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ENTREPRENEURSHIP IN E-COMMERCE

The Measures to Establish a Start-up Company in Finland

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ABSTRACT

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<p>E-commerce has introduced an innovative venue for businesses to grow and expand their operations beyond their geographic reach into a global market in a consistent and rapid approach. For this reason, more businesses strategically shift their marketing approach towards a digital concept, namely an e-commerce business model.</p> <p>The main purpose of this thesis is to construct a general overview concerning all appropriate modalities to establish an e-commerce business in Finland. To attain the target objective, the thesis begins by reviewing entrepreneurship in a theoretical context and scrutinizing its advantages and disadvantages, and the types of entrepreneurship available for starting business executives in Finland.</p> <p>In addition, this thesis gives a general insight on e-commerce from a theoretical viewpoint. Also, it defines different business models in e-commerce which can be the basis of a company's business plan. Technical details are explored regarding online marketing and the process of establishing a marketing strategy for the business online, while dissecting the advantages and disadvantages involved in this process.</p> <p>This thesis research went into exploring the modalities and legal obligations to form a start-up business in Finland. Technical details have been considered in accordance with the regulations sanctioned by the authorities and then compiled in this thesis with an approach that would disclose in a reciprocal manner the sequent steps required to launch a company in Finland. The thesis summarizes the process of establishing an enterprise and considers different aspects which are applicable for an e-commerce business as well as a varied range of business sectors. The information presented in this thesis have been collected with an ambition to design a business plan and launch a start-up in e-commerce, which makes this valuable for anyone aspiring to become an entrepreneur in Finland.</p>		
Key words Entrepreneurship, e-commerce, marketing, start-up company.		

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1 INTRODUCTION

Electronic commerce is the process of buying and selling products or services through electronic means such as smartphone applications and internet websites. E-commerce refers to both retail and online purchases as well as electronic transactions, which has been gaining tremendous popularity over the past few decades making it somehow a strong replacement to the traditional physical store venues. Conveniently, e-commerce allows businesses to reach consumers on a global scale without the need for a physical store. As for consumers, it is regarded as a venue that is available twenty-four hours a day, seven days a week, and with only the touch of a button. Hence, many users prefer online shopping over the traditional way, giving this sector a huge advantage, and a promising future.

Over the last few years, several countries around the world have recognised the huge economic potential of e-commerce, considering that it has become an indispensable part of the global retail structure, which resulted in numerous incentives to encourage businesses and entrepreneurs to invest into e-commerce. Consequently, the online retail landscape has experienced a substantial transformation subsidised by the evolution of the internet. In 2014, the sales value generated globally was 1336 billion U.S. Dollars, and it has been on a continual growth that by end of the year 2020 the volume of retail e-commerce sales has reached 4280 billion U.S. Dollars, and it is estimated to reach 6388 billion U.S. Dollars in online sales value worldwide by the year 2024 (Coppola 2021). Furthermore, in line with the events that the world has seen due to the global pandemic Covid-19, e-commerce businesses have experienced an exceptional increase in term of global traffic. An increase that has exceeded traffic peaks usually seen during holiday seasons, which is due to the lockdown and restrictions implemented in several countries around the world, also people avoiding common areas and crowded shops to restraint the spread of the virus. As a result, online shopping was the perfect alternative for consumers to purchase their groceries and various items conveniently from the comfort of their homes. For example, retail websites generated 16.07 billion global visits in January 2020 and this number increased to approximately 22 billion visits in June 2020 (Clement 2020). In Finland, ecommerce market revenue has achieved around €4986 million in online sales by the start of 2020, making the country rank as 27 in the global comparison by revenue, and it is estimated to exceed €6236 million by the year 2024 (Statista 2020).

The interesting future that the e-commerce sector promises also in the Finnish market make it stand as a viable target for upcoming entrepreneurs. Hence the reason this thesis will be focusing on all aspects incorporated into the establishing of an e-business company in Finland, including steps and modalities

leading to the launch of an online enterprise from the point of a view of a foreigner outside the European Union. Moreover, details related to entrepreneurial advantages and disadvantages will be discussed thoroughly, along with the incentives and offers that the Finnish environment provides for entrepreneurs. By the same token, this thesis will be answering a series of questions such as, what are the proceedings incorporated in the founding of a company in Finland. And what are the legal obligations that comes with the proceedings of launching a business activity, along with the measures that entrepreneurs should take into consideration throughout the process of constructing their business plan in general.

2 ENTREPRENEURSHIP

Throughout history, entrepreneurship has been seen as an important economic activity since it has always served as both a source of new businesses and solutions to common problems within societies. Several entrepreneurs have contributed to a vast improvement in the economy and society by introducing services and products that people could not find before, they are opportunity obsessed to the extent that they adopt an attitude of avid onlooker in relation to the needs in their society which in turn have saved people's time and money, they have often been credited with identifying needs and opportunities in order to capitalize on such situations while compensating those demands with full intent of improvement. (Villacci 2019.)

2.1 Definition

The term entrepreneurship has several definitions that covers all types of activities which contribute to the formation and growth of a business. Entrepreneurship is the pursuit of an opportunity beyond the resources that are within the control of the entrepreneur, this pursuit involves a certain determination and concentration in the effort, which means that the entrepreneur perceives gaps in the market that have not been detected by others, and that requires creativity and an attitude of predicting the needs before their occurrence, all for which the entrepreneur needs resources such as specific technical skills or a network in the form of family or colleagues who allow him to see its different opportunities. In other words, an entrepreneur does not come to existence spontaneously, but several factors stimulate the process of forming an entrepreneurship. In many cases the desire to make money is considered to be the number one factor. However, other factors such as the social recognition for an entrepreneur, the socio-economic environment and achievement motivation, and personal skills can also motivate this decision. (Gordon, Natarajan & Amishi 2009, 16-17.)

The form of entrepreneurship varies depending on the type of organization that is put in place. Social entrepreneurship is a new form that has been gaining ground for years and it contradicts with the lucrative model that is usually related to this type of activity, where entrepreneurs create companies with a social goal other than just a lucrative one. Usually, the aim of these companies is to implement solutions to social, cultural, and environmental issues, and the business owner may or may not earn money from it depending on their morals and goals. (Hayes 2019.)

Other form of entrepreneurship includes international entrepreneurship which refers to the discovery, engagement, evaluation, and exploitation of opportunities, beyond borders in order to create future goods and services. It is related to the way technological advancement and cultural awareness have opened new ventures to access foreign markets, which provides a valuable opportunity for businesses to grow. (Lima Rua 2018, 2.)

2.2 Types of Entrepreneurship

Entrepreneurship is a vast activity composed of several forms. A popular form of entrepreneurship among young project holders is Ex-nihilo. It is usually built on the basis of a new idea, with little or no initial funding. Mostly the reason for choosing this type of entrepreneurship is due to the need to innovate a new concept or respond to a specific problem the entrepreneur has identified within a certain sector. However, this type of entrepreneurship takes a long time to establish a well-known reputation in the market, which requires more efforts at the level of market research. (Hayes 2021a.)

Franchise business is another type of entrepreneurship, It involves two parties, the franchisor, and the franchisee. The franchisor grants the franchisee the right to take over their concept and sell products or services for financial compensation. There are several advantages for the franchisee. Among other things, they benefit from the reputation of the franchisor's company, its knowledge, its visual identity and the products and services already known and widespread in the market. (Hayes 2021b.)

E-entrepreneurship also known as cyberpreneurship is a type of entrepreneurship that is focused mainly on technology. The business concept is established within the Net Economy, products and services are marketed by means of an electronic platform in data networks, which provides the integration of creative information and communication technologies to endorse and conclude respectively the coordinating process of supply and demand. (Enterprise Security Magazine 2019.)

2.3 Circumstances that lead individuals to become entrepreneur

Entrepreneurship is a lifestyle choice, there are different types of entrepreneurs and a multitude of reasons that lead them to make that choice. The main thing is to know why an entrepreneur is doing it

and what it entails. These reasons include but are not limited to the creation of self-employment as a solution to not finding a suitable job. The reasons include a need for personal fulfillment such as characteristic values that are not necessarily met in the job market. Another potential reason is a motivation to reach a financial level that guarantees a lifestyle of freedom that a salary of regular employment cannot fulfill, in the sense that entrepreneurship does not have a limit on potential revenue which is constantly subject to grow and develop. Moreover, the independence to establish a professional activity that goes in line with their passion and competences while holding entirely the decision-making power, making the entrepreneur the boss of their own business. scheduling their activity according to their own desire and assuring a mean of support via their entrepreneurial activity, especially in situations of job uncertainty in the likes of global crises and pandemics.

Furthermore, several individuals choose to follow a career in entrepreneurship because of their unconventional ideas that might be difficult to implement while assuming the role of an employee within a company, entrepreneurs often pursue ideas that others deem too risky or unrealistic. However, achieving these ideas and implementing them imposes a significant change in the world. Examples that demonstrate this fact are Steve Jobs and Bill Gates who developed personal computers making it among the most important inventions of the 20th century which has changed the world to this day. (Toren 2015.)

2.4 Characteristics of an entrepreneur

The personality characteristics of an entrepreneur are varied. However, most successful entrepreneurs share traits such as passion for their field of activity, self-confidence and risk-taking in the sense that the entrepreneur is fully aware that his project may not succeed. And yet remains optimistic because he is confident in himself. Also, ambition is arguably one of the most important personality traits of an entrepreneur. To be ambitious is to be able to see the potential of a certain idea and believe in its ability to grow and develop while equipped with determination and perseverance to overcome obstacles and defy failure. In addition, an entrepreneur should have a taste for challenges in the sense that hardships should be a source for motivation to advance and defy competition. And lastly, leadership is a quality that every business leader should possess; being a leader is not a status but an attitude that influence coworkers to carry out the work as it should be implemented. (Freedman 2020.)

