economic influences into account helps to determine business demand. (Paul, Yeates & Cadle 2014)

Social factors

Social factors, also called socio-cultural influences, and these factors focus on the social environment, such as the shared beliefs and attitudes of the population. Analyzing social factors help businesses to identify the emerging trends and understand their customers' needs and wants. These factors can be changing demographics, social mobility, cultural trends, education levels and lifestyle changes (Paul, Yeates & Cadle 2014).

Technological factors

Technological innovation and development could affect the way businesses market their products. In today's world, technology changes constantly and very fast; therefore, companies should consider new ways of producing, distributing goods or services, and new ways of communicating with target markets. In addition, these factors could involve changes in digital or mobile technology, automation, research, and development. (Oxford College of Marketing 2016.)

Legal factors

Organizations need to acknowledge legal factors and follow them when operating a business. A company must know what is legal and what not when running a business. These legal factors comprise employment law, health and safety legislation, company

law, financial regulation and legislation about trade and practices and competition. (Oxford College of Marketing 2016.)

Environmental influences

Within the past few years, there has been a tremendous increase in people's awareness about the environment, which resulted in the rise in the importance of CSR, corporate sustainability responsibility. A business should consider factors such as global warming, climate change, animal welfare, and laws on recycling and waste disposal. (Oxford college of marketing 2016)

To sum up, the PESTEL analysis should not be the only tool to indicate strategic assessment. However, undertaking such an analysis can help an organization not only to identify the external forces but also to assess them to understand how these influences can affect their businesses.

3 PURPOSE OF THESIS

In this chapter, the author will clarify the purpose of this thesis. Moreover, the main objectives are set, and research questions are asked in order to implement studied theory. The main purpose of this thesis is to build a business model for an online clothing store in Finland. This thesis focuses on gathering information that I the author need when starting up a business from the very first step. Information such as the Finnish fashion market and different types of business models is well-studied. After forming a business idea, the next step is to build an appropriate business model for the idea, then use a PESTEL analysis to have a better understanding of the importing country, in this case Finland.

3.1 Research questions

In order to meet the goals and objectives of the thesis, research questions are a vital part of this process. They are guidelines for the author to know where to start. There are two main questions:

1. What are the existing business models in the fashion industry?
2. What are the PESTEL conditions in Finland?

To resolve these matters, sub-questions are listed below:

3. What are the key activities?
4. What is the company's value proposition?
5. What key resources does the author need?
6. How can the distribution channels be reached?

3.2 Objectives

In this section, the objectives of the thesis based on the research questions above are introduced. The thesis's objectives are:

- To study and analyze the most appropriate business model for an online clothing store.
- To understand the insights of existing business models in the fashion industry
- To analyse and penetrate the Finnish market.
- To develop a business idea into a real-life business model.

4 IMPLEMENTATION

This chapter explains the conduct of the research. In addition, the thesis' limitations and reliability are also assessed.

4.1 Research methodology

The approach of this study is deductive. The method is a qualitative case study, and the data collection methods are primary (observation, questionnaires), and secondary (internet, literature, articles) (Figure 7).

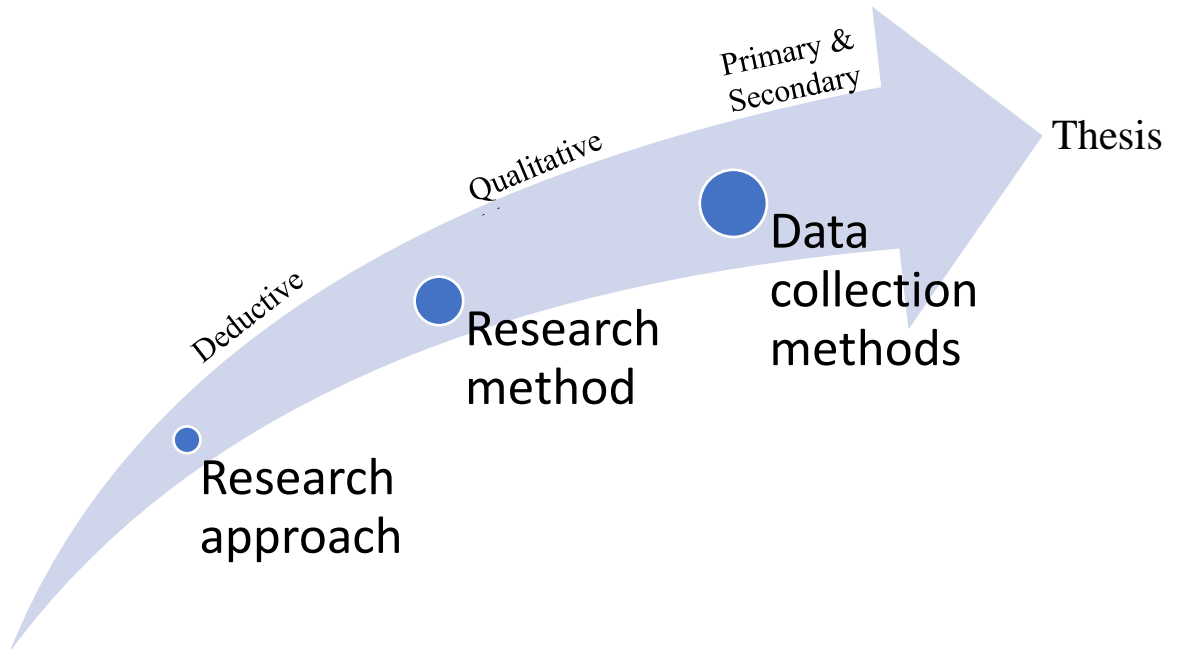


Figure 10. Research methodology.

