



# **Entering the Finnish E-Commerce Market as a New Consultancy Agency**

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## **ABSTRACT**

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The commissioner of this thesis was a company operating from Finland in the European E-Commerce markets. They had never traded in the Finnish market and wanted to gain more information on it. Thus, the objective of this thesis was to gather information on how to enter the Finnish E-Commerce market as a new Consultancy Agency. The focus was on investigating the current situation of the market, what is a successful market entry, and how would you measure the success.

The research was conducted with literature review and interviews. Based on the findings it was established that the Finnish E-Commerce market is growing but also maturing and becoming saturated with competition. It was determined that the easiest way to enter it was to form management contracts with other businesses. In order to measure the success of the market entry seven different Key Performance Indicators were chosen.

The main limitation of this paper is that the author is not an expert on programming, and thus cannot comment on the feasibility of Commissioner's service design for the market.

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Key words: new market entry, e-commerce, consulting

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# **1 INTRODUCTION**

Entering a new market is a part of company growth. It presents new opportunities while also posing new risks. The main opportunities are to find new customers, to generate more profit, to find new employees, and in some cases, to reduce production or distribution costs.

This chapter introduces why this thesis is created, what the goals are, what methods will be used for data collection, and what the structure of the paper will be.

## **1.1 Background**

This thesis is created to answer questions of the commissioner of the paper. They wanted to gain a better understanding on how to enter the Finnish E-Commerce market as a new Consultancy Agency. When planning to enter a new market it is important to understand the current market situation, what kind of initiative is needed to enter the market, and what kinds of Key Performance Indicators (KPIs) should be used to measure success of the endeavour.

## **1.2 Goals**

The goal of the thesis is to answer the main research question of “How to enter the Finnish E-Commerce Market as a New Consultancy Agency?”. To make this task easier three supporting research questions are defined as follows:

1. How is the Finnish E-Commerce market currently?
2. What are the criteria for successful market entry?
3. How to measure them?

## **1.3 Methods**

The research presented in this paper was implemented with qualitative methods because those yielded the most relevant information. Literature review was the starting point to gain broad knowledge and to make sure that information presented to the reader is credible. Unstructured and semi-structured interviews then deepened the knowledge and opened different points of view further.

Literature review often is the starting point of the thesis process so that it is known what has been discovered of the topic before, and it can be divided into having conceptual and empirical approaches. Conceptual approach usually recognises points where different writers agree or disagree with each other whereas empirical approach seeks to draw more practical interpretations by collecting many empirical studies and comparing them. Literature reviews can also be divided into narrative, systematic, and meta-analysis. Narrative review gives a broad perspective on the topic. Systematic review has before defined criteria for what studies can be included, and how to analyse and report them. Meta-analysis collects multiple sources and looks at them in quantitative ways. For this thesis narrative review is used with the conceptual approach so that a broad perspective of the topic is gained, and it is shown whether different authors agree or disagree on certain points. (Hammond & Wellington, 2020, 99-102.)

Interview is an interactive way to conduct research that allows the researcher to see an event or topic from the point of view of the people that are key to the research. It not only happens when two people are talking but also when the researcher creates a set of questions in preparation of it, and when they analyse the answers. (Hammond & Wellington, 2020, 91-94.)

Interviews can be conducted in structured, semi-structured or unstructured way. For this research semi-structured and unstructured methods were chosen. Semi-structured method was chosen for two interviews because it is flexible while having structure. What this means is that interview questions will be prepared based on theory while leaving space for interviewees to offer new insights to the research and the researcher to ask for clarification. (Galletta & Cross, 2013, 1-3, 76-84.)

The unstructured interview will be used for one interview to aid the construction of the buyer persona. With the unstructured method the interviewer does not have a set of questions prepared as the aim is to hear a story from the interviewee. This allows the interviewee to express things with their own words while the interviewer simply makes sure that all key points are covered in depth enough. (Revella, 2015, 39-41, 64-66.)

#### **1.4 Structure of thesis**

The thesis begins with this introductory chapter and then continues with the second chapter where the commissioner is introduced, and limitations are discussed. Chapters three, four and five will be based on literature review and interviews. Chapter three establishes the current state of the Finnish E-Commerce market. The fourth chapter will then build on and explore how it is possible to enter the market. The fifth chapter will introduce criteria for success and what KPIs can be used to measure progress. A market entry plan is introduced in chapter six along with recommendations. Conclusions are presented in the seventh chapter.

## **2 STUDY CASE AND CURRENT SITUATION**

The commissioner is a Small-Medium Enterprise (SME) operating from Finland in the European markets. The industry that they operate in is E-Commerce and specifically DevOps. This means that the commissioner consults corporations on running their online stores, which can include training their personnel, doing the upkeep tasks and/or providing further information for decision making.

Their existing company is stable, and they have been able to build their reputation as a sole trader. Now they want to explore if it would be wise to establish a limited liability company on the Finnish market. They are aiming to trade in the business to business (B2B) side of E-Commerce over the consumer market. The consumer market rarely has large enough online stores that they would require a consultant to help with the upkeep or training of staff. An example of the consumer side of E-Commerce is an individual selling knitted goods that they create in their free time as supplemental income.

The budget for the market entry would be rather small because the commissioner is not currently considering looking for investors to help in establishing the new business. They also have clarified that they are willing to learn about other options too.

### **2.1 Limitations**

First limitation is that the author is not an expert on DevOps or programming and thus cannot discuss the topic on a deep level. Second limitation is that the commissioner does not sell any tangible goods, all services rendered are created and consumed online. This also means that there is no long chain of logistics that would need to be considered in the paper.



### **3 CURRENT STATE OF FINNISH E-COMMERCE MARKET**

This chapter introduces the current situation of the Finnish E-Commerce market with the use of market analysis, competitor analysis and buyer persona. For the creation of market analysis PESTLE and Porter's Five Forces frameworks are used. Competitor analysis is explained with the help of tables, and buyer persona with the help of a buyer interview.

#### **3.1 Market analysis**

When analysing a market PESTLE and Porter's Five Forces frameworks are often used. The difference between them is that PESTLE is used to identify different elements in the macro-environment, such as country, and how they affect a company whereas Porter's Five Forces focuses on analysing an industry and its profitability possibilities. The important thing to notice is that PESTLE usually is country specific, whereas an industry analysis made with Porter's Five Forces does not have to be, especially nowadays where markets have become more global. (Newstex Finance and Accounting Blogs, 2019.)