2.5 Advantages and disadvantages of entrepreneurship

There are many reasons why people become entrepreneurs. However, before getting started it is important to know the advantages and disadvantages that this type of activity implies.

2.5.1 Advantages

Being an entrepreneur provides a sense of freedom because business owners have the possibility to design their own schedule according to their own priorities, they have complete autonomy which opens the window for potential self-development and the ability to focus on what matters most, either by achieving personal accomplishments, or by contributing to the development of the society. Besides, being a business owner means being their own boss and assuming the decision-making power which cancels out the hassle of hierarchy and opens the possibility for creativity and experimenting new concepts and projects as there are no to little restrictions. In addition, the earning potential is not limited to a certain level or a monthly salary. Moreover, entrepreneurs contribute to the economy by generating job opportunities and influence commercial operations in the market. (Gaille 2018.)

2.5.2 Disadvantages

Despite the fact that entrepreneurship provides the leisure of freedom and capacity for individuals to be their own boss, there are still situations where the business owner is constrained by various external factors such as the economic state of the market, business partners including suppliers and manufacturers, and even customers, all of which can have significant impacts on the business' profitability. In addition, the business could take a while before it becomes lucrative, which means that the business owner will have to secure other means of support before relying completely on the business, which requires patience and the ability to cope with stress. Also, the tasks required in the early stages of the business are usually demanding and require lots of hard work and dedication which may exceed the regular working hours at a normal job. Moreover, in the case of a new company with new products or services that are not well known in the market, significant efforts will be required in order to convince customers and make them trust the company. Another disadvantage that could make the entrepreneurship a challenging choice is getting the adequate funding for the business either by

means of a loan or finding investors to fund the business idea, which will impose the necessity for the business owner to make a regular report on the progress of the company to secure the relations with the investors. (Gaille 2018.)

3 E-COMMERCE

3.1 Definition

The term e-commerce is used to describe any form of electronic commerce, specifically commercial transactions carried out remotely using electronic and digital tools and interfaces. Generally, this term is mostly used for online commerce since it is the main form of distance selling. E-commerce is often contrasted with its traditional form in which the product is sold through an actual medium or building. Before the development of the internet, distance selling was the term that described the process of “e-commerce” at that time, usually conducted by means of paper catalogs and phone orders. Now, internet has become the main distance selling platform. Whether from a computer, a smartphone, a connected TV, a game console or a tablet, distance shopping is everywhere. The Internet has become a real alternative to traditional commerce and has even replaced it in certain sectors. (Manzoor 2010, 2.) E-commerce has opened new opportunities for businesses and in particular those with a limited reach to promote their goods and gain a larger market presence using various distribution channels that are both more efficient and more affordable. Moreover, consumer behavior and shopping habits have been changed by e-commerce. More and more people are resorting to their smart devices and electronic gadgets to order goods and merchandise from an extensive array of products online and then have them delivered to their homes, which is more convenient in comparison to the traditional approach. Furthermore, e-commerce companies like Amazon, eBay, and Alibaba have introduced new concepts and services that have changed the way retail industry work, and they are continuously improving their services and introducing new innovations forcing retailers and competitors to adjust and develop the way they conduct their business. (Bloomenthal 2021.)

3.2 E-commerce versus traditional commerce and its impact on society

With the development of technology and internet, e-commerce has revolutionized the way commercial transactions are conducted. For instance, businesses are no longer limited to conduct their trades in a specific area as their base of operations, but it is possible to expand their reach to a national or even international level and target larger audience. Moreover, by conducting business on a digital platform, companies have the possibility to implement several distribution channels to advertise their products and services and operate on an automatic procedure for 24 hours a day 7 days a week. On top of that, the

profit margin in this business model is often relatively higher than in traditional commerce, and that is due to the fact that the costs for maintaining the business may be significantly lower because the cost of building an online store and maintaining it is usually inexpensive in comparison to the monthly payments for the premises of a physical store. In addition, the products are displayed online in a digital form and do not require a professional setup in a physical store with appropriate hardware. Also, the warehouse could be in the most advantageous area for the company cost-wise since there is no physical store that would require logistical location for the storage to be close by. However, since all actions are conducted online, e-commerce does not provide the human contact which has traditionally been an essential characteristic in commerce. The customer cannot ask the seller questions about the product directly the same way they would do in a store. Also, the customer cannot examine the item before purchasing it, and must rely on his perception of the product based solely on photos and technical descriptions. Moreover, the waiting time for the product to reach the customer is probably the biggest drawback in e-commerce, since while ordering can be done quickly, the time for the product to reach the customer can range from few days to several weeks. And if the products have to travel long distances, which could present an added risk and disadvantage to the business transaction since the package could get lost or suffer damage along the way. And even after arriving to the destination the customer might be dissatisfied with the product in case it became defective in shipping and will demand an exchange for the product, which is a process that would cost time and money. (Thakur 2020.)

Nowadays, thanks to the easy access to information through search engines and social media, people have more opportunity to collect information and reviews about products and services before making a purchase. Consequently, e-commerce businesses are recommended to maintain a continuous communication by means of customer feedback to detect any possible anomalies in their services and products and exploit clients' complaints to correct potential issues that might reduce satisfaction rates. This will ensure that the business construct a clear perception of what consumers think of their offers and merchandise and the correct strategy to adopt for the purpose of product development. (Arslan 2021.)

There are diverse ways that e-commerce businesses adopt to collect customer feedback such as live chat which is an instantaneous method of communication that guarantees immediate contact with customers and allows business owners to collect feedback directly and also ask for details without any waiting period. Also, pop-ups is another approach used to collect customer feedback, which is usually programmed to react according to customers actions and choices on the website like for example the intention to exit the webpage or navigating for an extended time in a random fashion. Pop-ups usually

ask for quick and short answers along with a rating of the experience. On the other hand, when a customer makes a purchase, e-commerce websites use a confirmation page and email to confirm the order and communicate the shipping details and then include a form or a link where the customer may leave a feedback regarding their shopping experience. After the completion of sales transactions, the business maintains customers emails for the purpose of contacting them directly in a personal manner to seek further feedback and simultaneously evaluate their impression of the business updates. Furthermore, arguably the most powerful tool that e-commerce businesses use to collect customer feedback nowadays is social media. Potential customers can submit their feedback as part of their normal daily social media practice. They can easily react to posts published by a social media page and write their comments on it. They can react to comments made by other customers. Also, they and can participate in polls and surveys and chat directly with the business owner. (Cheng 2021.)

3.3 Types of e-commerce

Business to Business (B2B) is a transaction where one business sells to another business. These transactions often involve the customization of an order on an ongoing basis. B2B transactions can include wholesale prices, bulk orders, or specialty products that an average consumer would never need on a daily basis. B2B transactions create powerful and lasting relationships between both parties when properly orchestrated. This type of e-commerce is not exclusively limited to businesses operating as suppliers and retailers, but it also includes multi-vendor marketplaces, which refer to a digital space that a marketplace owner provides for vendors to market their products.

Business to consumer (B2C) is the most traditional type of transaction from a consumer perspective. Businesses sell goods directly to consumers through their website. The Internet serves as a market in itself and the e-commerce store serves as a portal between businesses and consumers who shop online. Online stores are able to list multiple products, giving customers plenty of options to choose from during their shopping experience. The B2C transaction is not limited to products, but services are often distributed this way as well. Businesses can offer services like financial advice, tutoring, memberships, and other services to increase their online presence.

Consumer to consumer (C2C) is a new type of e-commerce that has been developed thanks to the innovation of online platforms which has turned the internet into an open market where consumers have several shopping options. Platforms like eBay, Craigslist, Graild, and even parts of Amazon allow

consumers to sell to other consumers. This bridge allows men and women to sell merchandise without having to establish a custom store. This results in quick and easy one-to-one transactions enabling the online sale of niche items, second-hand goods and individual listings. In this type of e-commerce, the platform does not own or sell any products. Rather, it acts as a bridge between the seller and the buyer. They act as third parties to supervise and authorize the transactions in order to ensure a secured trade.

Consumer to business (C2B) is a type of e-commerce that allows businesses to receive value from consumers in the sense that clients can provide a service to companies as entrepreneurs or independent contractors bidding on certain projects in exchange for monetary compensation or advantageous deals. Often, consumers decide the price of a product they are interested in, or receive free or discounted products in exchange for a contribution to the marketing of the business. For example, popular bloggers or social media influencers conclude a deal with a businesses in exchange of a fee in order to publish an article or listing to promote their products or services.

Consumer to administration (C2A) is a type of transactions that allows consumers to receive information, make payments, and establish a direct line of communication between the government or authoritative body and the consumers it represents. Many common C2A transactions can include paying taxes, fines, inquiries about zoning codes, or paying tuition fees to a university. This allows consumers to instantly do business with large organizations that in the past may have been cumbersome and inefficient. Previously, this type of activity was tedious and time consuming, but operations have improved dramatically since transactions can be done over the Internet. (Manzoor 2010, 5-8; Yablonskaya 2021.)

3.4 E-Commerce business models

E-commerce features several business models. The following chapter of this thesis is going to focus on four important business models including wholesaling and warehousing, dropshipping, white labelling, and private labelling. Most online businesses adopt these models due to the fact that they provide low entry barrier and relative opportunity for success for starting entrepreneurs.