There are two different approaches in the process of research, which are deductive and inductive. According to Gabriel (2013), a deductive approach is aimed at testing the theory, while an inductive approach is focused on generating new theories from the data collected. A deductive approach generally starts with a hypothesis. Meanwhile, an inductive approach starts with research questions or observation.

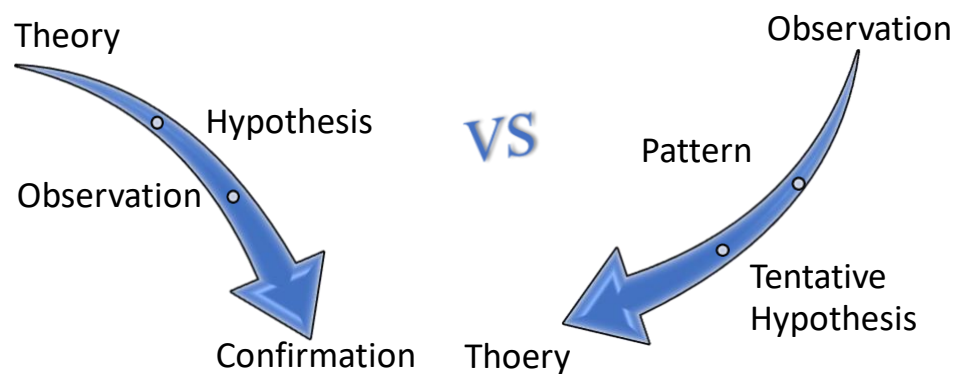


Figure 11. Deductive approach vs. Inductive approach (Modified from Burney & Saleem 2008).

The emphasis for deductive approaches is usually on causality, while the focus for the inductive approach is on exploring new phenomena or existed phenomena but with a different perspective (Gabriel 2013). In this thesis, I primarily came up with my business idea, then based on the theory and knowledge obtained from my major, I proceeded to build a business model for the idea. Concerning the content and context of this thesis, the approach method can be recognized as deductive.

Choosing the right research method is important since it determines how the content and context will be delivered. There are two methods to gather research data: qualitative and quantitative. The qualitative, naturalistic approach is used to analyze and interpret reality in order to establish a hypothesis that describes what has been observed. A quantitative approach is used when one starts with an assumption (or hypothesis) and experiments to validate or disprove the hypothesis (Newman & Benz 1998, 3). The methods that are used in this thesis are desk-research, case-study and observation. Desk-research was used to study and compare different business models and what can be applied to the business. I also consistently observed the fashion trends around the world as well as kept up with new fashion business models. With a high fashion sense, I was able to identify what is new and trendy in the fashion market. The final business model is a hypothesis of how the company should operate based on the author's study and observation. With that being said, the qualitative method is the chosen research method.

This study relies on both primary data and secondary data. Primarily data was collected by observation and research questionnaires. Secondary data was found through books, other theses, or through electronic sources such as blogs, articles, online newspapers, statistic databases, and websites of various organizations. In order to answer research question number one, multiple websites of other fashion brands were studied and selected based on their relevance to Poppy's case study. I carefully read through each company's goals and statements and their history of the establishment. This process helped to reference the business idea into implementation. Research question number two was answered using the help of available statistics about Finland. The Finnish government websites are a great source to get the information needed for PESTEL analysis.

4.2 Limitations

Since this thesis emphasis only the early stage of starting a business, the focused is on conducting the right business model instead of a whole business plan. Therefore, one of the limitations of this thesis is that it needs further research and a business plan to kick off the business indeed. A thorough business plan for this business model is the next vital step to help launch the business. However, this thesis serves as a foundation of knowledge that will guide in the beginning stage.

My concern lies in the brand's fashion style, and I think that it might not be liked by the Finnish. Moreover, Finns are bigger in size in comparison to Asians. The author needs to take that into consideration and size up when producing clothes. Nevertheless, well-studied research on the Finnish market needs to be conducted.

Last but not least, I also have concern for timing since businesses in the fashion industry are always moving fast. It is said that this ever-changing market contributes to intense competition among professionals and companies (Martin, April 2020). Businesses must continuously adapt to the changing trends and market demands in order to sell more products (Martin, April 2020). Reasoning from this fact, I should act and respond quickly to my business idea.

4.3 Validity and Reliability of the Methods

The approach and research method for this thesis are valid and reliable since the theories are based on trustworthy sources. Those sources are collected from governmental and official websites, textbooks and statistical data. Besides, every fact stated in this thesis is cited and referred as links or books.

In addition, I as the author have a decent amount of knowledge and expertise regarding this subject through observation, hobby, internship, family backgrounds and connections. Therefore, this thesis is reliable since I have applied my all my skills and knowledge to support the theories from university by executing a business idea.

5 RESULTS

This chapter looks at the implementation of the theory into practice.

5.1 Review of existing business models in the fashion industry

This section will analyze and review existing business models of other fashion brands. It includes background research and a business overview research on three different fashion brands: H&M, Zara, and a Finnish design clothing brand – Katri Niskanen. A business model comparison of the three clothing brands will be created.

