



TAMPEREEN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES

BUSINESS SCHOOL

FINAL THESIS REPORT

BUSINESS PLAN FOR AN ONLINE STORE

Hockeystore.fi

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Degree Programme in International Business

April 2011

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TAMPERE 2011

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Degree Programme: International Business

Title: Business plan for an online store
Hockeystore.fi

Month and year: April 2011

Supervisor: Shaidul Kazi

Pages: 50

ABSTRACT

The objective of this thesis is to discuss e-business and to make a marketing-based business plan of a company, which sells ice hockey equipment online. It provides an insight on e-business and different aspects of marketing related to the concept of an online store. It also discusses the theory of marketing and e-business combined with the practice of a business plan. This paper is for the people who are interested in e-business especially from a marketing point of view and who are searching for information on how to start an online store.

The thesis begins with the presentation of the business idea followed by the mission and the vision of the company. The following part provides background information on e-business and e-commerce and some information on the online shopping behavior of the people in Finland. This section also covers the advantages and challenges of e-business. The next section is the largest for it is the marketing section of the thesis. This section provides theoretical information on marketing and marketing strategies, which are then adapted to the case of Hockeystore.fi. It will go through such things as market segmentation and definition, followed by the marketing strategy containing PESTEL analysis, SWOT analysis, competitor analysis, a marketing mix and the generic strategies of Michael E. Porter. The last section of the thesis is very practical as it is constructed of information on logistics and finally a rough budget in the end.

Table of Contents

1 Introduction	3
2 Business Idea	5
2.1 Vision	5
2.2 Mission	5
3 Background information	7
3.1 E-commerce and E-business	7
3.1.1 Definitions.....	7
3.1.2 The 4 Stages of Developing E-Commerce service.....	8
3.2 Online Shopping in Finland	10
3.3 Advantages and Challenges of E-Business	11
4 MARKETING	17
4.1 Market Segmentation	17
4.2 Market Definition	18
4.3 Marketing strategy	19
4.3.1 External environment analysis: PESTEL	20
4.3.2 SWOT Analysis	24
4.3.3 Competitor Analysis	26
4.3.4 Marketing mix	29
4.3.5 Porter's Generic Strategies	34
4.4 Advertising	38
5 LOGISTICS	42
5.1 Delivery	42
5.2 Warehousing	43
6 PAYMENT OPTIONS	44
6.1 Methods of payment	44
6.2 Verkkomaksut.fi	46
7 Budgeted Profit & Loss	47
7.1 Table of Budgeted Profit & Loss	48
8 CONCLUSION	49
References	50

1 Introduction

E-business is one of the fastest growing fields of business in the world. Alone the usage of Internet around the world has grown over 400% from year 2000 to the year 2010¹. In Finland, in spring 2010, 86% of the people aged between 16-74 were Internet users.² These numbers encourage companies to build websites and to come up with new ways of serving their customers online. In many cases in B2C businesses this means creating an online store or a "web store". In addition the number of companies that operate almost fully through the Internet is growing all the time.

The great impact that the Internet has had on the global marketplace is well said by Peter F. Drucker: *"The explosive emerge of the internet as a major, perhaps eventually major, worldwide distribution channel for goods, for services, and, surprisingly, for managerial and professional jobs is profoundly changing economies, markets, and industry structures; products and services and their flow; consumer segmentation, consumer values, and consumer behavior; jobs and labor markets."*³

One of the most popular sports in Finland is ice hockey. It is also a sport, which brings up a lot of feelings and good memories for many Finns. Although the sport is so popular, the amount of web stores selling ice hockey products is minimal. I have been looking up these stores and I have found out that these stores are almost unknown and the execution of these online stores is quite poor.

I have always admired entrepreneurship and hoped that some day I will have what it takes to be one. The TAMK International Business program has given me great knowledge in all aspects of business and provides an excellent start for also entrepreneurship. For the love of the sport and for my personal and

¹ <http://www.internetworldstats.com/stats.htm>

² http://www.stat.fi/til/sutivi/2010/sutivi_2010_2010-10-26_kat_001_fi.html

³ Kuratko & Hoddgetts, (2007): *Entrepreneurship: Theory, Process, Practice* p.13

professional interests, I have decided to make a business plan for an online ice hockey store called hockeystore.fi.

There are many problems and business related issues when making a business plan for a new company. This thesis will provide an outlook on what type of issues should be taken into consideration before starting an online store. There will be some background information on the state of the online shopping in Finland and also we will take a look at the advantages and challenges of e-business. This thesis concentrates mainly on the marketing point of view of the e-business, which means that there will be PESTEL analysis, SWOT analysis, a marketing strategy and other marketing related issues in the middle section of the thesis. Logistics is also an important part of e-business and online shopping and it will be discussed in the end part of this thesis.

2 Business Idea

In a nutshell, the idea is to put up an online store, which sells ice hockey gear with affordable prices, straight to the consumers. The products will be ordered straight from the importers in Finland. The headquarters will be located in Helsinki or Tampere, for the best delivery and distribution possibilities. The product range will be wide including everything you need for ice hockey from hockey sticks to shoulder pads. There will also be special offers of the whole package, which contains everything you need when you start playing ice hockey.

Key elements of the company will be great customer service, fast delivery time and a good price – quality ratio. The online store will also be made so that the consumer will find it simple and easy to navigate. There is also a possibility that we might sell used, second hand, ice hockey equipment and that way having a much larger consumer base. The company will be called “Hockeystore.fi”.

2.1 Vision

- During the first year of operation we want to gain a good reputation, through affordable prices, fast delivery and great customer service.
- Accomplish a steady cash flow and long term business partners.

2.2 Mission

- To be a trusted and reliable ice hockey equipment supplier, known through out Finland.

3 Background information

3.1 E-commerce and E-business

In order to understand e-business and this business plan on an online store, it is good to have a closer look at the background of e-business and the developing of e-commerce.

3.1.1 Definitions

We will start of with some definitions by Jennifer Rowley from her book “E-business, Principles & Practice”.