3.4.1 Wholesaling and warehousing

Wholesaling and warehousing is a professional activity that consist of selecting, buying, storing and selling goods to distributors and consumers. The sales cycle begins when wholesalers buy from manufacturers. In practice, the wholesaler acts as an intermediary between the manufacturer and the retailer under commission-based relations or as a broker or sales agent. By performing this role, wholesalers facilitate the transport, preparation of quantity, storage and sale of items ultimately destined to consumers. (Hegarty 2021.)



FIGURE 1. Wholesaling and Warehousing Business Model (Adapted from Pahwa 2021).

This business model is generally affiliated with the B2B type of e-commerce, as most of their customers include retailers and sometimes other wholesalers. The products are usually purchased or produced in large quantities and then stored in a warehouse that is logistically optimal for distribution. (Hegarty 2021.)

3.4.2 Drop Shipping

This business model is a system that enables online retailers and small businesses to sell products without the need to purchase them or stock them at any stage of the selling process, and the supplier takes charge of packing and shipping the product to the consumer directly. Therefore, for the business owner, this practice makes it possible to avoid the logistical and financial constraints linked to storage and shipping.

Moreover, it is also effective for both parties in terms of cash flow since the product is paid before shipping. However, the business owner loses control over the quality of the products which is thus delegated to the supplier and this makes the aftersales service more complex. Also, most drop shipping businesses collaborate with several suppliers simultaneously, and in the event where a client's order includes different products, each product will be shipped and delivered individually by a different supplier. (Pekarek 2021.)

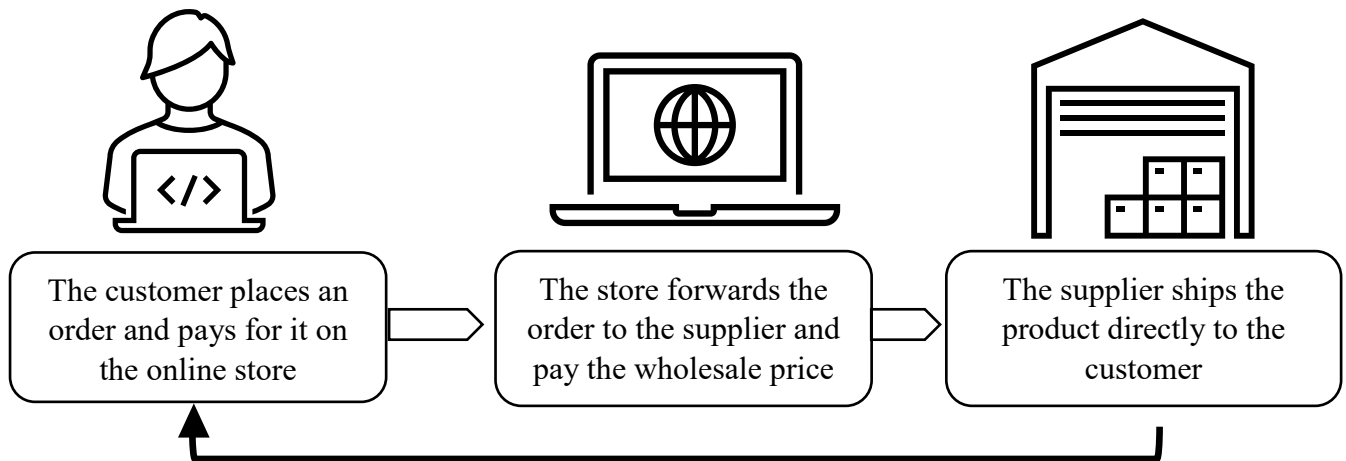


FIGURE 2. Drop shipping Business Model (Adapted from Pahwa 2021).

Although this business model does not require significant investment for initiation, it still encompass several risks and disadvantages including low profit margins due to the high competition which directly affect the pricing of the store's products while taking into consideration the wholesale prices, maintenance and advertisement budget. Moreover, unless the business owner has an exclusive deal with a supplier which is a rare occurrence in drop shipping, many competitors could be selling the exact same products from the same supplier. Furthermore, the business owner has no control over the supply-chain and therefore cannot ensure the product's quality, fulfillment speed, or return policies which is a considerable vulnerability for the business as all depends on the supplier. (Pekarek 2021.)

3.4.3 Private labeling

In this business model, a private label product is manufactured under a contract or by a third-party manufacturer usually subcontracted with a business for the purpose of creating their exclusive products.

The advantage of private labeling is that it allows the business to create a branded product without having to invest time and money in development, resulting in much faster time to market. Private label gives business owners control over factors such as price, size, packaging design, production and distribution of the product. Businesses can implement innovative ideas in order to gain a market share against other competition.

Effective private labels give businesses a considerable advantage by creating a personalized experience and using slogans and logos. It can also increase customer loyalty due to the combination of high quality and price of the product. Products are generally less expensive than those of the big brands, and that's due to the reduced advertising spend. Evidence of private label effectiveness can be directly measured, not only by increased sales, but, more importantly, by increased customer loyalty. Private labeling bridges the gap between high quality and affordability, making the business convenient for customers who seek to obtain quality products at good prices. However, building a base of loyal clients is not an easy process which would require significant effort to attain. (Baltas 2003).

3.4.4 White labeling

White labeling refers to the process when a business removes its brand from a product and uses the customer's branding according to their request. In other words, white label products are manufactured by a third party with the purpose to be sold under the name and logo of other retailers, which is an advantage for all parties involved in the sense that each company focus on a specific task according to its expertise and preference, namely the production of the product, the marketing of the product, and the selling of the product. This business model allows companies to save time, energy, and money in terms of production and marketing costs. Also, it gives the business owner a considerable advantage in terms of transportation expenses given the circumstance where they conduct an exclusive deal with a manufacturer which would reduce the cost for distribution. However, there are some potential disadvantages with this business model such as copycatting, when there are similarities in packaging among brands, which require businesses to differentiate their brands adequately so that consumers do not get mislead. Also, the fierce competition imposed by big brands could make the barrier of entry too complicated for small businesses or could dominate the market share in a condition where there is only one buyer. (Tardi 2020.)

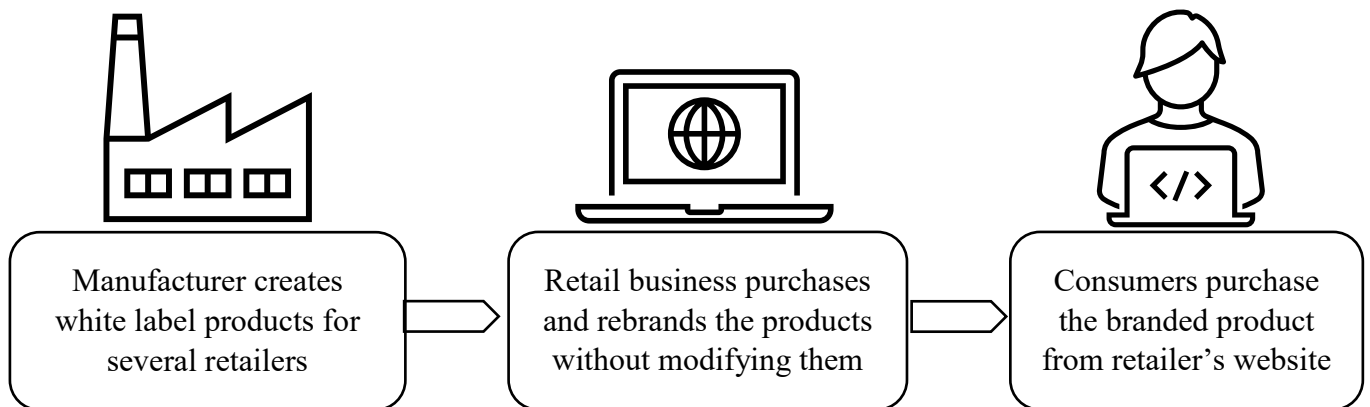


FIGURE 3. White labeling business model (Adapted from Pahwa 2021).

White labeling is not limited to a specific sector or industry, nor is it bounded to tangible items. Service offerings can also be marketed by adopting this business model. For example, services like credit card processing provided by businesses that do not have banking operations or branded credit card that they give to their customers, and yet the service is under their name and logo, while in fact the service is provided by a third party. (Tardi 2020.)

4 ONLINE MARKETING

Online marketing, also known as digital marketing or e-marketing, refers to all techniques and methods e-commerce businesses perform on the internet to reach out to potential prospects and customers for the purpose of establishing credibility and building a base of clientele. Online marketing is the backbone for the business' success, as it promotes the brand of the business and development of its activity. This method is used more and more by companies due to the major influence of internet communication networks, and the variety of technological tools available such as emails, social networks and big data. Online marketing incorporates all aspects of traditional marketing in order to effectively promote products or services online, and that is by perusing specific strategies based on the marketing mix of product, price, place, and promotion.