5.1.1 H&M's background & Business overview

H&M was founded by a 30-year-old Swedish entrepreneur - Erling Persson. The idea of selling women's clothes came to him while he went on a road trip through the USA. In 1947, the very first H&M store was opened in Västerås, Sweden. Today, H&M owns around 51 online markets and stores in 74 countries around the world. At H&M, franchising is not a part of the general expansion strategy. Most of the stores are run by the company directly; however, there are some exceptions. Due to the regulatory reasons in some markets, H&M has to collaborate with franchising partners. (H&M Group, May 2020)

H&M claims to provide the best service and assistance to their customers by being friendly and courteous. H&M's mission statement is "Fashion and quality at best price". H&M mainly buys its products from 800 independent suppliers, primarily in Asia and Europe. Therefore, they do not own any factories. To make sure that they can offer the best price to their customers, H&M utilizes in-house design, no middlemen, large purchasing volumes, efficient logistics, and cost-consciousness at each stage. H&M offers a wide range of collections, varied from women, men, teenagers, and children. Their clothes' design ranges from timeless basics to the latest trends. (H&M 7, 2012.)

On the other hand, H&M is known for its fast-cycle products. According to Houston, trends are predicted with the help of designers. The designers attend different fashion shows then closely monitor social media platforms to follow customers' conversation about new designs, and then they send off the photos to get modeled. After that, companies like H&M will get materials sourced and made overseas, and their stores get stocked. All of this process is done internally within under a week. (Houston 2019.)

In recent years, the sales of the fast fashion industry have inclined tremendously. Stein has stated that both Millennials and Gen Z are aware of the fact that a throw-away fashion mindset will result in the massive ecological damage. There are more and more groups of consumers and environmentalists influencing sentiment, raising awareness, and changing buying habits. In mid-2018, after hoarding more than \$4 billion in unsold inventory, resulting in a tremendous discount to clear out products, H&M declared the closure of 160 stores (Stein 2019).

5.1.2 Zara's background & Business overview

Inditex's Zara is one of H&M's biggest competitors. In 2006, Zara took over H&M's role as Europe's most massive clothing retailer (Reiple & Haberberg 2003). In 1975, Zara was founded by Amancio Ortega and Rosalía Mera. The first store located in the Spanish city of A Coruña. It was a family business that featured inexpensive lookalike products of more sophisticated, fashionable clothing. Zara has shrunk the gap between fashion creation and customers and brought the customers closer to affordable products. Zara's core value is expressed in four words: beauty, clarity, functionality, and sustainability (Inditex n.d).

Zara's designers react quickly to the latest trends and needs based on customers' feedback towards its Women's, Men's, and Kids' collections. Then, they deliver new ideas in the right place at the right time (Inditex April 2020). Moreover, Inditex has tight control over its production. This is said to give Zara an advantage in terms of the fast speed that it can deliver new products to the store, and a quick response to fast-changing trends (Reiple & Haberberg 2003). According to the report of Hanbury (2018), about 2,238 Zara stores in 96 different markets around the world receive their

shipments of new items every two weeks. There are four distribution centres across Spain that belong to Zara. Every single piece of clothing has to go through one of these centres (Hanbury 2018).

It is said by Ed Gribbin – President of Alvanon, which is a retail, fashion, and apparel consulting firm, that Zara's value proposition is newness and scarcity. Because of its limited production, the average Zara customer visits a Zara store 17 times per year so that they do not miss out on something. On the other hand, the average brand loyal shopper visits a store 4.1 times per year. (Weinswig 2017.)

5.1.3 Katri Niskanen's background & Business overview

Katri Niskanen is a famous Finnish designer, she is the winner of the first Project Runway Finland 2009 and Elle Style Award 2014. One year after that, in 2010, she found her namesake label. Her store is located in the capital of Finland, Helsinki. Katri Niskanen delivers bridal and ready-to-wear collections. Moreover, the clothing line also offers exclusive made-to-measure evening garments. The brand's value proposition is to provide Scandinavian elegance, sculptural drapings, and comfortable cuts creating an elegant and feminine look. The designer's versatile and multi-purpose designs bring timeless elegance to everyday life. (Katri Niskanen, April 2020)

As reported by Fedited, Katri Niskanen claims that her clothes were made in Finland with low quantities when then the business just started. When the business grows bigger, she needs bigger production. For that reason, she now also has production in Estonia. However, she is sewing clothes, mostly in Finland. The founder has made all the final decisions by herself, from choosing the fabric to creating the designs (Fedited April 2020). The owner also promoted consumers to think against the too-fast fashion cycle. She thinks that it is important that the brand is able to offer something that will be used for a long time. She also added that customers should show respect towards the clothes and give them a longer period to be wearable (Fedited April 2020).

The price range per product is relatively high, but the quality and the experience are exceptional. Katri Niskanen offers to customize and fix clothes for customers who have bought their products there.

5.1.4 Business model comparison among the three brands

Based on the business overview research that the author conducted, a comparison of the business model of the three brands: H&M, Zara, and Katri Niskanen is created (Table 4).

Table 4. A comparison table of business models among the three clothing brands.