“E-commerce is doing business electronically across the extended enterprise. It covers any form of business or administrative transaction or information exchange that is executed using any information and communication technology. Morath (2000) views e-commerce as often taking a narrow perspective limited to specific initiatives, such as sales over the Internet, e-procurement or e-payment.”⁴

“E-business is a wider concept that embraces all aspects of the use of information technology in business. It includes not only buying and selling, but also servicing customers and collaborating with business partners, and often involves integration across business processes and communication within organization.”⁵

⁴ Rowley, J. (2002): *E-Business, Principles & Practice*, p.2

⁵ Rowley, J. (2002): *E-Business, Principles & Practice*, p.2

3.1.2 The 4 Stages of Developing E-Commerce service

Jennifer Rowley presents four different stages of the developing of e-commerce. For a business that is starting to practice e-commerce, these are the different steps it needs to take in order to be a properly functional business in the field of e-commerce. For an online store these are the steps that need to be mastered in order that the online store is fully functional and capable of doing business online. In other words, Hockeystore.fi must be able to handle all of these four stages in order to succeed in the competitive field of online shopping.

Stage	Characteristics	Website Functionality
1 Contact	Promote corporate image. Publish corporate information. Offer contact information.	Content
2 Interact	Embed information exchange. Target marketing effort.	Communication
3 Transact	Online transactions. Catalogue order/fulfillment. Interaction with trading partners.	Commerce
4 Relate	Two-way customer relationships. Full integration of Internet capability into the business. Service interface integrated with delivery and other business operations.	Community

Rowley, J. (2002): *E-Business, Principles & Practice*, p.4

The first stage is a very basic level and it is basically only about making a company appear also on the Internet in addition to its physical location. It offers the customer some information on the company and gives the company a chance to promote itself online. Contact information and for example opening hours can be displayed on a stage one website.

The second stage is a bit more developed stage. It provides the customer a chance to interact with the company through the website. Target marketing and for example a company news section can be added to this type of a website. It also requires updates and more maintenance from the company's behalf compared to stage one.

The third stage differs a lot from the first two stages, because this is the stage where the money starts to move. It provides the customer a possibility to order products or a catalogue. The transactional possibilities make this stage only one step away from the final stage.

The fourth stage provides a full integration of Internet capability in to the business. It offers the two-way relationship between the customer and the company, both parties providing each other with some information. This can be on the businesses behalf for example product details, price details, business process details and brand values and messages. On the customers behalf this could mean order details, customer details, billing and shipping addresses and order placement confirmation.⁶ This is the stage where Hockeystore.fi needs to be in order break through in Finland.

⁶ Rowley, J. (2002): *E-Business, Principles & Practice*, p.5

3.2 Online Shopping in Finland

According to a research made by Smilehouse, online shopping is a growing field, despite the recent recession.⁷ The vice CEO of Smilehouse says, that the shopping behavior of people is becoming more and more online orientated. This is incredible, because online shopping has been growing for a long time and it still does not show signs of degrading.

The research states that 38% of the people, who answered, said that they have spent more money in online shopping than before. In addition 54% said that the amount is about the same, while only 8% said that they have spent less money on online shopping. This might be, because in many cases online prices are lower than the ones at the local stores and also because online shopping is considered to be more common and secure than before. An interesting fact, which concerns this business plan, is that the amount of people buying equipment for their hobbies, online, continues to grow.

The research also shows that 71% shop usually in domestic, Finnish, web stores. Only 7% shop in mostly foreign online stores and the remaining 22% shop equally in both foreign and domestic online shops. The most valued things in online shopping are the freedom to shop whenever you like, the easiness of the shopping and the great functionality of the shopping. Also other valued things are prices, ability to return products, information accuracy and selection. This research provides a good ground to develop a well-designed web store, which provides a great shopping experience for the consumer.

⁷ <http://www.smilehouse.fi/uutiset/2010-01-14-kuluttajien-verkko-ostaminen-on-kasvanut-taantumassakin-kertoo-tuore-tutkimus>

3.3 Advantages and Challenges of E-Business

E-Business has a various number of advantages compared to traditional business, but with advantages also come the challenges. Often when thinking of e-business people come up with thoughts of security, convenience and low costs. For an online store it is essential to go over these issues to minimize the risk and maximize the benefits of online shopping.

Advantages of E-Business

Global promotion: E-commerce offers you a chance to promote your products globally through the Internet. E-business has made it possible for companies to globalize their business much faster than before. The Internet provides a chance for users around the world to access your web site, even if your business operations are only local. The web page is visible online to anyone, anywhere, which provides your business the reach that wasn't possible before.

In addition, it gives smaller businesses to compete with other companies on the same ground locally and internationally, which is huge advantage, but also a threat.

Low costs: The costs of running an e-business are relatively smaller than in running a regular business. First of all, the operating costs of an e-business are low. An online business does not need large offices and warehouses and it is not tied to a certain location, thus reducing infrastructural costs. Also the inventory costs and labor costs are minimal, because there is no need for a large staff.

Not only does the e-business save money, but it also saves time. An online store is functioning on its' own without you being behind the counter all the time. Also since all the action happens through the Internet, the transactions between the buyer and the seller happen faster.

Marketing costs are also reduced in e-businesses. Direct marketing to the customer can be done via e-mail. Many online shops have a loyalty program, which encourages the customer to shop at the same place again by rewarding the customer with, for example, discount coupons/codes. This can be as well done via e-mail.

Convenience: Convenience is a great advantage that comes with online shopping. For example, an online store is open 24/7 and is accessible from any location with and Internet connection. In other words, e-business removes the restrictions of availability and location. It also allows the customer to shop without leaving home which saves him the effort of dressing up and physically moving from a place to another just for the possibility to go shopping.

E-business also provides the customer with the option to keep their product in the electronic shopping cart if they don't feel like purchasing the product right away.

The possibility of comparing similar products in different web stores is also a matter of convenience. There is no need to walk to the other store wince it is one click away. This is also a threat for the online shops, because it is extremely easy for the customer to buy the product from another store.

Customer service: Customer service is one of the key elements and one of the best advantages that an e-business can offer. The customer service is better and more personal when the customer can be in touch with the company through the Internet, without having to leave home. Also updating the web site with new information on products, prices and availability is easy and fast.⁸

⁸ <http://www.ts.fi/teemat/kuluttaja/167223.html>

Many web stores have a real time online chat room where the customer can chat with a customer service person over the Internet. This kind of a service provides true customer service and adds great value to the customer.

In addition to this, online stores provide a possibility to contact the personnel via e-mail. Also there is usually a FAQ (*frequently asked questions*) section on the online stores we site, where the customer can look up answers to the most common questions.

Through an efficient DBMS (*database management system*), detailed information about customers' shopping habits can be gathered and used for example in target marketing. A well-constructed database collects information on what type of products and how much money the customers spend when they purchase something. The information can then be used, by offering the customer special discounts or information on new products in a fast and cost effective way that only e-business can provide.