#### **3.2 PESTLE**

The word PESTLE comes from the first letters of the topics that it analyses. P is from political, E is from economical, S is from sociocultural, T is from technological, L is from legal and last E is from environmental. The reason why PESTLE analysis is done as part of, and often as the starting point of, market analysis is that it reveals constraints and possibilities that all companies in the industry face. It is also possible that some market, country, or industry can have restrictive factors that make it unprofitable to operate in which PESTLE, rather than Porter's Five Forces or competitor analysis, reveals. An example of these could be legislation restrictions, where laws do not allow businesses to operate in certain ways, or political restrictions, where the political climate is negative towards foreign investment or there is unrest. The problem with PESTLE can be that it is hard to predict how the factors will change and this means that it should be seen as a snapshot of the current situation, not something that is valid even three years later. (Warner, 2010, 27-39.)

On page 11 there is Table 1 that shows all aspects of the PESTLE analysis. It includes possible factors, business impacts, and explains the type of impact and its importance.

As shown in Table 1, it can be expected that the Finnish governing bodies will not interfere with operating a Consultancy Agency unless necessary for safety and security. Therefore, Finnish political impacts are positive and considered to be important as they guarantee that there is a friendly environment for operating a business in (Table 1). (Business Finland, N.d.)

The economic factors could affect the Consultancy Agency in a negative way as there is competition for skilled labour, the labour cost is high, and rising inflation is affecting buyer behaviour (Table 1). (OECD, 2021.)

On the upside the social factors could affect the Consultancy Agency positively as Finland has a skilled labour force available and generally employees trust in their employers (Table 1). This means that with good recruitment strategies it is possible to hire qualified employees and that they will stay in the company if they are treated well. (Statistics Finland, 2022.)

Technological factors identified in this PESTLE analysis can be both positive and negative because due to technological advancements it is possible to operate in a more flexible way but equally there is a greater threat of being substituted (Table 1).

The legal factors can also be positive and negative as Finland has strict labour laws but also has clear Intellectual Property laws. One of the business impacts is that employment related things are partially controlled by trade unions and leave less space for negotiations with individual employees. Another one is that it is clear who owns the IP rights to innovations that employees make during work hours (Table 1). (Havia et al, 2019.)

The last part of PESTLE is to investigate the environmental factors. In general, any work done in the IT sector affects emissions creation and carbon footprint because it cannot be done without using ICT infrastructure or computer

equipment. As the Commissioner's company produces services, there is no direct ingredient or raw material effect to the environment but rather ones based on their choices. What this means is that they should choose their electricity provider carefully, try not to waste energy and always maintain the equipment in good working condition. If these are neglected, then not only could it make the company less environmentally friendly but also affect the public image of it (Table 1). The Finnish government has created a climate strategy for ICT industry so that it could become more environmentally friendly starting from the infrastructure to individual computers. (Ministry of Transport and Communication, 2021.)

TABLE 1. PESTLE analysis of Finland for E-Commerce industry

	Possible factors	Business impact	Type of impact	Importance
Political	High level of political stability. Low levels of corruption. Belongs to the EU. Low corporate tax among EU countries.	Can expect the business to be able to grow and develop without unnecessary interference from governing bodies. Can operate in an open environment.	Positive	Important
Economic	Raising inflation. GDP is recovering at a similar pace to the rest of the Eurozone. High employment levels. Raising wages.	Raising inflation affecting customer buying behaviour. High salary cost of personnel. Competition for skilled labour.	Negative	Important
Social	32% of the population have a university level or equivalent degree. Men and women are considered equal. Trust is placed on words and promises.	Skilled labour force available. Gender does not affect competence. Employees believe in their employers and behave honestly.	Positive	Critical
Technological	Highly functional infrastructure. Stable internet connection available almost everywhere. Emerging new technologies.	Location matters less as it is possible to work anywhere. Potential threat or possibility from new technological innovation.	Both positive and negative	Important

Legal	Collective agreements used in the IT industry. Strict employment laws. Clear IP rights laws.	Cannot negotiate all aspects of contracts with individual employees. Hard to dismiss employees. Easy to know if innovations belong to employees or businesses.	Both positive and negative	Critical
Environmental	Emissions arising from use of ICT infrastructure. Bigger carbon footprint from discarded computer equipment.	Choice of electricity provider. Upkeeping and maintaining computer equipment routinely. Can have positive or negative effect on image.	Unknown	Important

The findings of the PESTLE analysis are that both social and legal aspects could have a critical impact on business in different ways. The social aspect could make it easier to find skilled labour and retaining employees, and the legal could make it harder to dismiss employees in some situations but is clear on IP rights. The rest of the aspects are considered to be important with varying types of impacts. The political aspect is the only one to have a clearly positive impact because Finland has high levels of stability, and it is not expected to change. The economic aspect on the other hand is expected to have a negative impact due to rising inflation and high labour costs. The technological aspects could be both positive and negative at the same time as it allows more flexible working arrangements but also enables potential substitutions to be invented. The environmental aspect has an unknown impact because the use of ICT infrastructure creates pollution which Finnish government is working to reduce but it is unclear it could affect the business.

### 3.3 Porter's Five Forces analysis

Michael Porter's Five Forces framework was originally published in the 1980s and has since been used for analysing competitive positioning in a market. This framework enables evaluation of an industry by considering the threats of new entrants and substitute products, the buyer and supplier power, and the level and type of competition among businesses. What this means is that a company has lower potential for generating a profit if there is more competition, a low barrier to

enter the industry, multiple substitutes available, or if customers and suppliers can drive negotiations easily. (Stonehouse & Snowden, 2007, 256-273.)

There are a few things that must be considered when using this framework for analysis as it is often used in too shallow a way, where the analysis made does not go deep enough into the topic to yield relevant results. Other problems can come from not being able to do an organised analysis of the framework, or not being able to plan strategic actions from the analysis results. How these can be avoided is to not treat the framework as a list of things to be considered, but as items that can be quantified, their impact analysed, and actions planned based on the analysis. The key is that Porter's Five Forces framework is not just an analysis tool but should be used for strategic planning of actions. (Dobbs, 2014, 32-45.)

### **3.3.1 Barriers to entry**

The first force to analyse is barriers to entry. The most important barriers to enter the E-Commerce market are differentiation and switching costs. If the different barriers are rated in a scale of -1 to 1, where -1 is low barrier, 0 is medium barrier and 1 is high barrier, then industry scoring -7 is very easy to enter, 0 is neutral, and 7 is very hard to enter. (Warner, 2010, 58.)

As differentiation is an important barrier it will score a 1. This is because a new business entering the market would need to convince buyers that their service is worth using. Most buyers form a long-term relationship with sellers because they buy tailored E-Commerce solutions with the need for aftercare services, such as updating the store or adding new features to it. Another important barrier is switching costs, scoring a 1 also. As the buyer and seller usually form a long-term relationship it is harder to switch providers because there are concerns over disruptions to operations, loss of data, and training their own staff to new technology. All the above mentioned, means that the new option would need to be cost-saving, easy to adopt and long-lasting. (Nikahtar, N. & Jianzheng, Y, 2013.)