The marketing mix is a key element in online marketing, and it is composed of:

- Product is what the business offers to the customer which can be a physical product or a service. The offer has to be of value to the consumer. Therefore, the business owner has to understand the needs and desires of his potential customers and provide a product or service that meets those needs.
- Price is an important factor in online marketing since customers can easily gather information about the product or service and compare available offers online to determine its value. Therefore, the marketing strategy should highlight the value of the offer in conformance with the price.
- Place refers to the space of operations where businesses display their offers and it is generally accessible by consumers. In traditional marketing the place refers to retail stores and shops, while in online marketing it refers to various platforms such as websites, social platforms, emails, online forums etc. which makes the process of placing the product more challenging in the sense that it is necessary for marketers to determine the right place to target the most suitable audience for their products or services and tailor the experience on the basis of their behavior, convenience, demographics, etc.
- Promotion is the medium through which the customer becomes aware of the business brand and the products or services that it offers. Hence the reason many businesses focus most efforts on the promotion element of the marketing mix. While in fact, promotion only one-quarter of the composition. A business needs to integrate all four basic elements into their marketing strategy

in order to expand their market share. Promotion in online marketing has several channels thanks to the modern technology which allows businesses to segment their targeted audience according to a set of specifications and tailor their advertisements to particular users in a personalized marketing. (Shaw 2020.)

4.1 Types of online marketing

Online marketing strategies may include utilizing one or more methods of increasing brand awareness among consumers. These methods differ according to the sector of activity and the marketing strategy.

4.1.1 Content marketing

Content marketing is the process of creating and sharing content that could be general and not just meant for promotional purposes. The content that is created as part of promotional campaigns is used to drive interest in the business' offering while adding value to the website's visitors. Content marketing is one of the most important types of online marketing because it is the starting point for almost every other type of digital campaign that a business will implement. From emailing to social media management, the business needs to design quality content to run effective campaigns. This type of online marketing does not just apply to written content like blog posts, web pages, and eBooks, but can also include videos, social media posts, and even webinars depending on the company's goals and target audience.

Content marketing has many benefits for the business in the sense that it can have a significant impact on the website traffic, enrichment, and conversion campaigns. Content marketing tend to generate more leads than the traditional marketing strategies, and that is because great content helps the business to improve its SEO, and as a result the website has more opportunities to reach and engage leads on search engines. Ultimately more traffic is driven to the website of the company, which means higher opportunities to convert potential consumers into active buyers. (Steimle 2014.)

4.1.2 Website design

Nowadays, a company's website can be considered one of the most important channels when it comes to their online marketing. When visitors come to the business website, they need to understand the brand of the company. The website will also tell them what they need to know about the products or services offered and its added value. The website's design involves a number of factors. The layout of the site helps determine which pages will be included and how visitors will get there. Whereas written content frames how visitors see and understand the business. Also, visual content such as logos, colors, images, and other branding elements are very essential in the website's design. Many consumers decide based on the website design whether or not to trust a website and spend time browsing its content. Therefore, the first impression is very important in this regard. If the company's website is slow to load, difficult to navigate, confusing or unappealing, visitors will leave the site within seconds which is a huge loss for the business to connect with new potential customers. It is important for companies to ensure that their site is responsive and optimized for all digital gadgets such as smartphones, tablets and desktops, especially when more than half of all internet activity takes place via mobile devices. (Cronstedt 2018.)

4.1.3 Search engine optimization (SEO)

Search engine optimization is mostly known as SEO and it refers to the process of optimizing the online content of the company's website in order to bring more organic traffic from search engines like Google and Bing. This process usually involves focusing on certain keywords or phrases in the website's content that closely matches what consumers may type in the engine's search bar, which makes the website among the first results that potential customers see while conducting their search. SEO is about improving the quality of traffic, by posting content on topics that target audience finds most relevant. The business should be able to connect with the prospects who are most likely to be interested in its brand. Most marketers believe that improving SEO leads to improving organic reach which is a top priority when it comes to online marketing strategy, especially that the majority of shoppers conduct a search online using a search engine before making a purchase. Therefore, as previously mentioned, the content of the company's website plays a vital role in improving the search engine optimization due to the direct relation between the two. Businesses need to perform keyword research with regards to the sector of activity of the company and the nature of products and services offered. Keyword research will allow the business to determine what consumers are typing into the search engine when looking for deals

and offers that are similar to what the company is selling, and by developing content around these keywords, the company's website can gain an optimal visibility among the search engine results. It is also important to note that using keywords is not the only thing that search engines such as Google and Bing take into consideration when determining a website's ranking on the search engine results page. Factors like the design of the website, domain name authority, and backlinks also play a role in its ranking.

According to SEO statistics, 93% of online users start their search from a search engine to seek information that are relevant to their needs, and 75% of search engine users focus on the first page of the search results and never click on the next pages, and 70% to 80% of users ignore advertised links that show up on top of the results page assuming that generally people are aware that those are paid advertisements and considered less applicable to their search. (Cooper 2014.)

4.1.4 Social media

During the year 2020 the number of social media users around the world surpassed 3.6 billion users and it was projected to increase up to 4.41 billion users by the year 2025. This means that businesses that do not have a presence on social media risk missing out on an important opportunity to reach and engage new customers. Managing a social media business platform is essential for companies and it involves a number of activities, such as creating a marketing strategy based on the target audience and build branded content to drive more traffic to the company's website and increase brand awareness. Moreover, social channels like Facebook and Instagram offer the possibility for businesses to create personalized advertisements for specific target audience based on factors such as interests and behavior, geographics, gender, age, etc. In addition, it is also possible for businesses to establish retargeting advertisement campaigns to reach visitors who have left the company's website without making a purchase. (Tankovska 2021.)

4.1.5 Email marketing

Although email has been an established technology in the field of communication for years, it remains one of the most important means of online marketing for businesses. It is constructed on the process of

sending targeted messages to potential customers. Like other types of online marketing strategies, the messages that the business sends to target audience by email do not always have to be promotional; it could be informational about new deals, coupons, sales and other promotions. Therefore, building a list of emails is a powerful channel for the business to remain connected with potential clients and keep them updated and ensure an additional source of traffic for the company's website and social media channels, which makes email marketing very versatile and effective in helping to stimulate other strategies. (Fanning 2020.)

4.2 Advantages of online marketing

Online marketing offers many possibilities that are not present in traditional marketing. For instance, it can often be highly effective for a cost that is significantly lower than the traditional marketing; and that is because marketers are not required to pay for printing flyers and other physical leaflets to advertise their business. In fact, a business can easily advertise on digital platforms such as Google for example, and pay only when someone clicks on its ad, giving the business a considerable advantage in regard to the return on investment. Moreover, it is quick and easy to implement actions in the sense that an ad on Facebook or Google can be created with just a few clicks and takes only a few seconds to launch, and remains active non-stop 24 hours a day, 7 days a week, without any time restrictions or geographical barriers. This means that the business' advertisements can reach a wide range of audience from around the globe, also it allows the business to establish an online presence that guarantees an opportunity for consistent growth without any determined limits. Moreover, unlike traditional marketing, digital marketing allows marketers to evaluate their marketing campaigns instantly thanks to the possibility of keeping track of insights about the campaign in real time such as the amount of traffic sent to the website, the engagement in terms of likes, shares, and the extent of its reach. Consequently, digital marketing paves the way for the business to reach target audience much easier in comparison to traditional marketing and highlight the pain points of the potential clientele to generate more leads and improve conversion rates. (Lath 2018.)

5 MEASURES TO DEVELOPING AN E-COMMERCE START-UP IN FINLAND

There are several regulations that apply to the establishment of an e-commerce business in Finland. These regulations may apply to companies operating in different sectors and activities with slight differences regarding the steps and requirements sanctioned on each of them. The procedures on the trail to the objective of this research will be analyzed in this chapter.

5.1 Business Plan

A business plan refers to a written description that defines the exact approach of implementing the business strategy. The founder should describe the operating methods, goals, objectives, the financing and profitability of the company. Also, the business plan should review the product characteristics, the targeted customers, the competitive situation of the market, the skills and training of the entrepreneur, the marketing strategy of the company, the amount of funds needed to set up the activities, and risk assessment associated with the activity. By establishing a well-prepared business plan, entrepreneurs get more chances of success of their business and better possibilities to negotiate with potential investors, business partners, lessors, and suppliers. A business plan is also recommended in order to apply for start-up funds at the Employment and Economic Development Offices. (Hayes 2021c.)

5.1.1 Elements of a business plan

A business plan should provide the most important information required to illustrate the business structure and purpose to the parties concerned. Therefore, it should be composed of the following elements:

- Description of Business idea

Indicate what the startup is selling, who are the target customers and how they will be approached. Explain the originality of the business idea and why customers will want to buy the company's product.

- Description of skills and competences

The skills support the business idea, in the sense that the entrepreneur and his partners should have adequate training and professional experience to run the business, they should indicate the strengths and weaknesses and what skills are still needed.

- Product description

Indicate the characteristics of the product the company is selling and compare it against the competitors' products. And highlight the differences of the company's product compared to the others available in the market. Also, the pricing of the product should be indicated.

- Target Customers and their needs

Describe who are the customers of the company and their geographical location. Also, indicate specific arguments as to why they would purchase this product, and what are the needs that would be satisfied when they make the purchase. This description should demonstrate the added value that the product offers.

- Sector and competitive situation

The competitive situation in the sector of the company should be analyzed, and the business owner has to determine if there is still room to enter the market, and if the company is introducing an innovative approach with which chances for competitiveness are available.

- Scope and development of the market

The business owner has to determine which market is the company going to target, a particular region such as Finland or other neighboring countries within Europe or the global market. This leads to the number of potential clients in that market and the prospects for growth and expansion. In addition, the business should assess the obstacles preventing access to the targeted market and present solutions to overcome them.

- Marketing and advertising

The company should present a marketing strategy in regard to the metrics that will be used to reach target customers, build brand awareness and convince clients to make a purchase. Also, the marketing strategy should highlight the name and general appearance of the company and ensure that customers can easily find the business website and social networks of the company.