E-business provides better customer service also in the form of delivery. Several e-businesses provide a delivery service, which brings the customers order directly to their doorstep. This service is usually outsourced for logistics companies such as UPS or FedEx. Another option is to have the package sent to the nearest postal office. In this delivery option, the customer is notified when their package is ready for pick up at the postal office.

Challenges

Security: One of the biggest problems in e-business and online shopping is the security issues. To be more specific, the problems are in ensuring the security of data transaction. Jennifer Rowley writes that the basic security requirements are identification, access, protection and validity.⁹

Security requirements*	
Identification:	<ul style="list-style-type: none"> - Are new customers required to register? - Do customers register and are they given a password? - Does the organization know customers' contact information?
Access:	<ul style="list-style-type: none"> - Which users are authorized to change the website? - Which pages in the web site are the users permitted to view?
Protection:	<ul style="list-style-type: none"> - Is customers purchase history and other information only passed to other companies with customers' permission? - Are credit card details secure and secret?
Validity:	<ul style="list-style-type: none"> - Is the data on the web site correct? - What controls to ensure that only those with permission can change the data on the website?

*Jennifer Rowley (2002): *E-Business, Principles & Practice*, p. 247 figure 9.3

The reason why security is challenge is in e-business, because the transactions happen through the Internet and because of the TCP/IP (*Transmission Control Protocol / Internet Protocol*) protocol that governs the communication.¹⁰ These protocols are open protocols, which means that when the data is transmitted from a computer to another, a third party can intercept it. This brings us to the reason why we have encryption. Encryption

⁹ Rowley, J. (2002): *E-Business, Principles & Practice*, p.247

¹⁰ Rowley, J. (2002): *E-Business, Principles & Practice*, p.247

secures the data by coding is to a different form as it is transmitted.¹¹ TLS/SSL (*Transport Layer Security/ Secure Sockets Layer*) is a protocol, which is used to protect the data flow over different IP addresses. The most common way of securing the flow, for a TSL protocol, is to secure the transmission with HTTPS-protocol (*Hypertext Transfer Protocol Secure*). This can be seen on your Internet browser when the beginning of the web address turns from http:// in to https://.

Trust:

In addition there are there are the trust issues. Online shopping is still considered to be a bit shady by some people, because of trust. The customer may think: Will I ever get my products? Where does my money go? How is my information used? These are all questions that make the gap between ordering and not ordering, online. Jennifer Rowley has six different steps on how to build trust between the customer and the supplier:¹²

1. Tell people how you are using their information.
2. Allow people to view the information that you are keeping on them.
3. Allow people to change this information.
4. Tell people how you will use the information and with whom you will share it.
5. Embed all of the above points in a privacy policy, which is available on the website.
6. Use “branded trust” by registering with a trust agency, such as TRUSTe and display its trust mark on the website

¹¹ Rowley, J. (2002): *E-Business, Principles & Practice*, p.249

¹² Rowley, J. (2002): *E-Business, Principles & Practice*, p.255

Competition:

Competition is a difficult one, because it is both an advantage and a threat. This is why I put it last in the list of challenges. For a small start-up business the Internet provides competitive advantage, because on the Internet, the store is almost on an equal level with the online stores of big corporate chains. It is also a challenge, because the costs of putting up an online store are very low, which means that the entry barrier is extremely low for new companies. Shortly, everyone are almost in the same position, but the competition is tough.

4 MARKETING

4.1 Market Segmentation

The purpose of this section is to establish the division of different market groups with similar needs and wants to a market segment, which is suitable for “Hockeystre.fi”. For the concept of an online store selling ice hockey gear, the key elements in this market segmentation are: gender and interests. In short the target market is: boys and men of all ages, with an interest towards ice hockey.

Gender

Because ice hockey is a sport that is mainly played by men, they will be the main target group. There are also women who play the sport, but since the market is so niche compared to the men’s market, “Hockeystore.fi” is going with ice hockey gear, only for men. Men being the target group of this store, also the marketing will be targeted towards men.

Interests

The other key element is interests, which in this case, is ice hockey. It is clear that the products of this store are targeted to people who share ice hockey as their interests. In Finland, this segment of people is quite large considering the fact that Finland is traditionally an ice hockey country.

4.2 Market Definition

In short, Hockeystore.fi is focusing on men who share the interest for ice hockey. We focus on people of all ages, so it doesn't matter if a person is just starting to play ice hockey or if a person has played the sport for several years. Hockeystore.fi sells both amateur and pro gear and that is why the store is suitable for people at all skill levels. The store also provides both junior and senior gear, so both sons and dads can buy their equipment from the same place.

In addition to selling new equipment, we might do a section on the web site, which sells also used ice hockey equipment. If we decide to put this plan in action, it of course means that we would have to buy used equipment from the customer or give discount of the new equipment in exchange for the used gear. This way we can access a larger market, because new ice hockey equipment can be quite expensive. Used gear being much cheaper than new, a lot more people can afford to buy from hockeystore.fi, thus making the target market larger.

4.3 Marketing strategy

In order for Hockeystore.fi to be successful, it will need a functional marketing strategy. A marketing strategy is a plan that will measure the resources of the company and apply it to increase the sales and gain a competitive advantage among the competitors. It involves several market analyses, which will provide information for the actual strategy.

There are many ways of executing a marketing strategy, but this is the way that in my opinion is the most suitable for this type of a company. A marketing strategy consists of SWOT analysis, which concentrates on the internal and external environments, in which the company is operating. The strategy also has an internal environment scan, a marketing mix, which consists of the four P's. There will also be an external environment analysis, which contains a competitor analysis. After these analyses, the actual strategic plan will be made, which will be the final marketing strategy.

Usually marketing strategies are done for several years ahead and are very detailed and tactical plans. However, since Hockeystore.fi is a startup business, I will do the marketing strategy for only the first year, which is the most crucial year, because it is the year that the company has to penetrate the market. There is no telling in how the first year will go in reality, so there is no point of making a multi-year marketing strategy straight from the beginning. The marketing strategy for the upcoming years can be done later on when the company has experienced the first year of operation.

4.3.1 External environment analysis: PESTEL

PESTEL analysis will give a larger picture of the macro-environment, in which the company is operating. The analysis helps the company to prepare itself for changes in the future by taking a glance at the changing factors in the business environment. These issues will have an affect on the decision-making in a company or in this case, the decisions concerning this business plan. The PESTEL model will help by categorizing the macro-environment in to political, economical, social, technological, environmental and legal factors. By analyzing the results of each of the factors, this analysis provides also the information on which of these factors has the most effect on this type of a company.