Company	H&M	Zara	Katri Niskanen
Features			
Key Partnerships	<ul style="list-style-type: none"> • Independent suppliers from Asia and Europe • Top designers • Manufacturers • Shopping malls • Logistic companies 	<ul style="list-style-type: none"> • Distribution centers in Spain • Bloggers/Trendsetters • Design Team • Shopping malls • Franchise owners • Logistic companies 	<ul style="list-style-type: none"> • Manufacturer from Estonia • Tailors • Fabric sellers
Key Activity	<ul style="list-style-type: none"> • In-house design • Collaboration with famous designers • Large volume of product purchasing • Marketing • Fast-Cycle product development 	<ul style="list-style-type: none"> • Product Development (twice a week) • Keep up with the latest fashion trends • Value chain management • Distributing products across the world 	<ul style="list-style-type: none"> • In-house design by owner • Customer relationship management (CRM) • Fabric purchasing • Sewing clothes • Slow-cycle product development
Key Resources	<ul style="list-style-type: none"> • Products from factories and suppliers • Office workers and on the field workers 	<ul style="list-style-type: none"> • Products from distribution centers in Spain • Trendspotter, design team, models and 	<ul style="list-style-type: none"> • Quality fabric • Sales Manager, Production & Marketing Manager, sale assistant

	<ul style="list-style-type: none"> • Designers • Warehouse 	<ul style="list-style-type: none"> photographers • Office workers and on the field workers • Warehouse 	
Value Proposition	<ul style="list-style-type: none"> • Fashion and quality at the best price • Cost-conscious • Constantly follow current trends • Relatively cheap products at a reasonable price • Prime location 	<ul style="list-style-type: none"> • Wide range of products • Price-conscious • Newness and scarcity • New products every two weeks • Trendy and fashionable clothes • Prime location 	<ul style="list-style-type: none"> • Sustainable choice of fashion • Scandinavian elegance • Timeless and effortless design • Owner is the first winner of Runway project in Finland 2019
Customer Segments	<ul style="list-style-type: none"> • Budget-minded shoppers • International customers • Working-class, lower middle class, and student • Impulsive buyer, trend followers • Age from 14-30 	<ul style="list-style-type: none"> • Price-conscious shoppers • International customers • Mid-range income • Love fashion, cosmopolitan • Career oriented people • Age from 18-30 	<ul style="list-style-type: none"> • Value-driven shoppers • Prefer quality over price • Middle to upper-class income • 24-40 years old, female • Prefer minimalistic lifestyle
Customer Relationship	<ul style="list-style-type: none"> • Friendly, helpful • Social shopping experience • Continuously provide trendy and in-demand clothes • H&M loyalty program (membership) 	<ul style="list-style-type: none"> • Customer experience is key • Selling brand image • Exclusiveness • They know customers will come back 	<ul style="list-style-type: none"> • Customize clothes based on customer's need • Special care for customers • Spreading awareness about impulsive consumption on fast fashion
Channels	<ul style="list-style-type: none"> • Stores location • Online webshop • Social Media 	<ul style="list-style-type: none"> • Offline stores • Online webshop • Social Media 	<ul style="list-style-type: none"> • Offline store in Helsinki • Online store with worldwide shipping • Social media
Cost Structure	<ul style="list-style-type: none"> • Production costs • HR 	<ul style="list-style-type: none"> • Production costs • HR 	<ul style="list-style-type: none"> • Material costs • HR

	<ul style="list-style-type: none"> • Logistic • Marketing costs • Store locations • Cost-driven structure 	<ul style="list-style-type: none"> • Logistic • Marketing costs • Store locations • Cost-driven structure 	<ul style="list-style-type: none"> • Marketing costs • Store location • Value-driven structure
Revenue Streams	<ul style="list-style-type: none"> • Sales of apparel, accessories, make-up, skincare, and interior designs and decorations. • In-store and online sales 	<ul style="list-style-type: none"> • Sales of apparel, accessories, and interior designs and decorations. • In-store and online sales 	<ul style="list-style-type: none"> • Sales of bridal and ready to wear clothes. • In-store and online sales

As demonstrated in Table 3, ZARA and H&M share a lot of similarities yet still differ from each other. They both have very fast-cycle product development in order to keep up with the forever changing trends in consumption, which explains the reasons why most of their customers are impulsive buyers and fear missing out on trends. Zara slightly has a higher price-range than H&M and offers not the best but a better quality than H&M. Therefore, a perfect customer profile for Zara would be a middle-class person. Perch (2019) refers to Zara's customers as Carpe Diems (18-30), which means they are very out-going and want to enjoy life to the fullest. A good career is very crucial to them. They love adventures and keep up with the latest fashion trends. They also care a lot about finding the best deals on the market (Perch 2019). Perch also gives another perspective about H&M's customer target: he believes that H&M's customers are "Conscious Progressives". They are understood as open-minded and intellectual people. They are always searching for new information and impulses in life. They tend to have a practical look at life. Progressives would dress in a common way as recommended by H&M but would add a little sophistication to the dressing. They love traveling and going abroad and are very interested in other cultures. (Perch 2019.)

Katri Niskanen's value proposition is completely different from H&M and Zara. It is mostly created for Finnish and Nordics people's tastes. However, her message behind the brand deserves to be heard around the world. Due to the high price of the products, it is difficult for college students who are also interesting in timeless design to purchase them. Her customer target is the middle- to upper-classes. They have a fancy lifestyle with a minimalistic mindset. They like to invest in long-term solutions more than short-

term ones. After reviewing these three business models, a foundation to build a business model around them arises.

5.2 PESTEL Analysis in Finland

With the help of a PESTEL analysis, I am able to draw out a “big picture” of Finland and find out the opportunities and the threat when doing business in Finland. By using the PESTEL analysis, the sustainability, the future and the challenges in Finland can also be assessed. Figure 12 demonstrates the political, economic, social, technological, environmental, and legal factors in Finland.

