Aalto University

Aalto University

CS-E5120 - Introduction to Digital Business and Venturing

Final Report
Smartly.io - Group 9

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Contents

1 The Beginning

1.1 Entrepreneurs and Founders

1.1.1 Kristo Ovaska

Kristo Ovaska is a serial entrepreneur, Co-Founder, and CEO of Smartly.io. He grew up in Helsinki and studied Economics and Finance at Aalto University, together with some Statistics and Math. He first started his career as a research economist, modeling the Russian economy and its impact on GDP growth in Finland. The frustration for an unfulfilling job and his active attitude towards building something new and making an impact in the world led him to leave his job as an employee. In 2008 he started the entrepreneurship association Aaltoes at Aalto University, which was then followed by the creation of an accelerator for companies from North or Eastern Europe.

During a short period of his life spent in Silicon Valley, while working on a startup named FunRank, he met a highly skilled coder, named Tuomo Riekki, with whom he then created two companies: first Metrify and then the very successful Smartly.io. Kristo Ovaska's skills make him suitable for the economical and human side of a company. The knowledge and skills that led him to create Smartly.io were gained from his previous experiences in startups and his direct involvement in all phases of their life: successes, failures, work relationships, management of capitals, awareness of the amount of work and time to be put into it. Finally, by being one of the creators of the entrepreneurial ecosystem in Finland, he managed to establish a network of highly capable and motivated people that allowed him to find success and trustful investors even after two failures [1].

1.1.2 Tuomo Riekki

Tuomo Riekki, the second Co-Founder of Smartly.io and CPO, started his career as a freelance web and UX Developer. Using his skills in developing software and his deep understanding of the needs of the digital world, he managed to found his own startup called Dealmachine in 2010. Even if that company failed, it is thanks to it that he gained experience similar to Mr. Ovaska's and managed to create the right network in Europe and the US to guarantee a better success for Metrify and especially Smartly.io. These two last companies gave him the reputation of one of the most talented and experienced developers in Finland. Given his background, his skills are mostly related to the technical aspects of a company. His great competence and confidence in working alone make him the ideal candidate to develop a robust, organized, sophisticated software for a startup, without having to add developers to the team before it reaches a good state of advancement[2].

1.1.3 Entrepreneurial mindsets

It is hard to evaluate whether these two co-founders were born or made serial entrepreneurs. It is reasonable to say that since they both created multiple startups, of which only one succeeded, they must have had the innate drive and determination to keep looking for new opportunities. Also using this same argument, it is true that they had to spend a lot of time working, studying and failing before getting to the desired results. As always the right answer can be found in the middle: being naturally resourceful, driven, intelligent, put Tuomo Riekki and Kristo Ovaska on the right path to become entrepreneurs, but great experience, knowledge, and persistence were necessary to achieve the goal.

1.1.4 Team synergy

The differences between the two entrepreneurs can be explained in a few sentences from the words of Kristo Ovaska himself: *"I believe that every software company should have in the core founding team three critical elements of any successful startup. [. . .] The three essential elements that you need to have are Product Development, Sales and Marketing, and finally Hiring. Any successful startup needs to excel in all those three and practically in nothing else. [. . .] Tuomo (Riekki) is a full-stack designer and coder, so he worked on the first version of the software (for Smartly.io) single-handedly. I like to believe that I have a good capability of learning Hiring and also Marketing and Sales. This is how we covered these three essential elements"* [2].

Personal admiration for one another, respect for each other's work, sharing the same vision of the company, filling each other's gaps of knowledge and therefore opening up to new opportunities, appear to have been the ingredients for success in this founding team. It seems like there were no discrepancies between the two co-founders on the company's vision, therefore the possible weaknesses could have risen in confronting the different working styles. It is fair to assume that Kristo Ovaska's expansive and collaborative approach couldn't have always been in sync with Tuomo Riekki's solitary and extremely immersive way of developing software.

1.2 Original Idea and Opportunity

1.2.1 Original business idea

Before the creation of Smartly.io, Kristo Ovaska and Tuomo Riekki were running a Saas (software as a service) startup building Powerpoint slideware to help their customers getting funding during the first three months. After suffering from personal bankrupt due to the lack of salary, they quit the former idea.

The team learned that customers didn't know what they truly need until they get end-to-end solutions. Only when they saw and tried out the product, such as wireframes, they would know that they need it. Based on that thought, Kristo Ovaska's team started to give more than the paper prototype and provide very fast wireframes of the working products. They allowed the customers to directly see the desired UI changes without any change in the back-end. With that idea, they did a lot of slides again and got a pilot with EA and Disney. Finally, it appeared as a new failure and a waste of time.

Because of that experience, the team found there was a blind area in users of game companies. They started Metrify, a startup making the LTV (lifetime value) prediction for mobile gaming companies to find where they should invest their user acquisition money. Suddenly, they found that their customers were quickly shifting all their advertising budgets to Facebook. Instead of using their LTV predictions to optimize mobile marketing from different channels, the customers were struggling with getting their advertisements placed on Facebook.

1.2.2 Development to the validated idea

Facebook started to choose the strategy to scale their revenue with partners. It was like Facebook guided the second revolution of online marketing after Google, in native advertising and mobile advertising.