Political

Government stability: In Finland the government is stable and the assumption is that it will be stable also in the future.

Taxation policy: 1st July 2010 there was a change in the taxation policy, which concerns both B2B and B2C business. The value added tax (VAT) was raised from 22% to 23%. The new change requires that the new VAT will be used in the invoicing and accounting systems. Hockeystore.fi will use the 23% VAT straight away and there is no need for changes in the prices of the products, because the company is still in planning phase. In the future though, changing taxation policy will be followed, because it has a direct impact on the retail prices of hockeystore.fi.

Economical

Inflation: Inflation rose to 2.3% in October from the 1.4%, which it was in September.¹³ The reason for the rise was mainly removal of the VAT discount and the rise of the food prices. The consumer price index rose from September to October by 0.4% due to the price increase mainly in clothing and food. According to Jean –Claude Trichet, the General Manager of the European Central Bank (4. November 2010), the inflation will stay under 2% in mid-long term.¹⁴

Available income: Available income is what you have after all expenses. In Finland, despite of the recent recession, the available income rose by 1.9%. Salary income declined with 1%, but social benefits grew and the taxation declined.¹⁵ This means that the Finnish households have more money for leisure activities despite of the recession. This is important information when starting a business, selling leisure equipment.

Social

Age-composition: In 2008 the number of pensioners exceeded the number of people under the age of 15 for the first time in the history of Finland. This is a cruel fact and it means that the Finnish population is ageing. This of course is a negative issue for selling ice hockey equipment and sporting equipment in general, because the target market is getting smaller.

Sports: The 2009 – 2010 National sport research¹⁶ shows that among people within the ages of 3 – 18, sports is still the number one hobby in Finland. 43% of these kids are doing sports in some kind of a sport club. Also positive news is that 258 000 children out side of sports clubs, want to be a part of a sport club. The number of sporting young people in Finland is rising, which is great for the ice hockey business.

¹³ http://www.stat.fi/til/khi/2010/10/khi_2010_10_2010-11-15_tie_001.fi.html

¹⁴ http://www.suomenpankki.fi/fi/suomen_pankki/ajankohtaista/ekp_puheet/2010/lausunto_101104.htm

¹⁵ http://www.stat.fi/ajk/tiedotteet/2010/tiedote_003_2010-03-01.html

¹⁶ <http://www.slu.fi/?x13001=2495722>

Attitudes towards leisure time: Finnish people, especially the younger generations, find leisure time more and more valuable. The number of people exercising at least once a week has been rising, but the number of people exercising daily has unfortunately declined. The most relative up is among people within the ages 24-44, who exercise at least once a week.¹⁷

Technological

Internet: A research, made by Akamai Technologies, shows that Finland is one of the top countries in Internet usage in the world. The number of IP addresses in proportion to the number of people, Finland is the third, tight after Sweden and Norway.¹⁸ The research also shows, that the usage of the Internet has spread very widely through the country and the number of Internet attacks and viruses, is quite low.

E-Business: Another research points out that the number people using the internet between the ages 16 – 74 is 82% in Finland.¹⁹ Of these 82%, a great 37% had used Internet, within the last three month, to buy something from an online store. According to a research made by Smilehouse²⁰, the number of people buying online has been rising, despite of the recession. They say that the buying behavior of the consumer, is going to more web orientated way and the Finnish businesses should react to this fact. The research shows that 38% of the people buying online, say that they have bought more, compared to year before. About 54% say that the buying has stayed the same and about 8% say that their online shopping has declined.

¹⁷ http://www.tilastokeskus.fi/til/vpa/2002/vpa_2002_2005-01-26_tie_001.html

¹⁸ http://www.tietokone.fi/uutiset/suomi_internetin_kayton_karjessa_mutta_jaljessa_yhteysnopeuksissa

¹⁹ http://www.stat.fi/artikkelit/2009/art_2009-09-30_007.html

²⁰ <http://www.smilehouse.fi/uutiset/2010-01-14-kuluttajien-verkko-ostaminen-on-kasvanut-taantumassakin-kertoo-tuore-tutkimus>

Environmental

Climate change: In Finland ice hockey is played both indoors and outdoors. Ice hockey halls are usually open 11 months in a year, which makes it possible for people to play almost the whole year round, despite of the outside weather. Although global warming is a fact, the effects of it are still very small, at least in Finland. The outdoor ice hockey rinks are usually open from November to March or as long as the weather stays cold enough. Nowadays almost every ice hockey team in Finland practices and plays in a ice hockey hall, including junior teams and even so called hobby teams. This gives us the conclusion, that the weather has only a minor impact on this sport in Finland.

Legal

Kuluttajavirasto (Consumer bureau) provides a list of rules and regulations as it comes to web store marketing and terms of contracts. The consumer protection law in Finland makes sure that the consumer has it's right, weather one buys their products from a local convenience store or online.

4.3.2 SWOT Analysis

SWOT is a common method of analyzing market environment. It helps in measuring the company's resources to the environment in which the company is operating. SWOT stands for strengths, weaknesses, opportunities and threats.²¹ Strengths and weaknesses measure the internal environmental factors as the opportunities and threats are external factors.

INTERNAL

Strengths

Hockeystore.fi will be able to offer ice hockey gear with a reasonable price due to the fact that the equipment comes straight from the importer, through us, to the consumer. Hockeystore.fi may even import some products. Cost efficiency and customer service play a key role in this organization. Also there is the new concept of selling also used hockey equipment online, which no other online hockey store has yet done.

Weaknesses

We are a new comer in the ice hockey business and the competition is rough. It is not easy for a small start up company to compete with already existing larger stores. Being only an online store, we have to break our selves through in order to penetrate this market. Also we need to create a tight bond between our suppliers, for a long-term relationship and good deals.

²¹ <http://www.quickmba.com/strategy/swot/>

EXTERNAL

Opportunities

We have a good opportunity to grow as a company in this fairly new market of online ice hockey gear in Finland. As an online store the possibilities to expand are endless. We also have chances to make big sales and profits in this environment. In addition, the economical situation is getting better all the time and it also shows on the consumer behavior. People have more money to spend on leisure activities, which is good for sport stores. Online shopping is also rising among consumer, which gives us a head start to the trend in this business.

Threats

The competition of other hockey shops is always a threat. Competitors already have a stable position in this market and that is why breaking our selves through, is not going to be that easy. Also there is always the threat of new entering companies to the market.