The other barriers, economies of scale, access to distribution, learning curve and threat of retaliation, can be seen as low level because of how the industry is. They

are all rated as a -1. Economies of scale are seen in the need to hire highly skilled employees. Access to distribution is less important because the service is provided and consumed online. Learning curve is low as in the service industry each product sold is customised to the buyer's specifications. Threat of retaliation is also expected to be low as it is common for businesses to co-operate or use freelancer help in projects. Another reason is because networking is seen as highly valuable in the industry.

Government policies are seen as a medium barrier simply because they are not fast or easy to change. The industry does not require permits for operations but is governed by laws, directives and rules that aim to create good operational practices, and enhance data security and privacy (GDPR, copyright, transaction related frameworks). Therefore, government policies score a 0.

The above reasoning leads to a score of -2 for the E-Commerce industry on the barriers of entry. This means that the industry is relatively easy to enter when only looking at barriers and ignoring all the other forces.

### **3.3.2 Supplier power**

The second force of the Porter's Five Forces is supplier power. It is evaluated on a scale of 1 to -1, with -1 being the strongest. This is based on how much profit a supplier could take away from the company. In the case of the commissioner's company, six suppliers were identified. (Warner, 2010, 67-68.)

First are electricity providers who score a 0 because while there is a monopoly of sorts, there is still some room to choose a provider. Second are internet providers who score a 1. The threat from them is relatively low as there are multiple providers to choose from and they are usually willing to negotiate. Third are computer equipment manufacturers who score a 1. They too are a low threat because while the bargaining power of businesses buying equipment can be low, there is no need to replace them often. Fourth one is premises related costs that are rated a 0 because businesses can choose where to operate from and in this industry physical location is less important. It is a medium threat because moving offices is costly. Fifth threat comes from labour unions as they have a strong bargaining power in the form of collective agreements that guide the employing

process industry wide. They score a -1 because it is a high threat in a labour-intensive service industry. The sixth is contractors and freelancers. They are needed to provide services with fast pace but pose a high risk of substitution earning them the score of -1.

In the E-Commerce industry the supplier power scores a 0 out of a possible 6 to -6. It is in the middle of both extremes, thus making it neutral. Meaning that the risk of suppliers affecting the income of a business is medium. The suppliers are in general relatively powerful because even though substitutes for them exist they are not either easy to switch to or will cause monetary loss in doing so.

### **3.3.3 Buyer power**

Buyer power is the third of the forces in the Porter's Five Forces framework. How much power buyers can exert is based on four aspects. The first one is how many buyers there are for the industry. The less buyers there are, the more they can dictate the price for sellers as there is less demand for products or services. The second aspect is how different the products or services are from each other because if many businesses sell identical products, then buyers are more price conscious. The third aspect is how likely are the buyers to move into the industry and become competitors. The fourth, and last aspect, is how big of a portion does the cost of services form of the buyers' overall costs. Meaning that buyers will want to negotiate more if the product or service they are buying is expensive. (Warner, 2010, 68-70.)

There are many buyers in the E-Commerce industry, especially in Business-to-Business (B2B) sales. This is because the industry is not tied to a geographic location or a language group. For this aspect the score is 1, as the buyers should not be able to exert unreasonable amounts of pressure on sellers. As the services sold in the industry are customised to the buyers' specifications the second aspect scores a 1. The third aspect, how likely are the buyers to become competitors, is a relevant threat in the industry and scores a -1. This is because the buyer's own personnel will learn new skills from the seller and can develop to a point where they could become a competitor by changing industries. The last aspect, the price of services, is one where the buyers can exert power as they will want to negotiate the best price possible. Therefore, it scores a -1. This brings

the total score to a 0 which means that the buyer power threat is a medium in this industry. Buyers can damage the profit and make operating or entering the market unprofitable.

### **3.3.4 Power of substitutions**

Substitutes are ways the problem is solved differently. For E-Commerce the substitutes would be physical stores, mail order catalogues, and door-to-door selling. The substitutes can have power if they are cheap to switch to, or if the quality of service will go up. In the case of this industry, it is costly for buyers to open physical stores, design and print mail order catalogues or hire and train staff for door-to-door selling. It can be argued that door-to-door selling, and mail order catalogues have fallen out of favour because they are cumbersome to use compared to online selling. Thus, power of substitutions force scores a 1 as it is a low-level threat. (Warner, 2010, 70-72.)

### **3.3.5 Rivalry**

Rivalry is the last power in the Porter's Five Forces framework. There is all kinds of competition in the industry. In the E-Commerce industry's case the most important cause of competition between businesses is non-diversified portfolios. Meaning focusing solely on E-Commerce instead of offering other E-Services or software creation. Most larger competitors or potential collaborators offer many digital solutions as it lowers the risk a business takes on. In this case the commissioner's business would be smaller and might focus more on just E-Commerce, at least in the beginning, thus having a higher risk level and is scoring at -1. (Warner, 2010, 75-76.)

It might be surprising that there is only one main driver for competition between companies but that is because E-Commerce has diverse sizes of companies, there are less fixed costs associated with operations, and the industry's growth has been fast, especially in recent years. Therefore, the other potential drivers are not discussed in detail.

### **3.3.6 Conclusion**

Please see Table 2 below that shows the scores of different forces received for the industry. On the scale used for this analysis, -19 would be an industry that is



very hard to enter, 0 moderately hard, and 19 easy to enter. As the industry scored -2, it can be defined that it is a moderately difficult industry to enter. There are relatively low barriers for entry as evidenced by it receiving -2 on a scale where 7 is the highest. The power of suppliers and buyers is average and means that in most cases neither is able to completely dictate their terms on a business. The power of substitutes is low simply because better options for selling items to consumers have not yet been invented. Interestingly rivalry is a threat as long as a business does not offer more than just E-Commerce solutions. Most industry leader businesses offer diverse and varied services and solutions for this reason. (Table 2.)

TABLE 2. Porter's Five Forces Analysis.

Forces	Estimate	Max
Barriers to market entry	-2	7
The power of suppliers	0	6
The power of buyers	0	4
The power of substitutes	1	1
Rivalry	-1	1
Total	-2	19

### 3.4 Potential future market growth

It is important to know whether the market a company is operating in, or looking to operate in, is growing or shrinking as it will affect strategic planning and actions taken. It is estimated that a growth between 5% and 10% is needed for a business to develop further. With less growth in the market, then the business will stagnate and need to research other markets to succeed in. What the potential for growth of a market is, is determined by looking at statistics of it. The most important statistics to look at are: what trends can be seen in the sales for the past three years, how has the number of customers changed in the market, and how the types and sizes of purchases made by customers have changed. (Allen et al., 2019.)

Finnish E-Commerce market is expected to grow 7% yearly between 2021 and 2025 but the growth rate is slower than before. The reason for the reduction in

growth is that the market has begun to mature and is moderately full of individual shops. (ecommerceDB, 2022.)