In the year of 2013, mobile gaming companies from 60 different mobile app networks moved over to Facebook [1]. At the same time, consumers moved from desktop to mobile. Quick changes happened so suddenly that almost no one successfully predicted them, but Smartly.io caught this new challenge and started to build its kingdom. They opened in Germany that had the most advanced online advertisements at that time, coding for the platform and servicing their customers with one-minute responses thanks to eight staff. The timing was perfect and customers showed the niche on the market. The scale of the company continuously doubled in a short time and became profitable after six months.

Hence, from Metrify, Smarty.io became a platform that "automates every step of social advertising to unlock greater performance and creativity. Our platform automates creative production, ad buying and everything in between to create data-fueled ads at scale" [1]. Today, they work with over 600 global brands including eBay, Uber, ThirdLove, Hopper, and TechStyle. Annually, Smartly.io manages over $1.8 Billion in ad spend on Facebook and Instagram.

Kristo Ovaska is a good example of the Bird-in-hand Principle and the effectuation process. Smartly.io started from the zero state with no product or customer. Even Kristo had no idea about games, customer services, and mobile apps, he only knew that software-as-a-service is fast-growing, and their customers should be all around the world. He had a clear blueprint of who he would like to ask for help and how his co-founders should be. When it comes to the target of his team, it is helping their customers get batter sales from Facebook. Last but not least, their team got in touch with Stakeholders such as EA, Disney, Facebook and Instagram for further plans. During this development process, they expanded their resources and modified their targets to finally achieve market creation. What Kristo have done is choosing between possible effects based upon affordable lose or acceptable risk [3].

1.2.3   Changes in opportunity

Using the words of Kristo Ovaska himself: *"The vision of the company changes when you get feedback from customers and when the market changes"* [2].

It was not that long ago when McCarthy's Four P's were one of the most commonly used marketing strategy tools all around the world. Bernard H. Boom and the leading academic star of modern Service Science Mary Jo Bitner expanded this model into the famous 7 P's. Despite this, the world continued to change ever faster around us. All of a sudden even these brilliant marketing strategy models became obsolete when the Internet became a crucial part of everybody's life. In its core, the Internet became a totally new distribution channel on a global scale, thus enabling, for example, Facebook to reach all corners of the world. This helped Smartly.io because they had a partnership with these Tech-Giants. The Internet itself is, therefore, a great opportunity and the partnership with Facebook is the critical success factor for Smartly.io both in the short and long term period. In the future, the Internet will change dramatically. Some nations will create their own version of the Internet in the name of national security, like Rusnet. In addition, when quantum computers take over modern technologies, new coding languages based on qubits and qutrits will be created. However, these events are not short term operative risks, but perhaps future opportunities, it is too early to evaluate properly something that is still at the drawing board.

Now that the publicly listed Facebook is under legally binding fiduciary duty to produce profitability and solidity towards their shareholders, they are aiming to create new additional cash flows according to the Blue Ocean Strategy. For example, Facebook has announced many new use cases last spring to make its "social platform" a "business platform" by introducing its cryptocurrency Libra, Tinder-like dating services, upgrades to Marketplace, new client acquisition software for the Instagram division, more augmented reality apps and so forth. All these provide Smartly.io with more opportunities because the customers will now spend more time with the Facebook platform in its various parts, where Smartly.io can provide ad services to its global clients with the help of their own software. It is truly an enviable opportunity for Smartly.io to be a partner in these kinds of circumstances.

1.3   Business Environment and Ecosystem

The history of advertising began in 1994, with ATT's advertising on HotWired.com. During the 2000s came a lot of new platforms on the internet. The most famous ones, Facebook, Skype, YouTube, and Twitter were created between 2003 and 2006. In 2013, the advertisers understood the importance of putting their advertising on such platforms, there was an opportunity! That same year, Smartly.io was created. The two co-founders found that Facebook advertising was not stable and difficult to manage. It's why they created Smartly, an automation software to help brands launch and optimize campaigns faster and easier. And it worked because the brands just discovered Facebook advertising and they needed someone who understood what they wanted and helped them with that. One year later, Instagram and Pinterest became popular, and in 2017, investments in digital advertising overtook investments in television advertising for the first time.

Facebook's ecosystem consisted of users on all corners of the world such as private individuals, corporate entities and other types of legal entities like charitable organizations. These actors released a lot of data on the platform, such as photos, videos, chat and mobile conversations in various data formats. If these actors and photos items etc., are drawn inside a circle we can easily observe that they are not hierarchically managed, which is the old way organizing Fayol type of line organizations. Facebook is a good example of an interacting organization, which modularity enables. This means basically, that the global users with their various kind of data, forms the factual traditional warehouse in the meaning of financial accounting. Also, this type of an ecosystem can be defined as a supply chain as well, but not like Michael E. Porter had originally envisioned in his popular value chain model. The Facebook ecosystem is thus, a combination of interdependent people, legal entities, photo and telecommunication data gathered around a shared focal value proposition, fitting neatly inside the business ecosystem concept discussed during the lectures. The identification of the key actors in the ecosystem is still rather straightforward. When we map the ecosystem of Facebook, we can define the main user groups as private individuals, advertising related firms and corporate entities. Inside these user groups are different Personas, which in the context of computer science typically refer to the key actors. Each key actors have different consumption behavior on the Facebook platform and Smartly.io is acting in a partnership-like role helping Facebook advertisers to initiate advertisements on the ecosystem level platform rather easily. Not much

has really changed in the social media sector since the early days. Facebook is still the number one player, although it denies being in a monopoly position and the Smartly.io has found a good partnership that helps it to concentrate on its core competences.