4.3.3 Competitor Analysis

Competitor analysis is necessary in this business plan, because it helps to get a bigger picture of the market that we are trying to enter. It also helps to distinguish the difference between direct and indirect competition and to define the scale of the market.

Intersport

Intersport is a chain of sport stores. There are over 5000 Intersport stores in 35 countries. In Finland though, there are 56 Intersport stores, of which 11 are Intersport megastores.²² They offer the consumer top brands and products for both sport and leisure. Their sport section consists of products of the following sports: running, fitness and gym, ice sports, skiing, snowboarding, soccer and other ball games, camping, floor ball, shoes and clothing. However, being a large sport chain, Intersport does not sell their products online. Also, the selling of the products is seasonal, so in the summer they sell only summer sport products and as the winter comes, they start selling winter sport products.

Sportia

Sportia also is a large sport store chain in Finland. There are over 60 stores all over Finland, which sell clothing and equipment for different sports.²³

²² <http://www.intersport.fi/intersport.html>

²³ <http://www.sportia.fi/etusivu>

They sell products to the following sports: ice hockey, soccer, running, fitness and gym, biking, camping, fishing, floor ball and skiing. They also sell shoes and clothing for both in door and out door sports. Also Sportia does not sell their products online. Also Sportia sells their products by the season. However, there are some Sportia stores that have specialized to a certain sport. For example Sportia 10 in Tampere, which sells only ice hockey gear. They have an online store section on their website where they sell ice hockey gear.

Stadium

Stadium is the largest sports chain in Sweden and it has 110 stores in Sweden, Denmark and Finland. Stadium is also a company, which has the largest online sport store in Scandinavia.²⁴ They sell products for both out door and in door sports. Stadium may be the biggest chain in Sweden, but there are not that many stores here in Finland. Stadium is direct competition to hockeystore.fi since it has a fully functional online store, which sells ice hockey gear among equipment for other sports.

Hockeybusters.com

Hockeybusters.com is a small online store, which sells ice hockey gear in Finland. The company's headquarter is located in Kukkila near Lahti. The company's turnover is <200 000 €, so we are talking about a small size company. According to Finder the company employs 1-4 persons. The overall picture of the online store is quite poor. Although Hockeybusters.com is direct competition, it is not a great threat.

²⁴ <http://www.stadium.fi/tietoa-stadiumista/konserni/this-is-stadium>

Speculation: There is a lot of indirect and direct competition for Hockeystore.fi. There are a few stores that sell ice hockey equipment online, but there are several stores that sell it locally. Only in Tampere region there are at least eight stores, which sell ice hockey equipment in the wintertime. This is a major threat and a barrier that Hockeystore.fi would need to overcome. To break through to the market Hockeystore.fi will need a good marketing strategy, which will bring it to peoples attention and make the business profitable.

4.3.4 Marketing mix

The marketing mix consists of the Four P's, which are the product, price, place and promotion.²⁵ The four P's are the factors that the company can be in charge of. The idea is to make decisions concerning the four P's so that they all will provide value and positive response to the customer in the target market, in the center of the matrix.



4.3.4.1 The Four P's²⁶

Product

- Functionality
- Brand name
- Styling
- Quality
- Safety

²⁵ <http://www.netmba.com/marketing/mix/>

²⁶ <http://www.netmba.com/marketing/mix/>

- Packaging
- Repairs and Support
- Warranty
- Accessories and services

Since Hockeystore.fi does not manufacture any products on its own the brands that it will sell will be brands that are already known in the ice hockey circles of Finland. These brands could be for example Warrior, Reebok, CCM, Bauer and Easton. Brands that are already known to people are easier to sell, because the customer may have a sense of familiarity and perhaps previous experiences related to that product.

The functionality and the quality are top of the line with these brands and the experienced customer will know this. Of course for a person who is not that familiar with the products, they may read the product descriptions or compare the product online.

Hockeystore.fi will not provide repair services for the products. There is a factory warranty on the products and the possibility to return the product within 14 days at the customer's own expense. The 14 day return demands that the product is un-used and in new condition.

Customer service is provided for the customer for example in the form of FAQ (frequently asked questions) and the possibility to contact us via e-mail. The details on customer service can be seen on this thesis on pages 11-12 under the heading "*Customer service*".

Price

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing
- Cash and early payment discounts
- Seasonal pricing
- Bundling
- Price flexibility
- Price discrimination

The goal of the price policy at Hockeystore.fi is that the prices of the products sold at Hockeystore.fi will be smaller than the retail prices at regular sport stores. This can be made possible by skimming the expenses, which are minimal in an online store.

There will be volume discounts or package deals for example on packages, which contain all of the equipment that a person need when they start playing ice hockey. It is also quite usual in an online store that if you purchase products worth over a certain amount of money, the shipping of the products will be free of charge. There will be no cash or early payment discounts, because this is a retail store and the sales are B2C.

Ice hockey is a seasonal sport so the selling needs to be maximized during the ice hockey season. Seasonal pricing, for example, sale prices in the spring is definitely on the list.

Since Hockeystore.fi is operating at a perfect competition market there is no possibility for price discrimination.

Place

- Distribution channels
- Market coverage (inclusive, selective, or exclusive distribution)
- Specific channel members
- Inventory management
- Warehousing
- Distribution centers
- Order processing
- Transportation
- Reverse logistics

There is no question about the distribution channel, of Hockeystore.fi since it is an online store. The place or the distribution channel is the Internet. The store operates fully through the Internet and it has no physical location, except the warehouse where the products are located.

The warehouse will possibly be located somewhere in Tampere region, because of the great logistical possibilities. An outsourced transportation company will ship the products to customers, from the warehouse. More of the logistical matter will be discussed at the “5 Logistics” section of this thesis.

Promotion

- Promotional strategy (push, pull, etc.)
- Advertising
- Personal selling & sales force
- Sales promotions
- Public relations & publicity
- Marketing communications budget

Promotion is an important part of the marketing mix, because it covers the communication that is done between the company and the customer or the marketer and the marketplace.

Promotional strategies such as the “push and pull” strategies are a bit extreme for this company. The promotional strategy will be based on advertising in several different portals, which will access the target market as efficiently as possible. The following section will be about advertising and will discuss this issue in a more detailed matter.

Public relations are also an important issue that needs to be taken in to concern. The public relations consist of matters, such as sponsorship deals, fairs and events. A fair called “*Lätkämessut*” is an ice hockey fair organized at the Helsinki Exhibition & Convention Centre. It is a fair that will provide visibility for Hockeystore.fi and will be among the events that we must attend. “*Jääkiekkomessut*” is another interesting fair that is organized by Suomen Jääkiekkoliitto Ry.