- Risk Assessment

Entrepreneurial activities always involve risks. Entrepreneurs should assess the risks involved in the business sector and decrease those potential risks through planning. Therefore, it is necessary to determine the risks on the company and how they can potentially develop with the advancement of its activity which can be conducted through a SWOT analysis. Also, the business owner should determine whether the business idea is subject to copying or fluctuations in relation to the economic situation of the market.

- Intangible rights

Intangible rights refer to ideas, designs and the brand of the company which should be protected against unlawful imitations. In case of an innovation or creative idea the business should apply for a patent, trademark protection, or protection for patterns and designs in order to preserve the appearance of the company's product.

- Calculations

The business owner should elaborate a financing statement to assess the financing needs to start the activity of the business, the amount and source of funds needed, the investments and purchases required, and the working capital of the fixed costs such as salaries, rent, insurance, bookkeeping, etc. all of which are paid prior to launching operations.

Profitability calculation shows the amount of products to sell to ensure the profitability of the business. This makes it possible to analyze whether the quantity to sell is feasible and what is the best pricing for the product. It provides a visualization on which combination of sales volume, sales prices and costs will generate the business' target result.

Sales volume calculations indicate how to achieve the goals of the profitability calculation. Considering different customer groups, and to what extent should the product be sold to various groups. This way the business can easily assess the importance of customer relationships and take into consideration the possibility of giving discounts, and also take into account the costs associated with the products to be sold. (Uusyrityskeskus 2020, 18-19.)

5.2 SWOT analysis

For entrepreneurs, it is important to analyze the strengths and weaknesses of their business and determine the threats that could jeopardize the future of the company, and the possibilities that will contribute to the success of the business. A SWOT analysis is a proven technique that is widely used for this purpose which aims to specify the objectives of the company and identify the internal and external factors favourable and unfavourable to the achievement of these objectives. Strengths and weaknesses are often internal, while opportunities and threats usually focus on the external environment. The name SWOT is an acronym for the four parameters considered by the technique:

- Strengths refer to characteristics of the company or project that give it an advantage over others.
- Weaknesses refer to characteristics of the business that represent a disadvantage compared to others.
- Opportunities refer to elements of the environment that the company could exploit to its advantage.
- Threats refer to elements of the environment that could cause problems for the company or the project.

The e-commerce industry has seen a growth and success for several years worldwide, and it is still growing and expanding with the fast-paced development of technology. To establish a business in the sector of e-commerce it is necessary to analyze the strengths, weaknesses, opportunities, and threats impacting this sector.

Strengths

There are several strengths in e-commerce. In fact, the lifestyle of consumers has changed a lot over time. The development of the internet and more particularly smartphones and tablets has strengthened online commerce extensively. Many businesses, especially the most profitable ones, have their own applications, and nowadays thanks to technology, anyone can build an application based on a website or store to make it compatible with almost every mobile device, which saves the customer a considerable amount of time. They are optimized to be practical, easy to use and offer personalized choices to customers, who are then constantly urged to consume.

In addition to saving time, online shops often benefit from much lower costs than physical ones, as a result they can afford to offer attractive prices to their customers. Moreover, delivery times are considerably much shorter than few years ago with better tracking technology and multiple shipping choices. Consumers are much less reluctant today, even if this is absolutely not a generality, about paying with their bank card on sites.

It is also worth mentioning that even the customer service is much more developed and successful, with advisors present in the form of chat or phone number to reach the staff and deal with customers issues. This service can now be easily outsourced to a business partner which allows the business to strengthen customer confidence.

Weaknesses

Online payments are subject to fraudulent activities, and although the cases remain rare with fully established e-commerce businesses, not everyone are comfortable with giving their banking information or credit card information to a website online. The business may offer cash on delivery as a payment method. However, this method is limited to certain areas and almost impossible to implement on an international scale. In addition, the customer may change his opinion and reject the delivery after it has been shipped to his destination, which means a loss of resources for the business.

In online shopping, customers cannot test the product before making a purchase, all the customer sees are the demonstrative pictures and videos that the online store has displayed and the descriptions of the product. Some customers might be skeptical about a number of things regarding the products such as the quality, the possibility of failed shipment or breakage in case of a delicate item such as hi-tech devices. Or in a case of an expensive product which would require some sort of an insurance and professional customer service follow up.

Opportunities

There are many opportunities in this business sector, based on the development that the technology is introducing, the market is bound to grow even further, and more e-commerce businesses are going to be developed to the extent that even physical stores are now allocating a considerable part of their activities online via an electronic platform. This has introduced the option for customers to make the purchase or reserve the product online and visit the physical store to collect it.

Another big opportunity that is introduced in the online shopping industry is the growing number of consumers around the world. Electronic devices are continuously invented and improved which reduces the prices of these gadgets to a level that not only consumers from developed countries have access to them, and large portions of users from developing countries are now experiencing this venture which will increase the number of potential internet shoppers.

Threats

The barrier to entry in the e-commerce industry is relatively low, which means that existing businesses are constantly jeopardized by new competitors who can join the market from anywhere in the world and introduce new and innovative e-commerce stores, which is an element that does not affect the success of the e-commerce industry but perturb individual and small businesses.

The majority of payments in e-commerce are processed digitally which makes it a target for fraudsters who perform illicit activities anonymously such as making purchases using stolen payment details, which is a big threat for the industry. Moreover, when customers make a purchase online, they are required to give a lot of sensitive information such as personal addresses and payment details. This amount of data could have devastating consequences if it gets mishandled and falls in the wrong hands.

Another big threat in the e-commerce industry is the possibility for monopolies to develop, since online stores can supply entire countries or even the entire world. Especially when a certain company reaches an elevated level in term of profits and reputation. The effect of Amazon on bookstores in the United States of America is a perfect example of this trend since it has become the one-stop-shop for books, leaving competitive stores going out of business, and it is always a possibility that this trend may spread into other markets. (Bush 2019; Shabat 2021.)

5.3 Risk management

Risk management is a structured approach to managing uncertainty related to a threat through a sequence of business activities including identification, approach analysis and risk assessment, and then establish strategies for its treatment using managerial resources. These strategies include transferring the risk to another party, avoiding the risk, or at least reducing its probability or the negative impact of the risk, and

accepting some or all of the consequences of a particular risk through an informed decision. Risk management strategies focus sometimes on containing risk from natural or legal causes, such as a global pandemic, natural disaster, accidents, death or lawsuits. On the other hand, financial risk management focuses on the risks that can be managed using financial and commercial instruments. (Wolke 2017, 1.)

In the case of e-commerce, risk management is very relevant, taking into account that the company operates in the digital environment. This exposure increases the variety of risks that can damage the operation of the business compared to the physical environment, in addition to the constant development of new risks, with changes in the way the digital world works. Risk management in e-commerce, as in other sectors, involves a series of steps that must be taken to ensure that all risks encountered are mitigated or minimized. The company should identify in detail all possible risks that may affect the operation of the business. The most prominent risks involved in e-commerce are security related risks and financial risks. In virtual trading the occurrence of fraud and other risks related to virtual threats are very common and require updated means of verifications that keep up with the development of fraudulent activities. Moreover, the strategy adopted by the company in relation to policies with customers, transparency in relation to products, support for consumers and the relationship with partners and suppliers, and lack of inventory control, could all present a risk for the business activity. (Niedbala, 2020.)

5.4 Financing the business

Generally, launching a business activity requires financing. However, the level of financing required depends on the business sector of the company. However, an initial investment to establish the enterprise and start operations is required. At the stage of establishing a business plan, financing calculations help to determine the estimate of the financial requirements and the potential sources involved.

The options available for entrepreneurs to fund their business are multiple, namely there is:

- Equity capital

It means that the business founder invests his own money or other assets as capital contributions. Personal savings, tools or machinery of the entrepreneur are considered self-financing, which lenders require a business founder to have in a certain percentage before granting a loan. Friends and relatives may also invest in the business in exchange for a stake in the company, and thus they are considered

investors and stockholders. The funds invested in the business face the risk and uncertainty in case of a business failure, and in that event the investors will be repaid their investments only after a settlement of creditors' claims. Generally, investors provide equity capital for the purpose of owning sufficient shares of the company which would grant them to some extent a control over the business, and may benefit from periodic dividends, and over time the value of their share may increase granting them a significant profit in case they choose to sell. (AccountingTools 2021.)

- External liability

In addition to equity the entrepreneur typically needs external capital in the form of loans. Finance providers like banks require guarantees to secure the loan such as the pledging of a property or other assets. The loan is subject to an interest margin in favor of the finance provider plus a handling fee. Terms for repaying the loan differ depending on each finance provider. (Uusyrityskeskus 2020, 28.)

- Public funding

Another financing option is the public funding which is a business development support provided from the Center for Economic Development, transport and the Environment (ELY Keskus). And among other things Business Finland specifically finances small and medium companies targeting the international market. (Uusyrityskeskus 2020, 28.)

- Funding for business creators and new start-up businesses

If the company does not possess all guarantees required by the bank, the Finnish state-owned financing company Finnvera can help the starting company with a partial guarantee to complete the loan application and which the bank will request on behalf of the entrepreneur from Finnvera. This initial guarantee is intended for small and medium-sized start-ups. These companies must be registered in the commercial register for a maximum of three years and owned by natural persons. Cooperatives are excluded from this start guarantee since it can only be granted to Finnish enterprises or registered proprietorships. The entrepreneur or the company is not required to apply for Finnvera directly as it is the bank that takes charge of the application. The guarantee coverage that Finnvera offer can reach up to 80% of the total sum of the start guarantee within the limit of 80,000 euro. However, if the company is applying for a bank loan but does not fulfill the criteria for the start guarantee, then it might apply for a guarantee from Finnvera in favor of financing the bank loan, mainly 50% of the total value of the loan. (Uusyrityskeskus 2020, 28-29.)