2 Current Day

2.1 The Value Proposition and Business Model
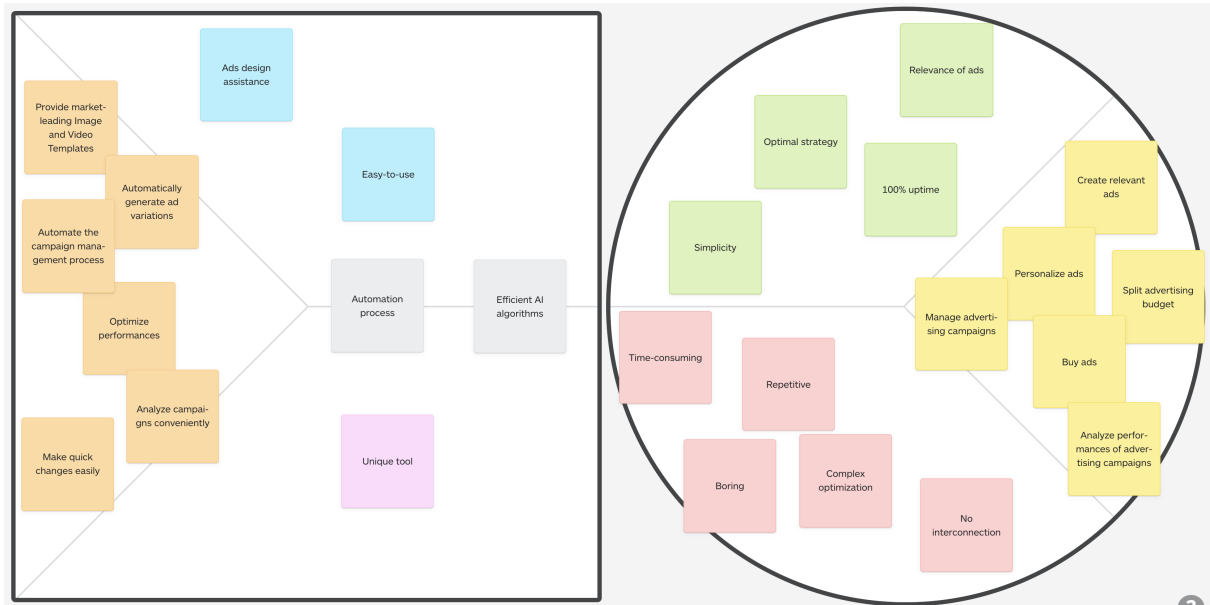
2.1.1 Value Proposition

Figure 1: Value Proposition Canvas of Smartly.io *(created with Strategyzer)*

Customer Profile Let's first analyze the three parts of the Customer Profile:

1. **Jobs**. What jobs (tasks) is the customer trying to get done? When thinking about the customers targeted by Smarty.io, which were mainly large and advanced online advertisers, they had to:

   - create relevant ads that should capture the audience's attention;
   - create highly personalized ads depending on prices, discounts, store locations, availability, weather, etc;
   - buy ads for online platforms (Facebook, Google, Amazon, Pinterest, etc);
   - manage the advertising campaigns (create a campaign, launch it, scale it, optimize it...);
   - split advertising budget across campaigns and platforms in an efficient way;
   - analyze the performances of the advertising strategy.

2. **Pains**. What are the pains of the customer? By pain is meant what the potential customer finds annoying or what he perceives as negative. The previously enumerated tasks that Smartly.io's targeted audience needed to perform were:

   - time-consuming: think about ads personalization for an airline company, that has prices varying every day for each destination. Managing these variations and updating the ads accordingly requires a huge time investment.
   - repetitive: all these time-consuming tasks are repetitive from one advertising campaign to another.
   - boring: the repetition of theses tasks leads to boredom.
   - complex: the optimization of an efficient advertising campaign is not trivial. Many questions come into play: How do you split your advertising budget? Across which platforms? For which customers? For how long? How often do you rotate ads?...
   - not interconnected: these tasks were performed separately, with multiple tools that do not always interact with each other. As a consequence, it makes the whole advertising process more complex and inconsistencies or errors may even occur.

3. **Gain**. What are the gains for the customer? By gain is meant the positive outcome the potential customer envisages. It is about what the customer expects and what would surprise him/her. Here, the potential customers of Smartly.io would love to have:

   - 100% uptime: making the best use of their time, not wasting time with boring repetitive tasks.
   - optimal strategy: split the budget and manage the campaigns in the most optimal way.
   - simplicity: all these tasks should be easy to do and should be interconnected.
   - relevant ads: the ads should capture the audience's attention.

Value Map   Let's now describe the three parts of the Value Map:

1. **Product and Services**. What are the products or services your value proposition is built on? Here, Smartly.io proposed an advertising software that automates every step of social advertising. More precisely, it:

   - provides market-leading image and video templates. This helps to create on-brand, seasonally-relevant videos and stories in minutes and thus to easily capture audience's attention.
   - automatically generates ad variations, using any data source (discounts, weather, etc).
   - automates the campaign management process, with fully automated campaign creation, macros, and more.
   - optimizes the performances, using AI-powered algorithms that maximize results by allocating budget across ad sets and campaigns, and avoid ad fatigue by automatically rotating your ads based on performance.
   - analyzes the campaign performances conveniently, by accessing performance trends across your entire funnel, integrating first and third-party data sources (saving you hours from jumping between different platforms), and seeing reporting across your campaigns and ad accounts in one single view.
   - allows quick changes in the campaigns easily, with just a few clicks.