The marketing communication budget will be discussed later in the “Budget” section of this thesis.

4.3.5 Porter's Generic Strategies

Michael E. Porter developed Porter's generic strategies and companies use them to gain or maintain a competitive advantage on the market. The three marketing strategies are cost leadership, differentiation and focus. Each one of these strategies has different methods in gaining the competitive advantage, because they all have unique features. It is important to discuss all of the options to find out, which one of them is most suitable to be the marketing strategy for Hockeystore.fi. Below is a table of the Porter's generic strategies, which clarifies the aspects of the three strategies.²⁷

<u>Porter's Generic Strategies</u>		Competitive Advantage	
		Low Cost	Uniqueness
Competitive Target	Broad market	Cost Leadership	Differentiation
	Narrow market	Focus	

4.3.5.1 Cost Leadership Strategy

Cost leadership strategy works with low cost as a competitive advantage and a broad competitive scope. It relies on cost effectiveness and enables the company to both keep the prices on the same level as the competitors and

²⁷ Porter, Michael E. (1998): *Competitive Strategy* p. 39

maximize the profitability or to lower the prices to attract more price conscious customers.

Cost Leadership requires in many cases cost minimization for example in R&D, service, sales force and advertising. It also demands from the company a pursuit cost reductions, tight cost and overhead control and aggressive construction of efficient-scale facilities.²⁸ Also other ways to accomplish competitive advantage through cost leadership are a high asset turnover, low direct and indirect operating costs and control of the supply chain.

In the case of Hockeystore.fi, controlling the supply chain may be a key issue to cost leadership. Buying in large numbers to get quantity discount or using JIT purchasing (Just-In-Time) would be great improvements in the supply chain. Also tight cost policy can be used and it will be since the company is a one-person online store, the costs will be minimal. It is all about minimizing the costs, which is easier to execute when the company operates fully online. Cost leadership will allow us to sell at a lower price than our competitors. There is also the possibility to start importing a brand, which is new in Finland, making the company able to gain higher margins on those products.

According to Porter, it is beneficial for the company, which is achieving a low overall cost position, if it has a high relative market share or other advantages, for example a great access to raw materials.²⁹ When a company accomplishes a low cost position through cost leadership, it generates the company more returns and high margins, which can be for example reinvested to maintain cost leadership.

²⁸ Porter, Michael E. (1998): *Competitive Strategy* p.35

²⁹ Porter, Michael E. (1998): *Competitive Strategy* p.36

4.3.5.2 Differentiation Strategy

This strategy, unlike the cost leadership strategy, will not attract price conscious customers. On the contrary it will attract customers with certain needs that need to be fulfilled by something unique.

Differentiation strategy means that the company has or is creating something unique that no one else in the industry has. It can be a brand new design, a good brand, a technology, a great dealer network or a unique customer service.

Differentiation also provides protection against competitive rivalry, because the customers are usually brand loyal and have a lower sensitivity towards price.³⁰ The non-price sensitive customers also allow the company to generate higher profit on the products. As the products are unique, there is not an alternative for the product, which would create the similar fulfillment of needs for the customer; the customer loyalty increases as the price sensitivity goes down.

According to Porter, achieving differentiation may sometimes require a high market share.³¹ On the other hand differentiation often requires exclusivity, which does not go hand in hand with high market share.

Achieving competitive advantage through the differentiation strategy usually will not allow the company to be in a low cost position. This is not a suitable strategy for Hockeystore.fi, because we are not providing the customer with anything unique.

³⁰ Porter, Michael E. (1998): *Competitive Strategy* p.38

³¹ Porter, Michael E. (1998): *Competitive Strategy* p.38

4.3.5.3 Focus Strategy

The last one of the Porter's generic strategies is the focus strategy, which is focusing on a particular buyer group, segment of the product line, or geographic market.³² Unlike the cost leadership strategy and the differentiation strategy, the focus strategy aims at a certain target instead of the whole market.

This segmentation strategy is based on the presumption that the company is able to serve the niche market or markets, better than its competitors. As a result of more effective and efficient serving, the company achieves either differentiation by fulfilling the customers' needs better or by lower costs or both.

According to Porter, in this strategy it is possible for the company to gain both low cost position and high differentiation position, because they focus on a strategic target market. He also claims that by doing this, the company can possibly be able to earn above-average returns for its industry.³³ The target market of the focus strategy could be the customers, which are least vulnerable to substitute products or the market where the competitors are the weakest.

The focus strategy is probably not suitable for Hockeystore.fi since the target market is very broad. At the beginning of this thesis, in market definition and market segmentation, we defined the target market. It being as broad as it is, it is not possible to use the focus strategy at its full strength.

³² Porter, Michael E. (1998): *Competitive Strategy* p.38

³³ Porter, Michael E. (1998): *Competitive Strategy* p.39

4.4 Advertising

The advertising will contain Internet advertising on web pages, Facebook and Internet search engines like Google, and advertising at some of the Finnish ice hockey rinks. Also newspaper advertising is a possibility and later on, television advertising. Television advertising is left out in the beginning, because of its high costs.

It is very important for an online store to do advertising in order to make people aware of the store. Also aggressive marketing will help Hockeystore.fi to become a well-known ice hockey store.

Television

Television advertising is one of the most efficient ways to advertise and to reach a large group of consumers. From all of the television channels in Finland, Sub TV is probably the channel, which Hockeystore.fi would go with. In October 2010 Sub TV reached 3,2 million people, all over Finland, every week. Sub TV is third month in a row the most watched TV channel in Finland, after MTV3, in its' target market (15-44 year olds between 19-24 o'clock).³⁴ The target market of 15 – 44 year old people is also very suitable for Hockeystore.fi, since the largest market of online shoppers belong to this age category.

Television advertising would be very efficient, but it is also very expensive compared to other ways of advertising. This type of advertising might not be the first one on the list for Hockeystore.fi, but maybe later in the future it could be possible to advertise on television.

³⁴ http://spotti.sub.fi/site/sub/mainostaminen.jsp?ss=ms_tu&sl2=5&id=9059

Internet web pages

Internet advertising is important for an online store. Great places to advertise could be the home pages of the ice hockey teams, which play at SM-Liiga. There are all in all 14 ice hockey teams, that play in this league and they all have websites. Hockeystore.fi could advertise in all of these or choose the sites with the most visitors or the sites of the teams in southern Finland. We could also advertise on *sm-liiga.fi*, which is the home page of the Finnish hockey league.