On the other hand, E-Commerce has gained 22% growth as a platform for sales in Finland with an overall sales value of 5.1 billion euros (figure includes international sales too). The domestic sales of the industry have also risen, and domestic online stores have a bigger market share than previous years. (Kurjenoja, 2021.)

One way to calculate potential market growth is to use the market chain ratio. To define it, first the size of the market is determined, then it is narrowed by applying a string of percentages to narrow the number down until the scope reaches a realistic focus. (Hopkins, 2017.)

(1)

*Market chain ratio*

*= total market of industry × percentage of relevant companies*

### **3.5 Competitor analysis**

Competitor analysis is an important part of understanding the current state of a market. The goals of it are not only to predict other companies' plans for the future, what strategies they might use, and how they might react to changes, but to also provide knowledge on other companies' weaknesses and capacities. (Bensoussan & Fleisher, 2013.)

When looking at the existing competition in the market, some enterprises were ruled out because they focused on competing E-Commerce platforms instead of the one Commissioner specialises in. The excluded companies could be seen as indirect competition which are not investigated in depth in this paper because the author is not familiar enough with the technologies to compare them.

Eight main competitors were identified and those are Louhos Digital, Sofokus, Teamit, Meiko, Buutti, Vertics, atFlow and Gelo. They were chosen because they all operate in the Finnish market, use the same technology as Commissioner, and are relatively small sized Small and Medium-sized Enterprises (SMEs).

Below are two tables, TABLE 3 and TABLE 4 introducing the eight competitors. They contain the basic company information (when they were established, how many people they employ and whether they operate on other markets), what products they sell, what is their current situation (sales and profit), their strengths and weaknesses, and other things of note.

TABLE 3. Competitor analysis of Louhos, Sofokus, Teamit and Meiko.

Company name	Louhos Digital	Sofokus	Teamit	Meiko
Basic information	Created in 2020 when Viestintäliiga Oy and Whitestone Oy merged. Employs 28 people and operates in Finland.	Established in 2000 and have grown to employ 40 people.	Found in 2013, Teamit operates in Finland and Norway, and employs 40 people.	Established in 2011 and currently employs 21 people.
Product?	They sell digital solutions such as E-Commerce, webpage creation, and content creation.	They have two different focuses for their business, one is to sell digital solutions to companies and the other is to help start new ventures.	They offer many different products, such as software development, E-Commerce, and analytics.	They offer four different services: E-Commerce, design service, web applications and mobile applications.
How are they currently doing?	Raised sales every year for 2017-2020, but did not make profit in 2019, probably due to the purchase of Whitestone. Barely made a profit in 2020 too, 1,000€ with sales of 1.7 million. Operating profit is low with only 45,000€. All this despite the sales rising 122.7% in 2020.	Their sales were growing every year aside from 2020 where they lowered by 200,000€ which was just a temporary dip. In 2021 their sales were 2.8 million euros. Their profits were around 150,000€ until 2020 where it reduced to 42,000€. The profit rose to 100,900€ in 2021.	The organisation is divided into three businesses which have all been performing differently from each other for the past four years. Two of the larger revenue generating ones (4.4 mil € and 3 mil € in 2020) struggled during 2019 and 2020 and took out loans. The third, generating significantly less sales (at 571,600€ in 2020) did not take out loans.	Meiko has been steadily raising their sales from 2015 (383,000€) to 2020 (1.7 mil €). 2019 is missing from records so there are no numbers available. Even though the sales have risen, the profit has fallen from -24,000€ in 2018 to -60,900€ in 2020.

What are current strengths and weaknesses?	<p>Strengths: offer all digital services with one company and have good references available easily.</p> <p>Weakness: the English version of their website is very bare bones, their own social media marketing does not look like it suits the channels used (LinkedIn is ok), and the financial situation seems challenging.</p>	<p>Strengths: awards that they have gained, the ventures programme they have, and many positive reviews from clients.</p> <p>Weaknesses: website is only in English, and inconsistent in their social media posting frequency.</p>	<p>Strengths: offer open-source solutions to their clients, many positive customer references, and experience in working with freelancers (can hire contractors to help with completion of orders).</p> <p>Weaknesses: only one page of their homepage is in English and links to other parts that are in Finnish, the division into three businesses under one operation umbrella, and having low visibility in social media (only has a LinkedIn account).</p>	<p>Strengths: offer services that complement each other well (E-Commerce service could be paired with a booking web application) and have 10 years of experience in the industry.</p> <p>Weaknesses: the issues with funding, lack of social media presence posting to LinkedIn less than once a month), and lack of engaging content on their homepage (it mostly just sells their services and gives no added value).</p>
Other things of note		Part of a consortium. Both competitor and potential partner	Both competitor and potential partner. Seems to often use freelancers.	

The tables were separated into two for ease of reading and not because of differences in competitors. Please find Table three above and Table four below this text.

TABLE 4. Competitor analysis of Buutti, Vertics, atFlow and Gelo.

Company name	Buutti	Vertics	atFlow	Gelo
Basic information	Founded in 2017, currently operates with 45 people in personnel.	Established in 2017 and currently employs 19 people. Operates in Finland and Estonia.	Founded in 2008 and has 20 employees.	Established in 2010 and currently employs 2 people.
Product?	Buutti is divided into two businesses, Buutti Consulting and Buutti Education. Buutti Consulting offers consulting services in web and cloud services, in embedded systems, and in data and algorithms.	Vertics is aiming to be a one-stop-shop for all of their clients digital and software needs. Offers content creation, analytics, web and cloud services, and software development.	They specialise in E-Commerce and namely the creation and upkeep of online stores.	They focus solely on E-Commerce and especially in creation and upkeep of online stores.

How are they currently doing?	The sales have been raising from 785,000€ in 2018, 1.9 mil € in 2019 to 3.4 mil in 2020. At the same time, they have maintained a profit margin of over 20% (20.7% in 2020).	The sales have increased steadily, and they were 214,000€ in 2018, 675,000€ in 2019 and 1.3 mil € in 2020. The profit was 12,000€ in both 2018 and 2019, but in 2020 it dropped to a loss of 13,000€.	The sales have steadily increased from the year 2018 at 806,000€ to 1,3 million in 2020. The profits have not increased at the same rate and were -7,000€ (2018), 1,000€ (2019) and 184,000€ (2020).	Their financial information is not easily available, so it is not complete here. Their sales figures are only available for 2018 and it was 114,000€. Their profit figures were 23,000€ in 2018, 18,000€ in 2019 and 60,000€ in 2020.
What are current strengths and weaknesses?	Strengths: good liquidity situation, the pairing of consulting with education (can gain a better image and raise awareness), and they seem to use both Finnish and English in the company. Weaknesses: infrequently updating their social media, and not enough positive references.	Strengths: strong social media and media presence of the company, young core team, and good reviews online. Weaknesses: less ideal economic situation of the company and expanding too aggressively in 2020.	Strengths: positive reviews online, posting to their social media accounts 2 to 3 times a month, and updating their "new at the company" page often. Their weaknesses are the monetary situation as it was bad before 2020, and too simple looking homepage.	Strengths: many positive reviews and references available, and homepage has personality in that it reflects the voice of the creators. Weaknesses: no social media presence, and homepage is only in Finnish.
Other things of note	Has co-operated with Vaimo Oy that is listed in potential partners.	Potential partner as they are used to using freelance help.		Potential partner as they are looking to find freelancers for projects.