- Capital investors, business angels

The capital investor or the business angel invests money in the business in return for an equity stake, typically less than 50% of the shares. Those shares are normally sold after 3 to 7 years. The investment target is often a company aiming for rapid international growth. The investor will take as much risks as other shareholders of the company and will be remunerated, if the company is successful. The investment conditions will be precisely defined in the shareholders' agreement. In addition to financing, the company can use the capabilities and networks of the capital investor. A skilled capital investor will often bring deep insights and experience to the development of the business. Suitable capital investors can be found for example on the web pages of the Finnish Venture Capital Association “Pääomasijoittajat ry” at www.paaomasijoittajat.fi. (Uusyrityskeskus 2020, 31.)

- Crowdfunding

Businesses can benefit from a loan-and-investment model or crowdfunding based on advance sales. Investment-based crowdfunding means that companies issue stocks or bonds to investors. Loan-based crowdfunding means that companies borrow money from the public and promise to repay it under certain conditions with or without interest. In advance sales crowdfunding, the company reaches a large number of consumers and markets its product to them. This type of funding is often requested via a crowdfunding platform run by a crowdfunding mediator. Crowdfunding mediation is subject to authorization or registration in the Financial Supervisory Authority. (Uusyrityskeskus 2020, 31.)

5.5 Choosing the form of the company

In order to carry out business operations, it is essential to get acquainted with different forms of enterprises available in Finland, which is influenced by several factors such as the number of the business' founders, the financing needs, the decision-making responsibilities, profit sharing and loss coverage, and taxation.

- Private entrepreneur

Any individual residing within the territory of the European Economic Area (EEA) can practice trades as an individual entrepreneur. If the founder of the company resides outside the EEA, they will need the license from the National Board of Patents and Registration of Finland.

Individual entrepreneur can be a self-employed professional, or a trader. A self-employed person does not specifically have a fixed place of business. For example, an artist or a designer can work as a self-employed worker without a permanent workplace or labor force. A craftsman or a trader is an entrepreneur who has a fixed address of business and can employ staff for his business activities.

The sole owner carries out commercial activities on their own, and they are personally liable for the business's losses, but may also receive any profits gained from their business operations withdrawn from the business account as personal drawings, for which an annual tax is paid based on the performance and results obtained from the business during the period. Hence the reason the entrepreneur should maintain a bookkeeping of the business's finances and not confuse them with their own personal finances.

In order to establish this form of enterprise, the entrepreneur needs to notify the Finnish trade Register and the Finnish Central Tax Administration of the initiation of business operations, which can be fulfilled by means of the Y-3 form available on the website www.ytj.fi. Also, business owners have to complete a personal data form to fulfill their business registration for a price of €60 if the notification procedure is processed online, and €115 in case the notification was processed in papers. Once it has been fulfilled the entrepreneur can begin business operations immediately unless the trade requires a license or awaits pending start-up funds. (Suomi.fi 2021a.)

- General partnership and limited partnership

The creation of a partnership-based enterprise requires a minimum of two business partners or individuals involved in business operations, this includes a natural person, or a legal person meaning an enterprise or organization. The partnership can be a general partnership or a limited partnership, and one of the parties involved must have a permanent residence in the EEA area or have a domicile in the said area. Otherwise, all partners outside of the EEA area are required to obtain a license from the National Board of Patents and Registration of Finland. The contributions in the partnership made by partners consist of monetary contribution, assets, or work. However, in the case of a limited partnership, silent partners are required to invest money or assets as their contribution although the law does not specify the amount of the contribution.

To establish this form of business, the partners need to produce a written partnership agreement which specify the trade name of the business, its domicile, the line of business, and the partners personal information. In case of a limited partnership, the written agreement should specify which partners are

general and which are silent and the value of their contribution. The partners may also include in the agreement other legal arrangements such as the liability of each partner, their privileges and responsibilities, and the termination procedure in the consequence where cancellation of agreements is desired. Thereafter, the agreement should be registered in the Finnish trade register and the Finnish central tax administration by means of the Y2 form, and also the personal data form should be filled. All of these are available on the website www.ytj.fi and cost €240. Generally, the partnership agreement has an expiry period counting three months from the day of its signing. Therefore, it must be registered within that period. (Suomi.fi 2021b.)

- Limited liability company

A limited liability company can be created by one or several entrepreneurs or organizations. The founders or shareholders can reside in Finland or abroad. If a private limited company was founded only by one person, that person can own all the shares of the company. Although, the company can be established without share capital and the shareholders are liable for the invested capital of the company which they provide by themselves unless they have an assured loan on behalf of the company. The limited liability company must have a board of directors elected by its shareholders. The board of directors oversees the management and represents the company and can elect a chief executive officer if needed.

If the company was founded by a single founder, that person may represent the board of directors by himself alone. However, in this case at least one deputy member must be elected for the board of directors because a deputy member must always be elected if the board of directors is composed of less than three members. At least one member of the board of directors and one alternate member must reside permanently in the EEA area. If this is not the case, authorization must be sought from the National board of Patents and Registration of Finland for all members located outside the EEA area.

To establish a limited liability company, first it must be registered in the Trade register and then it is necessary to draw up a constitutive act written and signed by all shareholders and accompanied by the statutes. The articles of association include at least the company name, the registered office in a Finnish municipality and the sector of activity. The constituting act should specify at least the date of the act, all shareholders and the shares they have subscribed to, the amount to be paid to the company per share meaning the price of subscription, the time limit for payment of the action, and the members of the board of directors. And, it should mention in case of a necessity the managing director, members of the board of directors and the auditors of the enterprise. If all requirements are met, the establishment actions of

the company could be completed online by means of the website www.ytj.fi. When the company is established online the YTJ service drafts a constituting act and articles of association for it. Afterwards, a bank account should be opened for the company in which the capital would be deposited. Once that is done, the board members and director should sign a declaration of payment of the capital in the YTJ service. The auditor must sign a separate declaration as well, and if there is no auditor in the company, then a bank statement or a receipt of payment of the capital should be enclosed to the report. The notification to the trade register should be submitted within three months starting from the day the constitutive act was signed. The registration process costs €275 in case it has been completed online, and €380 in case it has been completed on paper. (Suomi.fi 2021c.)

- Cooperative

A cooperative is a company which the members own and manage together. The cooperative can be created by a single individual or by several people. The founders can be entrepreneurs or companies or communities. And they pay a contribution which they decide for themselves the amount of this participation. The value should be identical for all members involved. The cooperative returns the participation amount, if the member chooses to withdraw or in case they were fired. The members take their business decisions at the general assembly of the cooperative. Generally, each participant has one vote. At the general meeting, the members elect a board of directors which oversees the management of affairs and represents the company, and if they wish they appoint a general manager. The cooperative is responsible for its debts. The responsibility of the cooperative member is limited to participation. If the cooperative needs a loan, the bank can ask for a deposit from the members of the cooperative. In this case, the members are also liable for the debts with regard to the surety. However, the assets and profits of the cooperative belong to it, and only the rules of the cooperative can define the distribution of the results to the members.

To create a cooperative, the members design a written memorandum of association signed by all of them and accompanied by the rules of the cooperative including the name, the registered office of the cooperative within a municipality in Finland, and the line of business. Also, the memorandum should state the date of the establishment, the incorporators and their registered participations, the amount of participation and the deadline for its payment, the members of the board of directors and if necessary, the chief executive officer, and auditors. The members of the cooperative can conclude an agreement by which they specify the distribution of tasks and responsibilities and the handling of conflicts according to their arrangements. However, this agreement between the members is not attached to the declaration of activity. The cooperative must then be filed for registration in the trade register within three months

of the signing of the memorandum. The declaration is made using the Y1 form and its appendix 2. Afterwards, a personal data form must be completed, accompanied by the original memorandum of association and a copy of the rules. The cost of the registration is €380. (Suomi.fi 2021d.)

- Branch of a foreign company.

A branch is a part of a foreign company which has a permanent seat in Finland carrying out permanent activities. The corporate name of the branch must contain the name of the foreign company with an addition indicating that it is a branch. This addition can be for example “branch in Finland”. A branch company is registered in the trade register by means of a declaration using form Y1 and its appendix 3 form. In addition, the founder will need to fill out the personal data form. And the branch company cannot start the activity before the declaration is completed. And if the foreign company is located outside the EEA area, the authorization to establish a branch in Finland should be requested from the National Board of Patents and Registration. (Finnish Patent and Registration Office 2021.)

5.6 Legal obligations related to entrepreneurial activities

There is a number of legal obligations that an entrepreneur should remember when starting entrepreneurial activities in Finland.

5.6.1 Registering a company or private entrepreneur

Generally, all companies must register in the Finnish trade register. The information declared in the register is public and it is available online on the website www.prh.fi/kaupparekisteri. Individual entrepreneurs are not required to register if they do not work in a sector of activity subject to authorization by the authorities, if they do not have separate business premises outside their own home, or if they do not hire employees other than their own family.