Political factor

- EU member
- Parliamentary democracy
- One of the most stable political system in the world
- Press freedom, transparent government, civil liberties and indepent judicial system

Economic factor

- Highly industralized
- Progressive tax rat for national tax purpose
- Euro is finnish currency
- Freedom in business, trade, and property rights
- 5th most properous country among 176 countries

Social factor

- Aging population
- High level of social security
- Health-care system is highly decentralized, publicly funded system
- Free access to the best educational system in the world for Finnish citizens

Technolofical factor

- The world most advanced country in Technology
- Kone and Nokia are two big technological firms in Finland
- Public & private funding for Technology

Environmental factor

- 4 seasons with a cold and snowy winter
- set good examples in protecting the environment

Legal factor

- Civil law
- Effective and clear legal considerations
- Finnish Employment law is applied for all the employment in Finland
- No imposition on foreign investment restriction

Figure 12. PESTEL Analysis in Finland.

Political factor

Finland is a member of the European Union; this means greater security and more opportunities for and businesses and markets.

Finland follows the framework of a representative parliamentary democracy. It is a republic, and the president of the country is Sauli Niinistö. However, the most powerful person that leads the Government is by the Prime Minister, Sanna Marin. Every citizen in Finnish has the right to vote in the municipal election and the European election. According to Political Risk Map 2019, Finland is one of the countries that has the most stable political systems in the world. Political risks indicate the stability of the Government and security. These factors include the effectiveness of government policies, international relationships, bureaucracy, and appropriateness.

According to Transparency International, Corruption Perceptions Index 2016, Finland has been ranked the third among 176 countries. This means the higher-ranked countries tend to have a higher degree of press freedom, transparent government, civil liberties, and an independent judicial system.

Economic factor

Finland's economy is highly industrialized; the largest economic sector from 2009 to 2019 is service with 74.5%, followed by 21.91% in industry and 3.69% in the agricultural sector (Statista 2019). Finland has progressive tax rates for national tax purposes and a flat tax rate for municipal.

The euro is the currency in Finland. As reported by Economics Help, being a part of the EU contributes many advantages to economics, such as free-trade and removal of non-tariff barriers, which have helped both consumers and companies to reduce cost and price per product (Economic Help 2007). Due to this reason, Poppy can also benefit from free trading when considering expanding its market to Europe.

Finland is ranked at the 5th most prosperous in the world among other 167 countries (The Legatum Prosperity Index 2019). Moreover, as stated in World Economic Forum, Finnish banks are the soundest in the world, which means it minimizes the negative impact on the whole economy. Finland is a world leader in economic freedom, such as freedom in business, trade, and property rights.

Social Factor

Finland has an aging population, and this has led to a lack of workforce. Finland is well-known for its social security. In the late 1980s, Finland succeeded in providing the most comprehensive welfare system for all of its residents (Ministry of Social Affairs and Health April 2020). Nowadays, social security has been cut down. However, in comparison to other countries in the world, Finland is still considered as the most intensive socially secure country.

Finland's health care system is a highly decentralized, three-tiered, publicly funded system. Health care services are offered to residents and managed by municipalities. It is believed to have one of the best healthcare systems in the world. However, according to CNN, there are some "dark sides" with the most famous free healthcare. To have a free healthcare system, funding for municipalities is based on the size of taxable population; meanwhile, the birth rate in Finland is dropping, so the number of taxpayers is diminishing (CNN 2019).

Finland has been known for having the best educational system in the world in recent years. Every Finnish citizen can access free education from primary school to higher degrees.

Technological Factor

Finland has been setting the trend for decades in science and technology. They are one of the world's most advanced countries in technology. The first mobile phone was invented in Finland by Nokia. Finland has a long history of electrical engineering, as Kone – a famous international engineering and service, was founded in 1910. Kone is well-known around the world for its lift and crane production; its success lies in the

company's advanced technology. Moreover, Finland uses its public and private funding wisely, and it focuses on developing and advancing its technology. (Vesikansa 2008.)

Environmental Factor

Finland has four distinct seasons; however, the winter is often really cold, snowy, and lasts really long. Due to the harsh weather condition, Finnish's fashion concentrates on practicability more than looks. Finland is known for its good examples of protecting the environment. According to the Finland Promotion Board, Finland is one of the world's wealthiest industrialized countries. For this reason, Finland is able to afford to have enough funds to invest in vital environmental problems. Senior Lead Anu Mänty from Sitra has stated that, "It is positive news that Finnish people value taking good care of nature and there is an emphasis on the responsibility of the individual." Finnish has high awareness of environmental issues and sustainability; however, their attitudes and behaviors are moving slowly from words to action (Poussa 2017).

Legal Factor

The Finnish judicial framework is based on a structure of civil law that derives from Swedish law. There are two main branches in Finnish courts: the general courts, which deal with civil suits and criminal cases, and the administrative courts, which handle the actions of the administration and litigations between an individual and the authority.

Finland has effective and clear rules. The rules and the legal environment and the contractual agreements are strictly appropriate. Moreover, Finnish Employment law is applied for all the employment in Finland. All the matters between employers and employees are taken care of by the Employment Contract Act. On the other hand, Finnish law has no imposition on foreign investment restrictions. Foreign entities can acquire shares and assets in a Finnish company without the Finnish authorities' permission and approval. (UK Essays 2018.)

5.3 Poppy T&J's business model canvas

Finally, in this section, the research and study and background will be applied to build a business model for Poppy T&J. It was designed on the Designorate website (Appendix 3). All nine blocks are covered and explained below.

5.3.1 Customer segments

Poppy T&J currently targets only female customers. They are usually college students and office workers. Their signature characteristics can be defined as social media enthusiasts and fashion lovers. They enjoy shopping online, including shopping on Instagram. They tend to keep up with the trend quickly. On a side note, they are also looking for a more sustainable choice, for example a universal piece of clothing that can pair with anything, yet still be stylish but not only with a simple or boring design.