During the research on potential competitors, it was found that it is common in the Finnish market for companies to co-operate with each other. Out of the eight introduced here, Sofokus, Teamit, Buutti, Vertics and Gelo either mentioned co-operating with other companies and freelancers or were actively looking for them (Table 3 and 4). This means that they are both competitors and potential partners.

Out of the eight competitors, two did not generate a profit in the accounting period of 2020. Both Meiko and Vertics made a loss and supplemented it with loans. Meiko's sales rose by 0.5 million euros between 2018 and 2020 and yet they made a loss. To keep operating they took a loan and their equity ratio fell from 32% in 2018 to 8% in 2020. This could be the result of the pandemic as other reasons were not found. Vertics also made a loss, but it seems to be due to too aggressive expansion of business potentially combined with the pandemic. Their sales rose 90% in 2020 from the sales of 2019, yet their accounting period ended with a 13,100€ loss. Their equity ratio also went from 18% in 2019 to 2% in 2020 (Tables 3 and 4).

Based on the overall financial situation of most competitors, it can be concluded that the industry survived the pandemic well. This is most likely because the work can be done remotely and because there was a renewed demand for online stores as customers could not visit brick and mortar stores.

### **3.6 Buyer persona**

Buyer persona is a story that tells about a buyer's purchase decision, what their expectations are and what concerns they have. It can be condensed to four words: who, what, how and why. Understanding the buyer correctly enables businesses to communicate with them better. To create a good buyer persona, it is important to interview people or corporations who are potential buyers of the product or service offered. (Revella, 2015, 3-15.)

When interviewing potential buyers for the buyer persona, it is important to ask for their opinions and thoughts about their decision-making process and past experiences. One approach to implementing buyer interviews is not to have a set of questions, but to ask the interviewee to tell stories about buying, especially what influenced their selection of options for a solution and what made them exclude the ones they did. The interviewee should be involved in the purchase process as a representative as they will have the best understanding on it and can explain reasons thoroughly. Sometimes the person who makes the purchase decision is not the one who interacts with the sellers and thus knows less of the process. (Revella, 2015, 39-41, 64-66.)

#### **3.6.1 The process for conducting the buyer interview**

This interview required preparation on knowing the interviewee and the company they represent because the aim of the interview was to uncover their buying process. And more specifically what were the reasons for why the buyer was looking for options, what steps were taken to find different options, why some options did not work for them, and why they chose a certain solution over others.

The initial question from the interviewer was "Please tell of a time when your corporation had a pain point and how the process of solving it happened. Please begin from when you first became aware of the pain point." This was then

followed by the interviewee describing the pain point and solution process with the help of the interviewer asking clarifying questions at times. The interview took 20 minutes and was conducted online and recorded with the permission of interviewee. The interviewee asked to remain anonymous and thus will be only referred to as the interviewee.

### **3.6.2 Results of the interview**

According to the interviewee, what led them to look for options to solve their problem was their lack of available experienced staff for a project that begun in a month's time. They ended up hiring consultants to help them start the project because one month was too short a time to hire new employees. The recruitment process in their company usually takes close to two months from posting an opening to filling it. This means that the consultants began the project and were later joined by the company's new recruits. During the project the consultants also trained the new employees and finished the project together. It went well, and they would use consultants again. They also mentioned that their company has a list of consultants and consultancy agencies they often use for either rush projects or ones that require different types of expertise. (Buyer Interview, 2022.)

### **3.6.3 Defined buyer persona**

It is more effective to create buyer personas based on insights gained from interviewing potential buyers than based on demographics. The insights can tell what the expectation of the buyer is and how well the solution sold will match them. Creating the buyer personas this way leads to fewer ones as they are less segmented. (Revella, 2015, 111-118).

Buyer persona SME (Small and Medium-sized Enterprises)

Demographics: located in Finland, employs 2-40 people, and generates revenue of over 500 000€.

Challenges: needs assistance with completion of a project, needs expertise for a project, and has no time or other resources to recruit their own staff to fulfil the needs of the project.

Common objections: takes too much effort to choose a consultancy to work with, costs too much, or fears handing over information or control over the project.

Fears: failing to complete the project, loss of control, or delivering bad quality product to their customer.

Buyer persona MNE (Multinational Enterprises)

Demographics: has a department in Finland, revenue over 1 000 000€, and employing over 50 people.

Challenges: Lack of expertise needed for the project, staff are tied in other projects, or need assistance in localisation of products.

Common objections: using consulting services costs too much, difficulty in communication in multinational teams, or it takes too much time or effort to co-operate.

Fears: failing to complete the project, delivering bad quality product, or lack of communication

The buyer personas were separated based on company size because their needs will differ and so will their project scopes. There are still many similarities, and the most important ones are that their need for hiring a consultant is tied to the lack of available expertise for a project, they want to drive the cost of using a consultant down, and both fear failing to complete the project for their customer.



## **4 MARKET ENTRY**

This chapter focuses on how to enter a new market and is divided into two parts. Part one is “How to enter the market?” where different entry strategies are discussed from the point of view of entering a new foreign market. In part two risks involved in entering a new market are discussed and then evaluated with a risk matrix.

### **4.1 How to enter the market?**

Entering a market as a new company is a hard task to accomplish but there are several strategies that can be used to give insight into it. In this case the most interesting and relevant ones are management contracts and strategic alliances because they are the most suitable for consulting work.

Management contract is a strategy where a business sells its expertise and knowledge to another company on the target market. This allows the selling business to enter foreign market without taking on the risk of operating a business there. At the same time the buying company gains the knowledge that it needs to gain an advantage over its competition. The biggest threat of this strategy is that the selling business may help the creation and training of their biggest competitor in that market. Another threat is poaching employees where the service buyer will offer them employment with better contracts. To use management contract strategy successfully it requires a high level of communication on all levels of co-operation between the companies. (Glowik, 2016, 167-168.)