The Internet is so wide, with so many possibilities to advertise. We have to find out the most efficient ways to advertise and the web pages with the most visitors to make the advertising as effective as possible. Internet advertising is also a lot cheaper than television advertising, and it would be a good way to start an advertising campaign.

Internet search engines

Search engines like google.com provide services like directories, searching, information news and links to websites.³⁵ Google.com provides also a service that allows your website to come up among the first links after the search when certain key words are used. This is a very effective way for online stores to make appearance in search engines. It would also be probably one of the advertising methods that we would use, because it is important that the web site can be easily found by anyone.

There are also other issues that affect the listing and ranking by search engines. These things are registration, keywords in the title of the web page,

³⁵ Jennifer Rowley (2002): E-Business, Principles & Practice, p.99

number of occurrences of keywords, meta-tags and popularity of the website.³⁶

Facebook and social media

Creating a Facebook page for the company is basically free of charge and it can spread easily among people on Facebook. Several companies nowadays have a Facebook page where they announce upcoming events for example information on new product arrivals. Hockeystore.fi could use this channel to inform people about sales, new products and other company related news. It is an easy way for the company to be in touch with its customers. Social media is also a channel where information travels extremely fast from one user to another making it a very efficient tool in marketing and advertising.

Newspaper

The local newspapers are also very efficient way to advertise. Two big newspapers like *Helsingin Sanomat* and *Aamulehti* are quite potential newspapers for newspaper advertising. It also cost a lot less compared to television advertising. This would be also a good way to start the advertising campaign along with Internet advertising, because of the lower cost.

Helsingin Sanomat newspaper alone reaches 936 000 readers in Finland daily of which 453 000 live in, or in the surroundings of, Helsinki.³⁷ The circulation of the paper is 363 361. In addition the *Helsingin Sanomat* media contains *HS.fi* web site, *Radio Helsinki* and 5 different attachments that are attached to the *Helsingin Sanomat* newspaper.

³⁶ Jennifer Rowley (2002): E-Business, Principles & Practice, p.101

³⁷ <http://ilmoittajapalvelu.hs.fi/Helsingin+Sanomat>

Aamulehti is a newspaper that is most popular in Tampere region and is the second largest 7-day newspaper in Finland. It reached 311 000 readers daily and covers 66% of the market area of Tampere.³⁸

Ice Hockey Rinks

There is advertising possibilities at the ice hockey rinks of the SM-Liiga teams. There are regular ringside advertisements, which are displayed at the sides of the ice hockey rink. In addition there are big screens in the ice hockey rinks, which play commercials during breaks. Making a commercial that plays at an ice hockey game would be perfect, because it reaches definitely the target group. People who show interest in ice hockey often go to ice hockey games and these are the people that we want to advertise and sell to. It would provide a great boost for the start for Hockeystore.fi.

³⁸ <http://www.aamulehti.fi/mediapalvelu/mediatiedot/alasivu.shtml/aamulehti/?101108>

5 LOGISTICS

Logistics and the delivery of the products is a large challenge in e-business. Delivery is key service phases, in customer service, in which the customers discover whether the company fulfill their promises.³⁹ The customer finds out if the products arrive in the schedule and time, and whether the products meet the customer's expectations. The customer also has to have an option to return the products if it differs from the one they ordered, if the product is damaged or if, for example, the size is incorrect.

5.1 Delivery

The main issues in delivering the product to the consumers are time and money. Delivery of the products is quite costly and the delivery takes a few days to reach its destination, even if you keep it inside the country.

The main delivery options are digital delivery, postal and courier services and van delivery.⁴⁰

Digital delivery is used in case the products are in a digital form, for example mp3 files if it is music that is bought from an online store. The cost of this delivery is near to zero.

Van delivery is used by supermarkets when they deliver a certain amount of goods to the customer that require cooled vans in order to keep the goods in a certain condition during the delivery. These deliveries are often regular and follow a specific delivery schedule. The cost for this delivery is quite high because of personalization, potential of spoilage and the speed and the mode of the delivery.

³⁹ Jennifer Rowley (2002): E-Business, Principles & Practice, p.182

⁴⁰ Jennifer Rowley (2002): E-Business, Principles & Practice, p.182

Postal and courier services are used if there is a need to move packages in different sizes, physically from location A to location B. This type of delivery provides the customer the option to have the products delivered to a public or a private address in the agreed time. The cost of this service depends on the weight, bulk, the distance that the product has to travel in order to reach the specific location and the time that it takes to get there. For example if the customer wants that the product is delivered by a courier to his home on the next day costs more than if the product would be delivered by mail, during the next week and to a postal office. There are several companies, which offer this service in Finland. Posti, Itella, Matkahuolto, UPS, FedEx and/or Liuttu Logistiikka could do the delivery depending on the way of delivery. Companies such as Itella, often provide also other logistics services including for example warehousing, customer relationship management, purchasing management, packing and other services.⁴¹ Postal and courier services would be the ideal choice for Hockeystore.fi for the delivery of products.

5.2 Warehousing

Warehousing is an important part of logistics. The goods that come from the importer or the manufacturer are stored in a warehouse for further delivery. First the products are checked for any damage during that may have happened during the transportation. When the products are checked, they are stored. Now the products wait to be sold and sent to their next destination.

For a smaller company it might be smarter to outsource the warehousing activities, because warehouses and all the equipment and personnel you need to run a warehouse, do not come cheap. Of course for a company like Hockeystore.fi, where the products are not too big, a smaller space could

⁴¹ <http://verkkokauppiaille.itella.fi/itellan-palvelut-verkkokauppa-kaeyville-yrityksille>

work as a warehouse and it could be possible to be operated by only one person. By renting a warehouse and outsourcing the delivery service, we can minimize the costs.

6 PAYMENT OPTIONS

94,5% of online shop owners values the variety of payment methods as an important factor in a successful online shop.⁴² Hence, usually online stores have a variety of payment options to meet the needs of the customer. There is payment in advance, which can be done through a transaction in the customer's online bank or for example credit card payment. In addition there is the "cash on delivery" payment, which is probably the safest way for the buyer, but it comes with an additional fee. It is also very important to analyze different payment options in order to find the most suitable ones for an online store and the most convenient for the customer.

6.1 Methods of payment

A regular **cash payment** is when the customer buys the product from the physical store, not from an online store. It is the most common way of paying in business-to-consumer transactions.