2. **Pain Relievers**. In which way these services and products are pain delivers? How do they eliminate, reduce or optimize pain customers care about?

   - Automation process: it helps eliminating all the repetitive, time-consuming and boring tasks.
   - Efficient AI algorithms: it helps solving the complex optimization problems.
   - Unique tool: it avoids complex interactions between different platforms.

3. **Gain Creators**. In which way your services/products are gain creators? How do they produce, increase or maximize outputs that your customers expect, desire or would be surprised by?

   - Automation process: it helps saving time and efforts.
   - Efficient AI algorithms: it helps finding the optimal advertising strategy.
   - Easy-to-use tool: it simplifies the whole advertising process.
   - Ads design assistance: it provides a lot of templates and advice to create relevant ads.

To wrap up, Smartly.io correctly understood what the customer found annoying or disadvantageous. Starting from that, they found out why the customer needed a supplier and what the customer could perceive as an extra value.
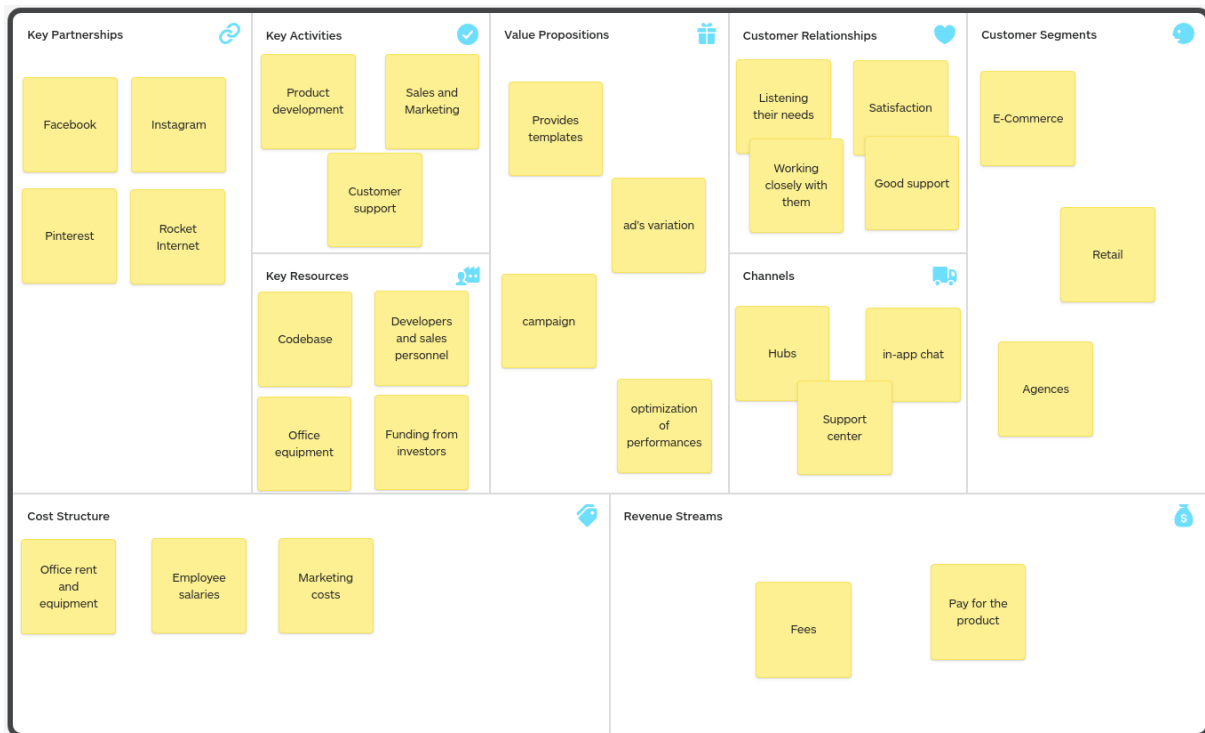
2.1.2 Business Model

Figure 2: Business Model Canvas *(created with Strategyzer)*

Customer segments. In the beginning, Smartly worked for start-ups linked with Rocket Internet but now they have grown and they also reached big companies. Smartly is working with different kinds of companies and they have a lot of customers. They work with some E-commerce (Zalando) firms, Retailers (Walmart), and Agencies. Every company needs to do advertising to promote their product/service, so actually, every company which needs online advertising could benefit from Smartly. Companies are free to choose how much money they want to spend in monthly advertising with Smartly. This allows it to work for big international companies like Uber, Mcdonald's but also for "smaller" companies.

Channels. Smartly has four major hubs for support: Helsinki, San-Francisco, Berlin, and Singapore. In that way, one can contact support at any hour during workdays. Before the creation of the hub in Singapore, Smartly didn't ensure support at all times. But since this hub, they are doing 24/5 support as shown by the Schedule in Figure 5. Now they also have an office in Berlin, so customers can contact Smartly whenever they need it. This is a really good point of strength because Smartly is working with a lot of international companies, so it can be difficult to have a relationship with your customers if you can't talk to them.