When the company is registered in the trade register, it is suitable to enroll simultaneously in the registers of the Finnish Central Tax Administration, including the withholding tax payment register, the register of employers, and the VAT register, all of which are conducted free of charge except for the registration in the trade register, which is subject to a fee. Afterwards, the company obtains a unique business ID by which it becomes identified and used in all business contracts. This identification is also necessary to

process the company's files with the Finnish Central Tax Administration or Trade register, and it should always be included on invoice forms and other company's forms.

The registration of company's name should meet certain regulations, it should be unique and clearly different from all other business names that are already registered. Any registered name is protected by law and cannot be confused with other business names and should not mislead the general public to believe that it is affiliated with other businesses or provide false information in regard to its sector of activity or violate public order in general by explicit significances or illegal activities. The name of the company also indicates the form of the business. An individual entrepreneur can use the indication "tmi" or "toiminimi", if they wish to do so as it is not obligatory. The name of the limited partnership must contain the word "kommandiittiyhtiö" or the abbreviation "ky". The name of the public limited company must contain the word "osakeyhtiö" or the abbreviation "oy". The name of the cooperative must contain the word "osuuskunta", "osuus" or the abbreviation "osk". The legal name of the foreign branch must contain the name of the foreign company and the extension indicating that it is a branch such as "sivuliike Suomessa". (Uusyrityskeskus 2020, 62-64.)

5.6.2 Licensing

In Finland there is freedom to perform commercial activities, which means that any individual can carry out entrepreneurial activities that are lawful and in accordance with good practice generally without authorization from the authorities. However, before starting a commercial activity, it is important for entrepreneurs to check whether their activity is subject to an authorization or declaration; because in some industries, a license or several licenses from the authorities is essential to make sure that the business activity is safe for society, the environment and consumers. These authorizations are granted from regional administration offices, government agencies, local environment protection authorities and other licensing agencies. The sectors that require a license prior to launching a business activity include food and alcohol related establishments and stores, health care products and services, and professional activities that require specific qualifications such as transport and logistic drivers. In general, licenses are given for a determined period with the possibility of cancellation in case the business violates the terms of the license. When a business owner applies for an authorization, they have to pay a fee for the application; and depending on the field of activity, sometimes several licenses might be needed, and each can be obtained from different authorities. For example, an establishment that deals with food and drinks such as restaurants and bars require hygiene certification, a declaration to health inspector, a

license to handle alcoholic beverages, a certification for the inspection of the premise in accordance with regulations, and the evacuation and rescue services in case of emergencies.

In case of an e-commerce business, the need for a license depends completely on the nature of the products to be marketed and whether the business is importing or exporting the goods. Exporting generally does not require a special license. However, importing goods from foreign countries is subject to licensing which can be granted by Authorization center of the Finnish customs and can be concluded online via the website www.tulli.fi. Business activities that deal with importation of foreign goods require specific authorizations in accordance with the nature of the products, and in case a business owner indulge into a commercial operation without the proper licensing or lacking some technicalities, that could lead to serious penalties or even suspension from business activities, which could potentially harm the reputation of the business brand and cause an inconvenience for the entrepreneur in future projects. (Uusyrityskeskus 2020, 40-44.)

In Finland, businesses operating in certain sectors require a separate license from a specific organization or authority in charge of that area, the following table contains some examples of such business areas.

TABLE 1. Business Sectors and industries that require a license or notification in Finland (Invest in Finland Finpro 2019, 24-30.)

Activity Area	License, Notification or Registration	Organization or Authority
Companies including limited liability companies and cooperatives	Notification of the establishment of the company and its owners	Finnish Patent and Register Office www.prh.fi
Establishments serving food and drinks (restaurants, cafés, stores, bakeries, kiosks)	Notification of a food establishment	Municipal food control authority www.localfinland.fi
Wholesale of alcoholic beverages or importing alcoholic beverages	Wholesale authorization of alcoholic beverages or license of importation	National Office of Social and Health Surveillance Valvira www.Valvira.fi
Retail sale of alcoholic beverages	License for retail sale of alcoholic beverages	Regional administrative agency www.avi.fi
Retail sales at licensed premises	Retail license for licensed premises	Regional administrative agency www.avi.fi
Beauty salons, hairdressing salons	Authorization procedure in accordance with Article 13 of the Law on Health Protection at the start of the activity	Municipality health protection authority www.kunnat.net

Private Healthcare services	Application for licence to provide private health care services	Regional state administrative agency – www.avi.fi Activity within the region of two or AVI agencies: Valvira www.valvira.fi
Pharmaceutical wholesale businesses, pharmacies and pharmaceutical products	Pharmacy and subsidiary pharmacy licences, medicinal product manufacturer's authorization, and pharmaceutical wholesale license	Finnish Medicines Agency Fimea www.fimea.fi
Telecommunications, programmes and media services	Telecommunication notification, program broadcasting notification and media services notification	Finnish transport and communication agency Traficom www.traficom.fi
Temporary sales activities, mobile cafés and kiosk operations at parks or roadsides	Permit for temporary sales, agreement on kiosk and café operations	Centre for Economic Development, Transport and the Environment www.ely-keskus.fi
Taxi services	Taxi license	Finnish Transport and communications agency Traficom www.traficom.fi
Technical inspection of vehicles	Inspection permit	Finnish Transport and communications agency Traficom www.traficom.fi
Transport of goods using a vehicle with a total weight of 2000 kg up to 3500 kg	Notification of freight transport operations	Finnish Transport and communications agency Traficom www.traficom.fi
Professional transport and transmission of waste	Application for registration of activity in the waste treatment register	Centre for Economic Development, Transport and the Environment www.ely-keskus.fi
Manufacture and import of chemical products	Notification on the chemical products, Environment permit	Tukes – www.tukes.fi Municipal environmental protection authority www.localfinland.fi
Refrigeration and fire extinguisher professionals	Notification of activity	Tukes – www.tukes.fi
Individuals acting as a responsible manager or other delegated worker in licensed premises	Alcohol passport	Catering training institutes with organizational authorization from the Council of State or the Ministry of Education www.valvira.fi
Driving instructors	Driving instructor permit	Traficom – www.traficom.fi Service provider Ajovarman Oy www.ajovarman.fi
Real estate agents	LKV examination	Board of examiners for real estate agents www.kauppakamari.fi

Insurance agents and brokers	Registration as an insurance agent or broker	Financial Supervisory Authority www.finanssivalvonta.fi
Private security services	License and approval for security business	National police board, supervision of the security sector www.poliisi.fi

5.6.3 Invoicing and payment processing

For companies that do not use cash as a payment method, it is necessary to arrange an invoicing service to process payment transactions. It could be completed by issuing invoices after each customer's purchase by the company itself or via a financing company that takes charge of all accounting services in exchange for a fee. (Uusyrityskeskus 2020, 80.) However, e-commerce businesses require digital payment, especially when dealing on an international scale, and customers would need to pay for their purchases prior to getting them shipped to their destination. For this reason, e-commerce stores use payment methods such as credit and debit cards, digital wallets and payment processors including PayPal, Google pay, and Amazon Pay. However, an e-commerce business may opt for a buy-now-pay-later solution which is provided by payment processors such as Klarna, Affirm, Afterpay, and Sezzle. This option is mostly adopted only on national level. (Kilpatrick 2021.)

5.6.4 Bookkeeping and financial statements for the company

According to the Finnish Accounting Act, all companies are required to fulfill their accounting obligations. This means that profits, expenses, assets, funds, and debts must be recorded. Bookkeeping can have an impact on the company's economic situation. The business owner may entrust all accounting management to a financial firm which is usually composed of experts in accounting and taxation and can take charge of the responsibility of calculating salaries and the company's expenses. Nevertheless, the entrepreneur should also understand the basics of economic affairs himself because he remains responsible for the proper management of the accounting even though it has been entrusted to an accounting office.

During the accounting period, the company is required to maintain a day-to-day bookkeeping based on supporting documents such as sales invoices, purchase invoices, bank statements, salary calculations and cash receipts, all of which are the responsibility of the entrepreneur to produce and deliver to the

company's accountant, and he remains liable for the legality of these documents even if he chooses to outsource the tasks related to handling these documents. The day-to-day bookkeeping and payroll management is conducted on a monthly basis, which requires the entrepreneur to agree with the accountant in writing on the tasks to be performed by each of them, and how the bookkeeping materials should be delivered.

Bookkeeping can be single-entry or double-entry. In single-entry accounting, the income statement is based only on income and expenses of the business, while double-entry bookkeeping means that all business transactions are entered into two accounts, debit account and credit account which are the basis for the income statement and the balance sheet. Self-employed and private traders do not have to apply double entry bookkeeping if no more than one of the preconditions is met during both the last and preceding financial period. Those preconditions include:

- The total balance sheet exceeds €100,000.
- Turnover or corresponding income exceeds €200,000
- At least three employees are employed.

The accounting period for businesses is normally 12 months. However, the first accounting period for a start-up company may be longer or shorter than 12 months but may not exceed 18 months.

Businesses are required to prepare financial statements within 4 months of the end of the company's accounting period or earlier if necessary for the tax return submission. The financial statement shows the results of the business activities and include the company's profit and loss account, a balance sheet and a note to the financial statements. These documents are the basis for the payment of taxes and should comply with specific formal requirements of the Finnish Accounting Act. (Uusyrityskeskus 2020, 82-84.)