5.3.2 Value Proposition

The company aims to create a brand that takes a different turn from the typical fast-fashion brand. Poppy is dedicated to create an essential, classy, yet stylish designs with a motive "Easy to wear. Easy to style. Easy to combine". Besides, the owner has a good connection with the clothing manufacturer, which happens to belong to her family in Vietnam. The author could reduce the production costs notably. Therefore, the brand can offer an affordable price point for good quality products.

Based on the author's experience while living in Finland, it is quite hard to order from abroad. Not every shop offers to ship to Finland, unlike in the United States, most of the fashion stores ship there. Having stated that, Poppy hopefully will be a new favorite brand for girls to shop in Finland.

Since the author wants to drive the brand in a different direction than fast fashion, the brand will try to encourage customers to make smarter choices when buying clothes by buying only essential pieces. Another motive that Poppy wants to deliver is "Buy less, use more."

To ensure that the whole shopping experience is exceptional, the owner also focuses on feminine and pretty packaging. There is the desire to connect with every customer who purchased Poppy's product through a handwritten postcard.

5.3.3 Channels

As explained Chapter 2, there are three different channels: communication, distribution, and sales. As for communication, the first and foremost goal is to get customers to know the brand. To increase customer awareness, Poppy mainly advertises and builds its brand image through Instagram. It is a fact that “Instagram is developed as a powerful fashion force, setting trends and boosting sales” according to Lyst – a Global Fashion Search Engine. Instagram is not only a place for bloggers, fashionistas, artists to showcase their art, but it is also a trendsetter platform. It is a place where businesses can capture an audience, as well as start a conversation, experiences, and sell the brand's lifestyle (Carbone 2018). This business trend on Instagram is visible around the world, and this is still a relatively new business concept in Finland. Poppy will not only use Instagram as a way to reach and communicate with customers but will also be using it as a selling platform with the “Instagram shoppable” feature. This feature allows customers to click on the products they like, and it will link them directly to Poppy's website to purchase. However, promoting only on Instagram is not enough. The company needs to find a suitable influencer for the brand to promote the products. In this way, the company can reach to the right target customers more easily. Grazia's fashion news and features editor, Laura Jordan, says that, “Spotting something on Insta is the modern equivalent of a great recommendation from a friend” (The Guardian 2019). Besides Instagram, the company will also enhance customer awareness with the help of Google ads, other social media ads, and its own website. As soon as the company gets familiar with the market in Finland, joining fashion exhibitions and events at the flea market in Finland is the next step. At these events, customers can assess the products before purchasing, when they usually can only buy online.

5.3.4 Customer Relationship

Poppy's concept when it comes to customer relationships is to keep it friendly; the company wants to be a girl's best friend that every customer need. This means that all responses through email, webpages, or social media will keep a fun-loving tone, but still provide enough information professionally.

As a brand for females and founded by a female, Poppy does not want to be a brand that only focuses on business and money; the company wants to be every girl's personal styling assistant. The focus here is not only on the products, but also on the lifestyle that the author is promoting with her brand. The author wants to have an open, honest, and transparent marketing strategy about her products. By doing so, the brand will gain trust and a closer relationship with customers. Feedback from customers will also be well-received here in Poppy. The company will pay attention to what the customers are saying or complaining about and work on the problem.

To make the shopping experience more exciting and rewarding, Poppy will offer membership to customers. There will be three types of memberships: basic, silver, and gold. Gold is the highest level where loyal customers will receive exclusive discounts and free shipping. The basic membership is for new customers to store their credits to gain a silver or gold membership. Silver memberships will qualify for monthly discount offers.

5.3.5 Revenue Stream

The revenue stream mainly comes from fixed price products that sell on the company's webpage. Every season, Poppy will introduce a new collection, and whatever products that have not sold in the previous collection will be on sale.

By advertising the products through different social media platforms, the company expects to generate sales through platforms such as Facebook and Instagram.

5.3.6 Key Resources

As mentioned in Chapter 2, there are three key resources that a company needs: physical, human, and intellectual. In order to run a clothing business, obviously, clothes are the physical products that Poppy needs. Poppy's clothes are produced in Vietnam and then distributed to Finland for sale. Since the company designs its own clothes and own brand, materials such as clothing tags and hangtags are also required. To stick to Poppy's concept – namely being a close friend to customers, packaging plays an important role in this procedure. The author needs postcards to write thank you note, and paper bags with poppy's brand logo.

As for human resources, the company requires models to wear Poppy's clothes, a photographer to take pictures of the products and the models. Those pictures will be used later for marketing purposes. To achieve the marketing strategy that the author desires, a visual designer, an online sales assistant, and a social media manager are the key people that the company needs. However, in the very first stage of business, the author will be in charge of the marketing department to cut down the costs.

When it comes to intellectual resources, the internet is extremely necessary in the process of building this business idea. The author also takes inspiration for her design from fashion magazines and other competitors' products.

5.3.7 Key Activities

The main activity of the company is import duties, due to the fact that all the products are produced in Vietnam and then imported to Finland. These import duties include paperwork such as taxation per product, custom clearance, warehousing, and so on.

Because the products are made in Vietnam, the author cannot check the quality of the products before receiving the orders. Therefore, to control the quality, the author needs the supplier to send samples of each product first to Finland and decide whether or not to proceed to mass production. These activities always require strong communications between the owner and the manufacturer and the delivery company.

The next important activity is social media marketing. A social media weekly plan should be well-planned since Poppy centers its business brand around social media. This activity includes taking pictures of the products, posting, and writing content. Customer relationship management is also one of the company activities, and it is quite crucial since it shows the “face” of the brand directly to customers.