Strategic alliances are formal agreements that participating companies enter in order to improve their competitive positions in the markets. These alliances usually have long-term goals, and the participants can share information, distribution channels, and other resources. The strategic alliances can be vertical between suppliers and buyers, horizontal where competitors co-operate, or lateral where companies operating in different industries share resources. An international strategic alliance allows a foreign company to enter a market with the help and expertise of a local business. If such an alliance is effective, then it can create better quality and more accurate knowledge and data that none of the

companies could have generated or discovered alone. What makes alliances different from joint ventures is that the participants usually do not commit financial investments and keep themselves legally separate from each other. The risks of strategic alliances are resource and data transfers because one member of the alliance could betray the others and use them for only their own gain. (Glowik, 2016, 169-172.)

Most commonly consultancies form management contracts with their clients. Throughout this paper the word partnership is used and that is because it seems to be the term that the clients prefer to use over management contracts.

#### **4.1.1 Potential partners**

During the research on potential competitors, it was found that it is common in the Finnish E-Commerce industry for companies to co-operate with each other in the form of forming partnerships, networks, or freelancing. Some of the partnerships and networks appear to be temporary and some long-term.

#### **4.2 Risk involved in market entry**

In this chapter risks are identified and analysed with the use of Risk Matrix. The risks that this paper focuses on are mostly qualitative risks and they are explained with the help of a risk matrix table.

Risk can be defined as the probability of an uncertain future event that can cause damage or loss of company assets with no gain to counterbalance it. Defined with different words, risk is the likelihood of an event times its impact on the business. Therefore, it is important to prepare, control and manage risks so that they do not either happen or be a surprise. Risk management follows a process where risks are first identified, then measured and analysed. After the analysis, risk control is established where ways to control or eliminate the risk are created. (Wolke, 2017, 1-5.)

Risks to market entry often follow the Knightian definition of risk where there are two concepts, one is risk that is a measurable and manageable uncertainty, and the other is an actual uncertainty that is unmeasurable. Thus, it is important to note that businesses entering a new market face both risks and uncertainty.

SMEs are especially vulnerable to risks when entering new markets because they cannot diversify their presence to many markets. This means that failed market entry or volatility in the chosen market will affect them much more. SMEs usually also carry all their capital risk and cannot pass it onto creditors or third parties. (Muellner, 2016, 800-814.)

#### **4.2.1 Risk matrix**

Risk matrix is a chart that shows risks, their likelihood and expected impacts. Creation of a risk matrix is done so that first risks are identified, then they are categorised to relevant categories, such as how likely they are to happen, what they affect, and their impact to operations or to reaching a goal is evaluated. After this controls can be recorded which define how the risk will be avoided or minimised. In organisational risk matrices risk owners are often named and they will receive reports on incidents related to the risk named for them and then report it forward. Critique to the way risk matrices are created is that the categories and impact assessment will be subjective which will affect the matrix and what can be deduced from it. (Murdock, 2018.)

Further critique to risk matrices is that they can have only a small number of risks that have been chosen randomly, that identical risks can have different ratings, and that the countermeasures to risks may not have been given enough resources. They should also never be used without sufficient explanation. (Anthony Cox Jr, 2008, 497-512.)

An example risk matrix can be found below in Table 5. It shows the likelihood of a risk happening on the vertical axis and the impact of a risk on the horizontal axis. The numbers in the boxes along with the colours indicate the severity of a risk, for example a risk that is very unlikely to happen and has an insignificant impact has a score of 1 and is coloured darker green versus a risk that is very likely to happen and has a catastrophic impact with a score of 25 is coloured bright red. Some risk matrices use only three colours green, yellow, and red but for this paper the larger risk matrix was chosen that uses five colours, darker green, lighter green, yellow, orange, and bright red. (Table 5.)

TABLE 5. Example risk matrix.

	Insignificant	Minor	Moderate	Major	Catastrophic
Very likely	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Very unlikely	1	2	3	4	5

Seven different risks have been identified in the E-Commerce industry. Please see TABLE 6 below where risks are listed and the likelihoods, impacts and scores are introduced. The risks are then explained further after the table.

TABLE 6. Risks colour-coded with likelihood, impact, and score.

Risk name	Likelihood	Impact	Score
Competition for skilled labour	Likely	Moderate	12
Strict labour laws	Unlikely	Major	8
Market changes	Likely	Major or Catastrophic	20
Cost of building market awareness	Likely	Major	16
High labour cost	Very likely	Moderate	15
Buyers or partners becoming competitors	Likely	Moderate or Major	12 to 16
Not offering diversified enough services	Possible	Major	12

There are labour related risks such as competition for skilled labour, and strict labour laws. Competition for skilled labour is a risk that is likely to happen with moderate impact and a score of 12. The whole E-Commerce industry operates with this risk because the service sold to customers can only be provided by skilled individuals. Finland has strict labour laws which are not expected to change drastically in the next few years. Thus, this risk is unlikely to happen but could have a major impact on operations, scoring 8 in the risk matrix scale. (Table 6.)

Finance related risks such as market changes, cost of building market awareness, and high labour cost. Market changes is a risk that includes inflation

caused changes in buyer behaviour and emergence of new strong competitors. It is a likely risk that could have a major, if not catastrophic impact and is thus given the score of 20. The cost of building market awareness is a likely risk with major impact, scoring 16. Building awareness can be assumed to be expensive and will have a big impact on operations and finances. Finland has high labour cost in general, so the risk is very likely with a moderate impact, scoring 15. The best way to manage this risk is to prepare for it from the beginning as it cannot be avoided. (Table 6.)

Strategy related risks such as buyers or partners becoming competitors, or not offering diversified enough services. Buyers or partners becoming competitors is another likely to happen risk with moderate or major impact. This means the score is between 12 and 16. It's a difficult risk to control because there are not many actions that can be taken. For example, non-compete agreements can be used to reduce the risk. Not offering diversified enough services is a risk that is possible to happen with major consequences, thus scoring 12 in the risk matrix. The only way to avoid it is to launch the business with an adequate number of different services offered and keep expanding as the clientele changes or matures. (Table 6.)

## **5 SUCCESS CRITERIA AND HOW TO MEASURE THEM**

First part of the chapter focuses on defining what is success with the help of a commissioner interview. The second part explores measuring success with expert interviews. KPIs (Key Performance Indicators) are explained in the last part of the chapter with justifications on why they were chosen.

### **5.1 What does success mean to the commissioner?**

Commissioner was interviewed to further ascertain their vision or goal of the new market entry. It was also important to determine if they had any key performance indicators in mind already. Semi-structured interviewing method was used with prepared questions. Only five questions were prepared, and further clarification was requested as needed. The interview was conducted in person and notes were taken with the permission of the interviewee.

#### **5.1.1 Findings of the interview**

First commissioner discussed their goals based on expectations and ideal cases for the first year which were to find at least one larger customer company, ideally one offering DevOps services and has their own development team. So, the commissioner would use their expertise to guide and work alongside the customer's own team. They envision only having one employee in the first year because there won't be enough projects for many in the beginning. (Commissioner interview, 2022.)