When Smartly's employees have a call with a customer, they write everything in a shared document so that anyone can follow a problem and no cases are left hanging. In the beginning, they just used Skype and Messenger to do support, but as they grew it was impossible to continue with this. So, they launched an in-app chat in Intercom and it became a great tool to guide their customers because it grouped all the information in one place.
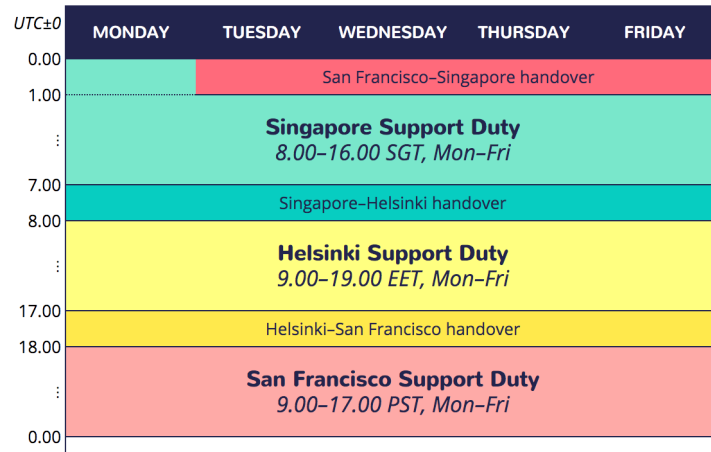
8

Figure 3: Customer Support Schedule [5]

Customers relationship. For smartly, customer's satisfaction is the most important thing. They listen to their customers and they try to understand their needs. Since it succeeded to solve many challenges for its customers, Smartly now owns their trust and is able to keep a close relationship with them. We can also see that they are doing all the necessary to have someone to answer questions or to give advice to the customers. They need to feel important and to know that they are well supported. In the beginning, Smartly created a network by going to events, meeting people and pitching their idea to some company. Now that they have grown, they can be found more easily by their future customers.

Revenue streams. Unlike companies, like Microsoft, which offer free trials or free software to attract the largest amount of companies, Ovaska (CEO) thinks that, instead, it's better to directly sell their product, because he wants to be sure that companies are willing to pay for the service[28].

Smartly takes a percentage of the fee depending on how much money the customer puts in the ads (ranges from 3 to 5 percent and you have a minimum monthly fee of 2,500 euros). As some company already has a good advertising management team, Smartly proposes two formulas: Managed Service or Self-serve + Support. These have different activities but both of them have full access to the platform and support. Smartly's revenue streams hasn't evolved very much since the beginning, the big part of their revenue is the payment and fee for the product.

Spend Range	Fee
Less than 50k€	2,500€
50k€ - 100k€	5.0%
100k€ - 200k€	4.5%
200k€ - 350k€	4.0%
350k€ - 500k€	3.5%
More than 500k€	3.0%

Figure 4: Pricing of Smartly.io's services [6]

Ovaska prefers to have few investors. However, Ovaska and the smartlies are doing their best and this is why a lot of investors are interested in the company. In case Ovaska needs founders, then it's not difficult to have some, but it would be ideal for the company to have as few as possible.

Resources. Key resources can be divided into four different resource categories, which are physical, intangible, human and financial resources. Smartly's physical key resources are their offices and all office

9

equipment like computers. Their most important intangible resource is their software codebase. Other intangible resource is, for example, their brand. All their employees like developers and sales personnel are part of their human resources. Lastly, funding from investors belongs to their financial resources.

Partners. Now, Smartly is working with some big social media like Facebook, Instagram, and Pinterest. These are social platforms where Smartly can put ads on. In the beginning, they made a partnership with Rocket Internet which worked with a lot of startups like Zalando. This helped Smartly to connect with many startups and gain new customers.

Activities. There are three different key activities for Smartly. The first one is product development. Smartly is a software company and it needs software, otherwise, the company does not have anything to sell. The second one is sales and marketing. To gain revenue, the company needs to have customers. To gain customers, the company needs to market their product and sell it actively. The third key activity is customer support. Customer support is necessary to keep customers happy and continue paying for the product.

Costs. For Smartly, most costs probably come from developing the software and from marketing and sales. There are many highly skilled employees, so the employee costs are also high. There are also costs for physical resources, like office rents and office equipment.

2.1.3   Development of the original idea

The slogan is a significant element used in commercial, political and religious contexts. It is useful for delivering culture and expressing ideas or purposes. For some companies, slogans are used to persuade customers to consume their products/services. Based on this precondition, we assume that the slogan has an intimate connection with the value proposition of a company. In order to dig out how the value proposition evolved from the start, we retraced the changes of slogan displayed on the website of Smartly.io [7].

The first look of Smartly.io's website was presented in July 2013. At that time, Facebook finished its first IPO, game companies imported all their advertisement budgets into Facebook and users transferred from desktop to mobile phone. Finding the gap was not enough, Samrtly.io need to grasp it tightly and occupied this brand new field quickly and fully. Apparently, cutting edge technology is the best way to make up this target for a technology-related company. Their main page contained almost nothing else but a slogan saying: *"Test and optimize easily your audience, creative bidding strategy to get optimal results from social advertising. Track campaign performance across the whole funnel, and automatically adjust your ad spend with the leading technology platform."* These two sentences include information about how Smartly.io could help their customers with their jobs, but obviously, the main point is their excellent techniques.

They gradually built cooperation with Omnicom Media Group, Schibsted Media Group, and Truecaller. At the same time, Smartly.io became one of the Facebook Preferred Marketing Developers. Their slogan also changed a lot at that time and became: *"Manage your Facebook ads super-effectively. Smartly.io is a powerful Facebook Ad Optimization tool built for today's data-savvy performance marketers."* They started to narrow down the user category but provided more accurate service to marketers.