Besides making sure the business runs smoothly with the mentioned activities. In the fashion business, trend is what drives customers to buy clothes. Therefore, the company also works on fashion trend analysis as well as social media trend analysis. These two activities play a role in helping the author to create new seasonal designs.

5.3.8 Key Partners

One of the key partners that the company needs is clothing manufacturers in Vietnam. It is essential for companies to find trustworthy suppliers for the products that they are selling because consistency in quality and quantity is the key to keep customers committed to a brand. Luckily, Poppy T&J has found its reliable clothing manufacturer owned by family in Vietnam.

Another key partner that the company must cooperate with is a logistic company. Poppy needs to find a delivery company that can ship its products from Vietnam to Finland at a reasonable price.

Lastly, to sell the products, the company has to build a website and choose an e-commercial platform to sell them on. Poppy decided Ecwid - an E-commercial site- as its key partner. With Ecwid, Poppy can tag its product on Instagram and link it to its website.

5.3.9 Cost Structure

Poppy’s business model lies between a value-drive structure and a cost-structure. The author gets the advantage of cheap production in Vietnam to maintain low costs for the

products. However, the author still makes sure that the quality is better than a fast-fashion brand in Finland.

The biggest fixed cost of the company would be production costs and transportation costs. The company aims to deliver a new collection every season with a certain number of pieces per design. Marketing costs is also a fixed cost; the company will promote and run advertising on all social media platforms.

Other variable costs are material costs. These materials can be postcards, hangtags, paper bags and other marketing materials. The company also needs to pay salary for models, photographer and designers when launching a new collection every season.

6 CONCLUSION

In this conclusion, the author will reflect her research based on the results of this thesis, the execution process and methods, the reliability and validity of this thesis, her learning and improvement, and finally, some suggestions for future research.

6.1 End Results vs Goals

The main objectives of this thesis are thoroughly researched. The first objective is to study and analyze the most appropriate business model for an online clothing store by review and compare different types of business models' functions and features. The second objective is to get an overview of how existing business models in Fashion industry work. The author had successfully discovered the three Fashion clothing brands' business models. The third objective is to analyse and penetrate the Finnish market with the help of a PESTEL analysis to provide an overview of Finland's situation. Lastly, the fourth objective is to develop the business idea into a real-life business model, which was created. Table 4 demonstrates the research questions, and the author's findings more explicitly.

Table 4. Findings of the thesis.

Research questions	Findings
What are existing business models in the fashion industry?	Three different clothing brands' business models: H&M, Zara, and Katri Niskanen
What are the PESTEL conditions in Finland?	Finland's statistics and ranking around the world.
Sub questions: What are the company's key activities? What is the company's value proposition? What key resources does the company need? How to reach the distribution channels?	Based on existing business models of other Fashion brands, the author has learned about their key activities, key resources, value proposition, and distribution channels. Therefore, she could apply to her business model with her original business idea. The author's unique background and experiences also contribute to the result of Poppy T&J's business model.

The results of these findings have served their purpose of answering the research questions, which helps to reach the thesis's goals. Overall, I learned that finding the most appropriate business model is exceptionally crucial to the process of starting a business.

6.2 Execution process and methods

Finding an appropriate outline is one of the first steps when writing a thesis. The outline needs to be in a logical order that makes sense and can guide the readers to understand the author's writing. It is reasoning that the background should be introduced at the beginning of the thesis in order to let readers know what story is behind the reason for choosing this thesis's topic. Next, a business idea is presented immediately, in the beginning, to show the motivation why the author should conduct this research. Without a thorough literature review, it is impossible for readers who do not study in the same field as the author to understand the whole context of this thesis. Therefore, a theoretical framework acts as a foundation core to study and explain the different concept of

business models, the social media marketing theory, and the PESTEL analysis. It is encouraged that the author can show her ability to implement the studied theories; that is why the research questions and the main objectives of this thesis are set to find the answer for those theories. Finally, a business model canvas of Poppy T&J is conducted as a result of this study. Besides that, other findings related to the case study of existing business models of the Fashion industry and Finland PESTEL analysis are successfully covered. The method applied in this research is qualitative with a deductive approach. I found out that this method and approach is the right choice for this study. It covers almost all of the theories that I needed to conduct a business model as an overview of the industry that I am interested in.

In conclusion, I would not change the order of the execution process for this thesis as the main objectives, and goals of this thesis are reached.

6.3 Ethicality and Reliability

As mentioned above, the theoretical framework of this thesis was based on findings from articles, journals, writings, and literature related to the subject. Sources were used from official websites, e-database, e-book and governmental websites. Moreover, Karelia University of Applied Sciences' online library allowed for finding trustful references. This guarantees the reliability of this thesis. In addition, this paper strictly follows Karelia's guideline on the thesis's layout and ethical practice.

6.4 Personal learning and improvement

This project was one of the most exciting and challenging projects for me during my studies at Karelia University of Applied Sciences. I have always dreamed of becoming a young entrepreneur, and studying at Karelia University has inspired me to have many new and innovative business ideas. I planned to bring something new to Finland from my own country – Vietnam, and I did come up with this business idea that I could present in my thesis. I have successfully developed a business model for my business idea. Practically I have carried out my knowledge and skills that I have gained during my study period to make this research successful.

I have come to my realization of how important it is to have a business model to visualize your ideas before executing a business plan for it. If a business model is well defined, the execution process will be smoother for future plans. I also learned that analyzing other existing businesses and competitors' strengths and weaknesses is worthwhile when building your business. When it comes to writing a thesis, time management is highly challenging. But thanks to my thesis supervisor's pieces of advice, I could conquer the difficulties and rescheduled some tasks. I also found out that it is quite difficult to transfer all of my findings into this paper.