Then they moved onto the second year and their ideal scenario is to need to hire more employees because demand is too high for current team size, to find more customers, having launched at least three projects successfully with clients, and having not lost even a single client from the first year. The important key to their business is continued customer relationship as it guarantees work for employees. (Commissioner interview, 2022.)

When asked about what an ideal third year would look like, they replied with having the business grow steadily, finding more clients, retaining existing clients,

being known in the industry, and planning how the management structure of the business will function. (Commissioner interview, 2022.)

Commissioner felt that how to measure success was partially defined above as the three most important indicators of success to them are clients staying, having happy employees, and being known in the industry. They opened these indicators further by explaining that staying customers are happy and satisfied with all the work that was delivered which leads to further opportunities. If employees are happy, then staff turnover is low, more experience and knowledge is retained in the business, and they communicate better with clients. It is important for E-Commerce businesses to keep their employees for years because every project teaches them new skills and knowledge, and losing skilled employees is what usually leads them to a decline. It is vital to be known in the industry because more companies are willing to work with the business, can negotiate better payment for projects, and people want to know opinions on areas of expertise (could give keynote speeches or presentations in events). (Commissioner interview, 2022.)

## **5.2 Goal setting**

SMART in goal setting stands for Specific, Measurable, Attainable, Relevant and Time specific. Specific means that the goal is well defined and explains what needs to be done to achieve it. Measurable means that the progress towards a goal can be measured by KPIs. Attainable, there is a way to reach the goal. Relevant means that the goal is important right now and not in ten years. A time specific goal is one that you need to work towards now and might have an end date or deadline for it. (Klubeck, 2017.)

The ultimate goal of the commissioner is successfully launching the business in the Finnish E-Commerce market. And that goal can then be divided into different subgoals dependent on the year of operations. In the first year the goals would be finding clients, generating revenue, and creating awareness of the business in the market. In the second and third years, the goals from the first year will still be relevant and three more will be added to them. These are market share gained, customer retention and customer satisfaction. (Commissioner interview, 2022.)

### 5.3 Expert interview

Juha Tanner from Uusyrityskeskus Ensimetri was interviewed because he is one of the consultants who guides people in the process of establishing a new business in Finland. The aim of the interview was to gain further knowledge of what and how to measure when either entering a new market or establishing a new business. The interview consisted of four questions and took 40 minutes. It was conducted online, and notes were taken. It was a semi-structured interview where questions were prepared and shared with the interviewee beforehand.

Mr Tanner began the interview by explaining that the easiest way to find what should and could be measured is by looking at the greater complex and then breaking it into smaller components. An example he introduced was the sales funnel where potential customers go through a journey on the way to purchase. The important points that could be measured are leads and prospects, contacts to them, conversion rate of those, offers, and actual sales. Then he elaborated on the profitability of each sale, or project, which should be analysed to be sure that services sold were done at a profitable price and were not loss producing. After this point he discussed customer satisfaction and mentioned that most customers are happy if they feel like they gained more than expected from the purchase. It is important for customer retention because it is more expensive to gain new customers than keep existing ones. Interviewer then asked about Mr Tanner's thoughts on measuring employee satisfaction. He answered that most companies measure it with surveys followed by action plans. Surprisingly the most common finding is that internal information sharing works badly. He also explained that the pandemic has made it easier for people to change jobs due to feeling distant from work colleagues. Distance communication tools have not managed to capture the feeling of camaraderie among employees. After this, marketing was discussed briefly, and Mr Tanner said that it is important to use social media to market and to showcase customer cases and good customer reviews as those can convince customers to contact the business first. (Tanner, 2022.)



## 5.4 Key Performance Indicators

What is measured can be improved is the mindset that usually accompanies the use of KPIs because if it is not known how something is currently, then how could it be improved.

KPIs must be related to the most crucial characteristics of the business in order to be Key Performance Indicators and not just Performance Indicators. KPIs are always customised to the needs and strategy of the business as otherwise they will measure things that are not integral to the specific organisation. Many industries have their own specific KPIs that all companies use, and it is recommended to look into those first when beginning to define what KPIs commissioner's business should measure for assessing the success of market entry. (Marr, 2014.)

In E-Commerce the most commonly used KPIs that could be applied to commissioner's case include Revenue growth rate, Market share, Return on Investment, Customer satisfaction, Customer retention rate, and Employee satisfaction. These KPIs enable the business to improve its performance with strategic planning. It is important to avoid having only financial focus when choosing KPIs and also consider operational and customer-facing goals and measurement needs. (Chaharsooghi, Beigzadeh & Sajedinejad, 2016, 127-140.)

### 5.4.1 Revenue growth rate

Revenue growth rate measures the change of sales over time. It is measured by comparing this month's or quarter's revenues to the previous month or quarter. When the revenue growth rate of the business is known it can be compared to competitors and to industry average. (Marr, 2014.)

(2)

*Revenue growth rate*

$$= \frac{\text{Revenue of previous month or quarter} - \text{revenue of this month or quarter}}{\text{Revenue of this month or quarter}}$$

× 100

### 5.4.2 Return on investment

Return on investment, ROI for short, measures how much of the initial investment into a project, a new product, or entry to a new market. Basically, it can measure how much anything new tried by a company returns the original capital used in it. (Marr, 2014.)

For the case of entering a new market the formula would be as follows:

(3)

$$\text{Return on invest (ROI)} = \frac{\text{Revenue from the new market}}{\text{Overall cost of entering the market}}$$

### 5.4.3 Relative market share

Relative market share measures how big is the business' current market share when compared to a competitor. This measure indicates a business' cash flow and is usually expected to be higher the higher the share is. It can also be used to predict how big future market share growth might be. (Marr, 2014.)

(4)

$$\text{Relative market share (\%)} = \frac{\text{Market share of a business}}{\text{The largest competitors market share}} \times 100$$

It is important to look at this measure in relation to overall market growth to determine whether the business's market share is growing at a similar speed. If the speed is faster than overall market growth, then the business is growing their position in the market. (Marr, 2015)

### 5.4.4 Lead conversion rate

Lead conversion shows how many leads, or potential clients, actually become clients after initial contact with them. These leads could be requests coming through the business' homepage or contacts made with other companies. (Marr, 2014; Tanner, 2022.)

(5)

$$\text{Lead conversion rate (\%)} = \frac{\text{Number of contacted leads}}{\text{Actual clients}} \times 100$$

### 5.4.5 Client retention rate

Once the business has attracted clients in the new market it would be useful to know how many of them remain as clients in the long-term. This is because it is

cheaper to sell services to existing clients than it is to turn potential clients into clients. What this rate tells is present client actions because their behaviour of staying with the business or returning to trade with it shows how satisfied they truly are. (Marr, 2014; Tanner, 2022.)