During these years, machine learning continues to evolve and formally enters the public eyes. Following the trends and customers' requirements, Smartly.io started its era of scaled service. They started to take more importance to 'large scale' and 'effectively'. A clearer self-positioning makes them more focused in the early stages of development, and they even state the status of serving Facebook ads. Another interesting thing is that they started to express their strengths and value proposition by relaying customers' evaluations. In the mid of the 2016 year, Smartly.io added on their website: *"We are serious about great customer service"* and *"Our support is sending love (and help) to our customers 24/5"*. This further deepens and refines the user-oriented concept that they have always emphasized. They get more customers and even cooperated with Facebook, Instagram, and Pinterest. From *"We Make Online Advertising and Enjoyable"* to *"Powering Beautifully Effective Ads"*, the smooth development period allows them to expand the scope of services, and their slogan is becoming more and more user-oriented and experience-oriented. Compared with the tediousness of the past, it is shorter and more refined.

From the perspective of slogan changes, their value proposition has gradually shifted from using high-tech servicing users to providing user-centered technical services.

2.2 Organization, Resources and Partners

2.2.1 Development of the business organization

First, there were only the two founders, Kristo Ovaska and Tuomo Riekki. The first product was developed by Tuomo without other developers. The focus was to develop the product as fast as possible without code documentation or communication. This resulted in the codebase which was hard to understand for anyone else than Tuomo. Later, more developers joined the company and it was necessary to have more documentation and communication between developers. At this point, the focus switched to a simpler and more understandable codebase.

After Tuomo developed the first version of the product, he was very close to burnout. It can be deduced that the company did not focus mainly on taking care of themselves in this phase. Later they decided to have rules about working times and enforce people to not work on the weekends to avoid burnouts.

The founding team did not have to think about the team size in the beginning. However, after they noticed the need for new employees, they had to focus more on hiring and constantly search for new office spaces where they could fit. They often almost outgrew the new office space before they actually had the office. Later they also had to start to look for office spaces in other countries, so the requirements for office spaces were changing constantly [2].

2.2.2 Resources and partners

A crucial step in the life of a startup is funding. In 2013, during the launch year, they secured €100,000 in funding. In 2015, Smartly.io has raised $2.5 million of funding from Lifeline Ventures and from private investors [8]. When the company started to negotiate these fundings, it still needed capital to carry out its unprofitable operations. In the end, however, Smartly.io grew faster than expected and became cash positive in the fall of the same year.

After securing these early fundings, Smartly.io was able to focus on finding the first customers and building the product with them. According to Kristo Ovaska, co-founder of the company, "the best proof of a product-market fit is to get customers to pay for your product" [1], and not to focus on more funding. He affirms that "the funding will come if you need it and if you actively solve big problems from the customers". Hence, Smartly.io focused very early on solving problems for the customers and made sure that the problems were big enough that customers were actually willing to pay for it.

One deal that really launched the company was its partnership with Rocket Internet in 2015. At that time, one of the biggest challenges, according to Emanuel Köchert, market leader for the DACH region at Smartly.io, was in getting advertisers to work with the start-up, as the company didn't have a track record in the industry [9]. A big break came when they signed with Rocket Internet, a German company that incubates and invests in internet and technology companies globally, and that was closely linked to start-ups such as Zalando and Hello-Fresh. The idea was therefore for Smartly.io to support these brands which will use their platform for their advertising. This one deal allowed Smartly.io to develop at high speed internationally.

In September 2017, after two years of profitability, Smartly.io pursued a secondary funding round of $20 million by Highland Europe. But this last funding wasn't for the growth of the company. They sold some shares to reward and de-risk the existing shareholders and employees (roughly 25 percent of the company is owned by the employees). [1, 10]

The year 2018 was marked by partnerships with three of the most popular social media platforms: Facebook, Instagram, and Pinterest. That meant that customers could then buy ads and automate easily on one platform to scale their advertising on these social media. This has without a doubt make the company move forward significantly. [11, 12]

One last partnership that might be interesting to mention is their early cooperation with EMU, a company specialized in all financial management issues. EMU is an integral part of Smartly.io's financial administration department. It effectively manages basic services such as payroll and VAT. According

to the financial company, "EMU has enabled Smartly to grow globally with agile, scalable and comprehensive financial management services" [13]. In addition to their financial services, they claim that "the most important contribution is to support strategic decision-making through close cooperation and communication".

Finally, with such rapid growth, an expanded pool of skilled labor is obviously needed. In 5 years, Smartly.io grew from 2 founders to a global company of 310+ people. However, they particularly emphasize the fact that hiring good people plays a major role in the success of the company. Through a unique extensive recruiting process, they have been able to select the brightest people around the world that share their vision and contribute to the company's culture.

2.3   Business Environment and Ecosystem

Nowadays, there are many more companies doing online advertising. But with their intention to constantly improve their product, the company and themselves, Smartly.io has some great chances to be one step ahead of the business environment. So they will change with it, and it's why Smartly is a success.