Payment by **invoice** is used mainly in business-to-business transactions where the seller has full trust on the customer's ability to pay. For example if a sporting good store orders products from the importer, there is often an invoice that arrives with the packages. This method demands trust and good business relationship between the two parties.

⁴² <http://www.verkkomaksut.fi/index.php?id=1>

E-invoice is an invoice that shows up in your online bank service. Nowadays in Finland it is possible to get all your invoices electronically to your online bank service. This is very handy if you do not wish for the traditional paper invoices to your home.

Cash on delivery is a safe payment option for the customer. The customer is able to wait for the product to arrive for example at a near by postal office, from which they will collect the product and pay as they receive it. There is an extra fee that is charged though with this option, which makes it a more expensive option compared to for example the option of paying by credit card. It is also not so convenient for the seller, because the payment is done afterwards.

Credit card is the most common way to pay for online purchases. It is also very safe, but some people still find it hard to trust this payment option. As we have found out that security is one of the challenges in e-business, credit card payment is a bigger step for many people to take, mainly because you have to give your credit card information to someone or something else, in this case the web store. Good option for the seller too, because the payment is done in advance.

Last but not least, there is the **bank's online payment service**. It is a very convenient way for the customer to pay the service since they are logging in to their own bank by a personal id and a password, which is already familiar to them. This is also a payment option, which is convenient also for the seller since the payment is done in advance. It is probably one of the most common ways to pay in Finnish online stores.

6.2 Verkkomaksut.fi

In Finland there is a company called *Suomen Verkkomaksut*⁴³, which provides Finnish online shops a customized package with the payment options of choice. It would take time and money to make a contract with every single bank in Finland. With Suomen verkkomaksut, the company is able to get all of the payment options with only one contract. Many Finnish online stores already use this service, and it would be the ideal option also for Hockeystore.fi.

Details on the prices and services of Suomen Verkkomaksut:

Prices of the payment service (+ VAT 23 %):

- Initial fee 0 €
- Monthly fee 59 €
- Commission/transaction 0,35 € (NB! Nordea e-payment exceptionally 0,50 €)
- In credit card payments commission/transaction 0,35 € + 2 %
- In Collector's bill and part payment solution commission 3 % (no other costs for merchant)

Service and prices include following payment methods:

- OP
- Nordea
- Sampo Pankki
- Aktia/Säästöpankki/Paikallisosuuspankit/Nooa
- Handelsbanken
- Tapiola
- Ålandsbanken
- S-Pankki
- Card payment service of Luottokunta (includes Visa, Visa Electron, MasterCard and Eurocard)
- Itellan NetPosti electronic bill solution
- Collector's bill and part payment solution
- **Service includes also Merchant's panel, which offers among others centralized payment transactions tracing, analyzing, reporting and accounting services**⁴⁴

⁴³ <http://www.verkkomaksut.fi/>

⁴⁴ <http://www.verkkomaksut.fi/index.php?id=24>

7 Budgeted Profit & Loss

This budget is the budget for the first 12 months and it is based on assumptions and predictions. It is hard to predict the sales of a start up company, because the amount of variables is large. This budget will roughly demonstrate on how much sales need to be made in order for Hockeystore.fi to be profitable after the first 12 months.

There is an 115m² warehouse space in Nekala for rent for 630€/month. An 115m² space will be enough in the beginning to run the web store. There is no certainty though of the location and the rent of the place so rounding the rent up to 1000€/month is reasonable. This will make it 12 000€/year.

The salary per month will be 2500€. At the beginning, the business will be run single handedly by only one person. This means that the salary would be 30 000€/year.

The manufacturing of the web pages for an online store is about 4000€. I confirmed this sum from a friend of mine who already has an online store in a different field. The yearly website service is about 25€/month making it 300€/year.⁴⁵

Accounting is approximately 900€/year for a small company including the closing of accounts.

Packaging equipment, including tape, boxes and dispatch note pockets is predicted to be 200€/month, which makes it 2400€/year.

Marketing budget will be 600€/month, making it 7200€/year.

⁴⁵ <http://www.webhotellit.com/>

7.1 Table of Budgeted Profit & Loss

	Year 1	Year 2	Year 3
Revenue/sales	254 800,00€	293 825,00€	337 898,00€
Variable costs			
-Purchases	182 500,00€	209 875,00€	241 356,25€
Gross margin	72 300,00€	83 950,00€	96 541,75€
Fixed costs			
-Salary	30 000,00€	30 000,00€	30 000,00€
-Rent	12 000,00€	12 000,00€	12 000,00€
-Marketing	7 200,00€	7 200,00€	7 200,00€
-Accounting	900,00€	900,00€	900,00€
-Verkkomaksut.fi	708,00€	708,00€	708,00€
-Packaging equipment	2 400,00€	2 400,00€	2 400,00€
-Web page manufacturing	4 000,00€		
-Web page service	300,00€	300,00€	300,00€
-Delivery service	5 000,00€	5 000,00€	5 000,00€
Fixed costs total	62 508,00€	58 508,00€	58 508,00€
Gross profit	9 792,00€	25 442,00€	38 033,75€
Taxes 26%			
Net Profit	7 246,08€	18 827,08€	28 144,98€

If Hockeystore.fi average sales per day is 700€ of which the gross profit is 40%, the profit & loss budget for three year would look roughly like this.

8 CONCLUSION

E-business has become a part of every day life in the world of business. Low starting costs and the rapid growth of the usage of the Internet as well as the growth of online shopping, encourages more and more companies to go online. It is a fact that nowadays almost each and every modern company has a web site and it is considered almost as a necessity. The possibility of global reach through the World Wide Web is fascinating among with the fact that all companies online are accessible all over the world. It is also interesting to see as the shopping behavior of consumers is transferring more online every day. The services and that companies provide through the Internet are easily accessed without having to leave home, making the shopping experience as convenient as possible.

The idea behind the concept of Hockeystore.fi is to take advantage of the fact that online shopping is growing rapidly. By using different techniques in marketing, analyzing the benefits of e-business and applying all that in a business plan is a way that a small business can gain competitive advantage in Finland among the large chains. Market and competitors were analyzed in different ways to create a clear picture of the market that Hockeystore.fi would be entering. All in the name of minimizing the risks, since entrepreneurship is always a risk alone.

This thesis provides theoretical and practical information on how to develop a business plan for any online company. The learning process during the making of this thesis has been great, since I have learned new facts of entrepreneurship and marketing.

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