(6)

*Client Retention Rate (%)*

$$= \frac{\text{Number of the clients who remained at the end of the time period}}{\text{Number of clients at the beginning of a time period}} \times 100$$

#### **5.4.6 Customer satisfaction**

It is important to know if the customers are satisfied with the services sold to them. Happy customers are willing to give good reviews to a business and share positive word-of-mouth. Commonly customer satisfaction is measured by surveys, but customer interviews are another tool to discover how satisfied they are. (Marr, 2015; Tanner, 2022.)

#### **5.4.7 Employee satisfaction**

If employees are happy at work, meaning they have job satisfaction from feeling understood and heard, then they are more likely to be committed to the company goals. The way to measure this for a smaller business is to talk to the employees and ask for feedback. (Klubeck, 2017.)

Relevant questions to ask would be ones related to workflow, work division, workload, and what could be improved in their opinion. Larger companies can also investigate staff turnover rate, participation rates and conduct surveys.

#### **5.4.8 Other KPIs to consider**

There are other KPIs that would be worth considering as they can help with financial and operational planning. One interesting one is cost per lead which shows how much it costs to turn one advertising campaign into leads which is calculated by dividing the cost of marketing with total leads generated. Another one is project cost variance as it shows if projects were delivered on budget, and it is calculated by dividing scheduled project cost by actual project cost. It is calculated by dividing revenue by number of employees. Employee turnover rate

which is calculated by dividing the number of quitting employees in a time period by the number of employed staff over the same time period. (Marr, 2015.)

## 6 MARKET ENTRY PLAN

In chapter three the Finnish E-Commerce market was investigated, and it was found that the market is moderately hard to enter because there is rivalry from competitors. The market is beginning to show signs of maturing with the slowing growth rate of 7% yearly until 2025. The rate is still favourable, as a growth rate between 5% and 10% is the best for businesses. All that being said, the E-Commerce market in Finland is still growing as a sales platform and is not showing signs of losing popularity. Thus, the demand for consulting services can be expected to exist in the future too. This is also visible in most competitors generating a profit during the pandemic and not having to shutter their business, unlike in some other industries.

How the actual market entry could be done is with management contracts which are the most commonly used way to operate in consulting. This is supported by the finding of it being common to co-operate with competitors and to hire freelancers for projects in the Finnish E-Commerce market.

As the commissioner is aiming to work only in B2B, the two buyer personas were created based on buyer interview and information learned from researching competitors and potential partners or buyers. The buyer or partner organisations should have a presence in the market already and need expertise for a project. They often are cost sensitive and will try to drive the cost of consulting down.

The most impactful risks in the market entry are the market changes that are happening due to rising inflation, the cost of building market awareness, and the buyers or partners becoming competitors. The only way to control the risk of the market changes is to not focus operations only on one market but diversify to a few. The cost of building market awareness is the highest in the beginning of market entry as the business is unknown and must build its brand up. The way to control costs is to have a marketing strategy that is updated often to make sure the most impactful channels are used. The most common way to try to control buyers or partners becoming competitors is having a non-compete clause in the contracts.

## **6.1 First year**

The commissioner's ideal situation for the first year would be to find one large customer organisation and employ one employee. The main goals for the first year of market entry would be to find clients, generating revenue and creating awareness.

The physical steps that should be taken to find clients would be to create a lead list of potential buyers, then contacting them, generating offers for interested parties, and converting those to actual sales. The effectiveness and success of the actions can be measured by calculating the lead conversion rates as it shows how many contacts it takes to gain a client. As revenue is generated by sales it is important to know what the revenue growth rate is.

In order to create awareness on the target market it is important for the new business to have presence in social media, showcase customer cases and reviews from other markets and attend relevant events. Events are especially important for networking as it is the easiest way to meet representatives of many companies and be able to hand out the company's business cards. It is important to note that there are also some events where projects could be presented and bid on. To be sure that the money used in advertising is not wasted it is recommended to calculate the cost per lead.

As projects are completed the profitability of each one should be calculated to make sure that services are sold at a beneficial price. Good measure for this is the project cost variance as it will show if projects were completed within expected budget.

As the first year ends the ROI of money invested into market entry should be calculated to see how much of the investment is returned. Customer and employee satisfactions also need to be measured either with surveys or with interviews.

## **6.2 Second year**

Commissioner's ideal second year has such a high demand that they need to hire more employees, find new customers while retaining ones from the first year, and launch at least three projects with clients.

How those goals could be reached is by finding new leads from satisfied customers and other word-of-mouth. It is also important to retain the employee from the first year as they have valuable knowledge that they can share with new employees. The new measure that becomes very important to follow is client retention rate. Of course, it is not enough to just know the number but the reasons behind it as well. Commonly the relative market share is also followed after the first year to see if the growth of the business has been as good as the competitors or the industry in general.

## **6.3 Third year**

The commissioner's goals for the ideal third year would be having the business grow steadily, retaining existing clients while finding new ones, and being known in the industry. Reaching these goals would also mean that their overall goals have been reached. Those were clients staying with them, having happy employees, and being known in the industry. The way to reach these goals is by doing the same actions described in year one and two while adjusting to changes.

## CONCLUSION

The objective for this thesis was to research the Finnish E-Commerce market and how a new Consultancy Agency could enter it. The main focus was on the research and interviews in order to establish feasibility and opportunities of market entry.

It was found that the market is growing and is expected to keep growing. The easiest way to enter was management contracts and the biggest risks are buyers becoming competitors and market volatility. The success criteria for the commissioner were having steady business growth, having long-term clients and being well-known in the industry. To measure the progress towards the goals seven KPIs were recommended.

The main benefit this thesis provided for the commissioner was that they now have a basis to decide on whether or not to enter the Finnish E-Commerce market. Secondary benefits were that they know how they could enter and how to measure success of the endeavour.

The limitation on this study was the lack of deeper knowledge on the services that the commissioner would like to sell. Thus, further research should be done on service design of the services in order to make sure they suit the Finnish E-Commerce buyers.



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## **APPENDICES**

### Appendix 1. Commissioner interview questions

1. What does successful market entry look like?
  - a. What is it made of?
2. What does the first three years of operations look like ideally?
3. How would they measure success?
4. Why are these indicators important to them?

## Appendix 2. Expert interview questions

1. Mitkä ovat mielestäsi tärkeimmät 8 onnistumisen mittaria uuden yrityksen toiminnassa tai uusille markkinoille laajentaessa?
2. Miksi nämä ovat tärkeimmät?
3. Onko muita mittareita tai asioita, joita olisi hyvä mitata tai seurata?
4. Onko muita huomioita, jotka haluaisit jakaa?

### Translation

1. What do you consider to be the 8 most important measures for the success of a start-up or for entering a new market?
2. Why are these the most important?
3. Are there other measures that would be important to follow or measure?
4. Other notices you would like to share?