As the two founders said, Smartly is "customer-focused". We can see that they are very close to their customer and they are very focused on listening to them. We can say that they are in a customer service field: *"We interview customers to help us pinpoint which features to build to make their work easier and help them get great results"* [4]. They all talk to the customers, so there is no need to transfer responsibilities from one team to the other. Laura Joukovski (SVP Media + Analytics at TechStyle Fashion Group) said "Our relationship with Smartly has been wonderful. I rarely fall in love with a partner, but the speed and quality of your work has been outstanding. The responsiveness — you guys show up, you do what you say, you listen closely try to solve our problems. It's very, very enjoyable to work with who can deliver the value that you've been able to deliver for TechStyle" [4].

Today, and even more in the advertising field, the customer has very detailed needs. Because they all want to share different values and transmit an impactful message. Smartly found the right ecosystem for itself since the beginning, because even if Smartly continue to expand, they just continue with the same ecosystem than in their early days : everyone do support and know the customer. This globally operating ecosystem Facebook platform, consists now users on all corners of the world. It has proved to be very difficult for newcomers to compete with Facebook, many small niche social media platforms exists for example to artists or the Russian version VKontakte, but they are not advertising really, so we have to conclude that the operating framework has remained rather the same for the Smartly.io. In addition, as the Facebook Inc, has acquired Instagram and Whatsapp, the platforms size has grown even bigger.

2.4   Intellectual Property (IPR) Strategy

2.4.1   IPR concept and strategy in the field of immaterial law

The general notion of the Finnish immaterial law is, that this is a rather new field of legal study. The legal science, is an interpretative social science by its nature and every now and then it happens that the legal science gives birth to totally new fields of legal study in addition to the more traditional criminal and civil law (deriving from the ancient written Roman law). The intellectual property rights belong to the area of immaterial law. Immaterial laws normative statutorial interpretation-matrix base was mainly introduced to Finnish legal community by Leo Erme: Markkinointioikeus[34], and Thomas Wilhelmsson Matti Rudanko: Tuotevastuu[36]. And in later years, Haarmann, Pirkko-Liisa: Immateriaalioikeus[37]. The general level acceptance of immaterial law happened in the early nineties. Nowadays, immaterial law is a well established legal field of study, like another newcomer: insolvency law. However, for the purposes of clarification in abroad, especially in England, this subject area is labeled simply as a field dealing with intellectual property related rights. This is understandable, because the primary way of categorizing the existing field of immaterial law in Finland is to describe the laws (and related rights) dealing with intellectual property, whereas in England the legal practitioners has to pay attention also to the previous court cases central arguments (Ratio decidendi/ratios).

A handful of Finnish Solicitor practices are focusing only on the immaterial law related cases. Before the immaterial law existed as a term, there was and still is trademark law, which is a statute level norm. With the rise of good corporate governance practices deriving from the Chambers of Commerce, OECD

and legal literature, the companies have started to pay evermore attention not only on the corporate governance but also to the wider ESG framework. ESG as a term means environmental, Social and Governance issues[33]. Eurosif is the responsible organization on these matters in the European level and Finsif in Finland. Simplistically put, good corporate governance means, that companies define their corporate risk policy. Defining the corporate risk policy means evaluating the key risks and how they are being minimized beforehand. This is done, because when the risk(s) materialize as they always do in the long run, the profitability and solidity is directly affected. But what has this to do with intellectual property rights, one might ask? The answer is simple. The corporate risk policies are being defined by finance professionals together with the accounting department bookkeepers, who only tend to consider risks that they see in their daily operations, such as the increase of interest rates or changes in the currency exchange rates. They naturally affect the profitability immediately, when negative changes occur. However, when one analyzes the yearly financial statements and their enclosing documents, it is painfully noticeable that these finance personnel overlook the risks related to intellectual property rights. It should not be a big surprise, that the software companies have been stealing the use cases from their rival companies for decades. A good example of this is, when Steve Jobs took a one year study leave to study different text styles for word processing software, it wasn't very long when Microsoft copied this idea into their software. Or when Microsoft more or less copypasted Q-Dos operating system and rebranded it as MS-Dos. Or when Facebook announced this year, that they are going to replace Bitcoin with their own Libra cryptocurrency and Tinder with their Facebook dating app. Now it is very easy to see, what the loss of intellectual property rights (loss of own use cases) means to the original inventors. Yet, the finance personnel do not mention the loss of intellectual property rights as a relevant risk in their yearly reports. How sad is that?

By definition, the IPR strategy consists of many dimensions which forms the final strategy. In the EIT Digital online learning environment videos [31], the intellectual property strategy of a company, needs to address at the very least the following key aspects: The form. Written form or something else. Purpose. Actual IPR clause. Material exchanges after the contractual relations end. Nondisclosure and non-competition. Penalty at a possible breach situation. Minimum or more? Time period for a contractual relation. Dispute resolution form: arbitration, mediation, courts. The use of ready made templates versus solicitors. After having analyzed these aspects, begins the building of the intellectual property "IP" strategy. Hereafter, one needs to protect his company's name, logo's, products and the identity image, that they convey. As the company owns these rights, the rights need to be transferred to creator company and this is done typically by contracts. The various products and alike need to be protected with patents but also the design rights related to trademark aspects are involved when determined how much is going to be public and private. The open source licensing as an area have many linkages to IP strategy formulation and all applicable contractual terms needs to evaluated in this respect here. Lastly, the intellectual property rights of other parties software's and various components need to remain external, in the sense that they are not part of own IP strategy.