5.6.5 Value added tax (VAT)

The value added tax is a consumption tax which the business adds to the sales price of goods and services. It is a requirement to be paid by almost all businesses providing products or services, and generally the tax percentage is 24% for most products, 14% for food products, restaurants and catering services. and 10% for products such as books, newspapers, pharmaceutical products, physical exercise

services, accommodation services, movie screenings and entrance fees to cultural and entertainment events, royalties relating to tv and podcasting activities. On the other hand, VAT is not applied to categories such as healthcare and medical services, social services, general education and vocational training services, financial and insurance services, postal services, selling and renting real estate, copyright fees, and activities that include fees in exchange for certain performances.

For e-commerce businesses that operate internationally and deal with suppliers and customers from other countries, tax must be paid for the importation of products in connection with the Finnish customs clearance. However, selling products to non-European countries is tax-free in general. On the other hand, companies that are registered in the VAT register must declare and pay the VAT by submitting a VAT return to the tax administration. (Vero 2020.)

5.6.6 Income taxation

Based on the bookkeeping and financial statements of the company, taxation value is determined in accordance with the Accounting Act. The business pays income tax based on the taxable income, and it is collected as an advance tax payment. If too little withholding tax has been paid, it can be supplemented by an additional payment or by residual taxes later.

As a private trader, the entrepreneur pays income tax at a personal tax rate based on the taxable income earned from the business activity as a salary. The tax rate is progressive according to the development of income as the business activity grows. The company's income is divided into earned income and capital income, which is based on the net assets. The share of capital income is calculated as 20% of net assets of the previous year, and the remaining is gained income. Alternatively, the entrepreneur can choose to limit the capital income to 10% of net assets or decide that all business income to be considered earned income. (Uusyrityskeskus 2020, 85.)

5.7 Entrepreneur's insurance

All entrepreneurs in Finland are required to take a pension insurance (YEL) once the income revenue from their business activities reaches €8063.57 per year, and they have worked consecutively for 4 months. It is a personal pension and social security insurance designed to protect self-employed

individuals. The level of coverage that the insurance provide is determined by the entrepreneur's professional income as it should correspond to the salary that an employee must pay to perform the same work. The benefits that the income level affect include illnesses, unemployment, parenthood, Accidents, and pensions and rehabilitations. (Elo 2021.)

6 PRACTICAL CASE

The practical case in this thesis is based on the planning and testing phase to develop a successful ecommerce store operating on a dropshipping business model. To guarantee a competitive edge in this type of activity it is necessary to perform a market research based on the competition, the targeted customers, and the potential suppliers prone to accept collaboration under a dropshipping model. Moreover, it is necessary to ensure a reliable platform that maintain the online store up and running optimally.

6.1 Choosing a niche

Based on a research conducted following market trends, and keywords prevalence, it has been decided that the niche for my store is going to be a general niche, which means that the shop will be composed of several products from different niches. The reason behind this decision is that for starting a dropshipping business, finding a successful product in a specific niche that has low competition and the potential to generate enough sales to cover the initial investment could be challenging and require extensive trials and testing to determine the correct niche. Moreover, the uncertainty if a specific niche would work in the market makes the store unable to follow a stable growth pattern. On the other hand, a general niche store has the flexibility to follow ongoing trends in the market and include them in the store to test their efficacy which means testing multiple niches and analyze the results to determine which type of products has more potential and conversion rates and consequently enhance advertisement budget into that niche.

6.2 Establishing the store and domain name

The creation of my store has been conducted by means of a plugin software from AliDropship which is designed for installation on WordPress. The total investment included a one-time fee of 89 USD for the software, and an annual hosting fee of 48 USD. As my website is a general niche store, the theme used should take that into account, which means that the design of the website needs to accommodate a solid catalog of products of different niches, without any products feeling out of place. In addition, the online

store must be user-friendly and responsive when viewing on a smartphone, tablet, or desktop computer. With consideration to these factors, I opted for a theme called ‘El Greco’ available through the AliDropship platform. The theme is simple and easy to navigate and features several categories at the top of the page. The background is white and neutral so that the products are easier to distinguish.

The domain name of the store must be composed of keywords related to the business activity of the website. It should be short, easy to pronounce and memorable. Also, it should take into account words or phrases that are SEO-friendly. Usually, for a specific niche store, main keywords of that particular niche are the most practical choices. With that in my mind, a general niche store should have a domain name that reflect the diversity of products provided on its platform. The process of finding a suitable domain name composed of a few keywords related to a general niche store is a challenging task and may require extensive research to find the most suitable one. Ultimately, I used the domain name ‘MyMixShopping.com’ which is composed of three words, relatively easy to remember, and reflect on the fact that the website has a mixture of products, and the shopping experience would accord the customer with the opportunity to discover products from different categories. When performing a search on Google and other alternative search engines using the keywords ‘Mix shopping’, we can see that there are few online stores endorsing the same concept which means that there is an opportunity to gain a competitive advantage by improving the search engine optimization on the website.

6.3 Finding suppliers, promotion tests and store launch

The process of finding suppliers for a general niche store depends on several aspects including the type of products that has high demand and going viral, the warehouse geographic location of the supplier in relation to the target customers and the duration of delivery. And the reputation of the supplier in regard to the quality of their products and services. To determine which products are performing well in the market and which has the potential to become best sellers, platforms such as ‘ecomhunt’ and ‘pexda’ could provide a useful general overview on which products store owners may put to the test. Also, the website AliExpress can be used as a source of information in this regard. However, social media advertisements are one of the best ways to discover niches that has high demand products based on the engagement and interactions that they generate. Once certain products have been selected for testing, we need to find reliable suppliers that accept dropshipping collaboration and have a positive reputation. AliExpress contains an extensive number of suppliers worldwide with information regarding their performance and rankings through which we can determine the quality of their services. The completion

of the store was concluded when products have been set up with detailed descriptions in accordance with the information provided by the suppliers. Also, to add value to product listings, several customer reviews have been provided by suppliers from customers that have purchased and tested the products, and this would introduce a social proof for quality of the listed product and help motivate customers into making a purchase.

Once the store is setup and ready, I run a few promotions to test the products by means of Facebook Ads. The testing strategy consist of assigning a daily budget of 5 Euros for each product and analyze the campaigns in a time span of three days up to five days. Based on results gathered from potential customers' engagement rates, ad clicks, visits, and sales generated from each campaign I decide which ad-unit should be cancelled and the product removed, and which ad-unit should be developed and increase its daily budget. Additionally, to enhance the visibility of the store, I decided to run several search engine marketing campaigns to expand the reach of the website and run additional testing to existing products and new ones.

6.4 Online store projection and future development

The objective of the current stage of product testing is to determine a niche or a set of niches on which the store will focus in future campaigns, which means that the business will outline the type of products it will offer and consequently build an exclusive brand. Also, an aim is to expand the database of customers and improve the ranking of the website on search engines by utilizing search engine marketing strategies and search engine optimization. After building a brand, a marketing strategy will be implemented based on the results accumulated from the niche and product testing. The results will determine the demographics of the targeted customers and the best channels to reach them. It will outline the competition and define the level of difficulty for the business to seize a market share and build a brand awareness.

The financing of this project so far has been backed by means of personal savings. Generally, a dropshipping business does not require expensive budget to launch. The cost of running a dropshipping business may start as low as 500 Euros a month or even less, but as the business grows and generates enough sales to cover the initial costs and produce a revenue, the budget increases as well. Once the business has identified a specific niche and built a brand with a tested marketing strategy, the next step would be developing the activity from a freelancing activity to a company and apply for a budget loan

to expand the business on a larger scale. Building a business brand would mostly mean switching from dropshipping model to white labelling or private labelling model. Therefore, the business activity will introduce a necessity to acquire an extensive volume of branded products and a storage area or warehouse, and a team to manage the logistics and shipping of customers' orders.

7 CONCLUSION

The subject of this thesis has been chosen for the purpose of researching the modalities required to launch a start-up business in Finland. This research is motivated by an ambition to start a business in e-commerce; and the information obtained are very valuable in term of my planning phase since it made several related elements more conceivable, which includes researching the favourable business model in e-commerce for my plans; and the type of entrepreneurship most convenient to adopt in the early stages of the business. Implementing the collected knowledge from this research combined with the technical skills obtained during my studies, would help minimize the risk of committing mistakes during the practical stage, and avoid as much as possible any potential organizational or technical problems.

E-commerce is a vast industry with diverse components that a thesis research cannot accommodate entirely. Hence, the reason this thesis mentioned particularly four types of business models in e-commerce which are believed to be presently the most prominent in the industry with relatively low entry barrier and fair potentiality for success. The low barrier has made dropshipping, wholesaling and white labeling, a set of business forms that are frequently adopted by starting entrepreneurs with small financial plan and limited experience. The modest initial requirements in term of business budget allows the starting entrepreneur to begin the activity without acquiring a substantial monetary contribution, which in fact reduces the risks of the repercussions of a possible business failure.

Furthermore, this thesis contains information about several modalities to establish a company in Finland, which is applicable for several types of companies in diverse sectors. In theory, the information related to registration, bookkeeping and taxation are all commonly used for any start-up business regardless of the field of activity. However, licensing may require specific stipulations and legal obligations depending on the sector of activity and the type of products that the business produce or distribute. This matter has been addressed in this thesis and clarified each activity area that require a licensing along with the authority that takes charge of the process by means of a table. The sources used in the theoretical description on how to establish a company and the legal obligations related to it are official sources and up to date in accordance with local authorities. The entire process is not complicated and can be completed mostly online, which is more convenient and less expensive than the paper processing measure. In a nutshell, this thesis can serve as a preliminary source of information for any individual who contemplate starting a career in entrepreneurship and launch own business in Finland.

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