When I was developing the business model for Poppy T&J, I have looked through many Instagram's platforms of other Fashion brands, and I saw that they succeed in delivering their brand image and engaging with their customers and audiences. I have learned their way of marketing and selling products through an online platform. Besides that, I have read many articles on how social media is the secret key to drive sales in the Fashion industry nowadays.

To sum up, this study is like a milestone that marks my ending time at the Karelia University of Applied Sciences. It is special because it is something that I created it. It is a way of presenting my knowledge and skills to the world and be a part of an online resources.

6.5 Suggestion for futures

To proceed to the next step of starting a company, creating only a business model is not enough, more research should be conducted in order to execute the business idea. As stated in the limitations, thorough market research is highly recommended. Strategic marketing plan management is essential to push the brand image to be known by the public. Knowing the customers in the market, specifically in Finland, is very crucial to deliver the right product to the right segment at the right time. Moreover, the author should consider interviewing other Fashion brands in Finland to have an insight into their customer targets, missions, and production process.

In conclusion, this thesis is under the influence of the author's point of view and own experiences for most parts. Therefore, it is incredibly vital to take the next step in the research process, such as interviews, surveys, financial plans, and distribution plans, should be reviewed. Nevertheless, this thesis has served its purpose as a guide for entrepreneurs to visualize their business idea by implementing the right business model that fits.

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APPENDICES

Appendix 1: Examples of Poppy T&J's collection



Appendix 2: Bases definition of Business Models (Source: modified from Evgenya Gorevaya and Marina Khayrullina; Procedia Economics and Finance 27, 2015, 344 – 350)

Authors	Definition
Kim,C.W., Mauborgne, R.	The business model is a curve value that reflects how the company will meet the needs of the consumer according to different criteria.
Prakhalad, K., Ramasvame, V	The concept of a business model - a unified unit of analysis, which helps to understand the process of creating value, which is the result of attracting many kinds of resources and the result of many processes. The organization's business model is the logical connection of resources and capabilities in order to consistently achieve the goals and carry out business activities. ... It is such a configuration of resources and abilities that will allow us to create unique value.
Debelak, D.	For investors, the business model - it is a way to evaluate whether the company will reach success. But for a businessman - this is a tool for creating a dynamic company.
Christensen, C. and other	A business model consists of four interrelated elements: the customer value of the product, the formula of profit, key resources and key processes.
Linder, J., Cantrell, S.	Business model - the basic logic of value creation in the company. There are three types of models: the component business model, the operating business model and the changes model.
Osterwalder, ., Pene, I.	Business model - a understanding of how the organization is making (or intends to do so) the money. The business model describes the value that the organization offers a variety of customers, reflects the ability of the organization, a list of partners that are required for the creation, the promotion and delivery of value to customers, and relationship capital that is required to obtain a stable stream revenue.

Chesbro, G.	Business model - a method that a company uses to create value and profit
Slywotzky, A.J.	Business model - this is how the company chooses the consumer, formulates and delineates their proposals, allocates resources, defines what tasks it can perform itself and which have to involve experts outside the market, creates value for the customer and receives profit. Companies can offer the products, services or technology, but this proposal is based on an integrated system of actions and relationships, which is the company's business model.
Hamel, G.	The business concept and the business model are made from the same dough: the business model is simply a business concept implemented in practice. The main characteristics of the business models are formed depending on its ability to innovate, the specificity of the industry and the company's past (updates, revolution, flexibility and cost reduction)
Markides, C.	The business model is the sum of the responses that the company gives to the three related questions. Who should be my target audience? What products or services do I have to offer our customers, and what should distinguish my offer? How can I do this efficiently?

Appendix 3: Poppy T&J's business model canvas

Business Model Canvas

[Designorate.com](https://designorate.com)

Company Name:

Poppy T&J

Date:

27.04.2020

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Clothing manufacturers in Vietnam - Logistic company (delivery company) - E-commercial platform such as Ecwid 	<ul style="list-style-type: none"> - Import duties - Quality control - Communicate with key partners - Social media marketing - Customer relationship management - Fashion trend Analysis - Social media trend analysis - Create new designs seasonal 	<ul style="list-style-type: none"> - Essential, classy yet stylish designs - Affordable pricing for good quality - Easy accessibility - Girly, pretty packaging - More variation on choices for clothes in Finland - Buy less, use more motive - Easy to wear on any occasion 	<ul style="list-style-type: none"> - Girls' best friend - Professional - Styling assistant - Active respond on social media - Feedback are well received - Memberships with discount - Free shipping for golden membership 	<ul style="list-style-type: none"> - Female from 18-28 - Social media enthusiast - Online/ Instagram shoppers - Trendy ladies - Women who looks for sustainable and stylish designs - College students - Office workers
	Key Resources <ul style="list-style-type: none"> - Physical: clothes (products), hangtags, paper bags, post cards, computer. - Human: photographer, models, visual designers, online sale assistant, social media manager. - Intellectual: internet, fashion magazine, competitors' products. 		Channels <ul style="list-style-type: none"> - Instagram shoppable - Own websites, Google Ads, Social media ads - Influencer's instagram page - Fashion exhibitions in Finland - Market flea events 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - Production costs - Transportation costs - Marketing costs - Material costs - Wages for models, photographer, designers 		<ul style="list-style-type: none"> - Sales on online platform - Fixed pricing - Discounted pricing - Sales through advertising 		

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