2.4.2 The brand protection

Protection of the brand is by tight legal definition outside the scope of the valid law, but belongs more to the field of marketeers who build brand recognition campaigns in various media. Most notable in the case of Smartly is their rich use of colors in their standardized web pages. This is perhaps to reflect the multicultural global working environment, that is so especially central to them. Brand can be defined also from the contractual context and this would then include possibilities to seek trademarks to products and firm logos, together with some tight patent control that formulate the concept of brand into a more secretive one, instead of a public one. Contractual context touches also the open source license decisions, as there exists almost a hundred different contents with varying rights and obligations. The next second big step is to develop the current software to function also with automatized advertising sectors of Google, Amazon and Pinterest. According to CEO Ovaska, *"for the time being it has been a good strategy to focus on Facebook and in that area we have progressed into a leading position. However, advertisers want only one software tool, which could be utilized to manage the advertising in all channels. Such a tool would be a huge competitive advantage"* [32].

So it is rather easy to argue, that partnership with Facebook on this level is a tremendous factor for building a brand recognition on a global scale, since Facebook as a company is widely known. To conclude, the current software is the greatest brand and the source code falls under copyright legislation protection in Finland without any additional measures.

Domains are most probably reserved for Smartly by written service contracts on behalf of their service provider. The technological choices do not offer any dramatic news when we, for example, look at their recruiting pages and what Smartly is expecting from their developers. The requirement list includes the following: we design, build and maintain client-facing APIs and automation services using GraphQL, Node.js, and TypeScript, PostgreSQL, RabbitMQ, user interfaces using React, Apollo and Redux for core Pinterest workflows, as well as service integration to the other Smartly infrastructure. Informing the technology choices openly in this manner, is a clear indication, that in this area IPR issues are not significant.

2.5 Sustainability and Ethics Analysis

2.5.1 What does it mean to be sustainable?

Every company operates inside of a specific ecosystem or context, which is created and influenced by different factors: the geographic locations and the societies inhabiting it, the economical and political situation, the state of technology. These companies' actions have impacts on the context at a social, economic and environmental level and it's their own choice to carry them out in a sustainable or unsustainable way. The concept of sustainable development for a company focuses on "meeting the needs of the present without compromising the ability of future generations to meet their own needs"[27]. It implies the creation of a long term strategy, aimed to the reach of certain goals, distributed through the three main pillars of sustainability: economic, environmental and social. To be sustainable means to devote efforts to the cause that go beyond the bare minimum enforced by regulations: it is a voluntary decision that redefines the DNA of the firm and that can bring a deeply positive impact on society and the company itself.

2.5.2 Smartly's approach

Smartly is a SaaS company (Software as a Service). Like any company of its kind, it delivers a service that is accessible from any web browser, it's licensed through a monthly subscription and it's owned, maintained and delivered by its creators [14]. It's therefore hard to evaluate precisely it's approach to sustainability: Smartly is by nature more sustainable than many other types of company because it has no suppliers, it doesn't produce any physical product, it has good work environment and it's located in one of the most advanced cities in the world, but at the same time it doesn't put lots of efforts in communicating its views on the topic.

In the past few years many companies have leveraged the shifting culture towards a more sustainable way of producing and consuming products or services. Consumers are more and more interested in buying products that represent the values in which they believe and, in particular, the value of sustainability has had a lot of influence in the way of thinking of both the consumers and the companies. But responsible and sustainable actions don't speak for themselves: the communication of how a product or service is made and how it tackles these themes is crucial for a company's success and can represent both a competitive advantage in the present and a wise, ethical choice for the future. It's quite difficult to find precise information regarding Smartly's approach to CSR, sustainability and ethics. Although their Culture Handbook describes the firm's approach and philosophy to their way of working, sustainability is currently not included in Smartly's Financial Report and it wasn't possible to verify the existence of a specific Sustainability Report or even the publication of a list of goals to reach in the long term. It would be understandable that smartly, as a fast-growing internet-based startup working in the tech and advertisement industry would not include sustainable goals into their strategy as a way to gain a competitive advantage, improve its reputation and open itself to new business opportunities, but it would be advisable in the future to design a long term plan tackling the theme of sustainability in all the ways it can. In the next paragraph will be illustrated the ways in which Smartly is evaluated to be more or less sustainable, by looking into each of the three macro areas of Sustainability.

2.5.3 Economic sustainability

From the economic point of view, Smartly can be considered sustainable. Firstly, its revenue stream is generated by the customers' monthly payment, which guarantees a constant cash flow during the years and therefore allowing Smartly to grow in a steady, sustainable way. In addition to that, the subscription

can be virtually afforded by any company that prioritizes social media marketing in its communication plan, since the monthly fee is calculated proportionally on the amount of budget spent in advertisement through the platform. Second, by being a SaaS company, Smartly has a reduced amount 0f dependencies. It doesn't need suppliers, it doesn't have to be sold physically and all the maintenance and customer support is done in-house. It would be possible to make the assumption that the external threat to Smartly's economic sustainability could be a sudden change in Facebook's advertising system or the introduction of very strict regulations. Lastly, the characteristic that demonstrates Smartly's attitude towards economic sustainability is its use of Co-design as a powerful method to develop the platform. The developers spend in fact a long time in communicating with their clients, trying to fix or update the service in the shortest amount of time possible. The act of treasuring all these feedback allows the company to always keep up with the expectations and accompanying the clients towards their own growth.

2.5.4 Environmental sustainability

In regards to environmental sustainability, it wasn't possible to find data about the company's approach to this topic. As a web-based service and not having to store enormous amount of data in servers, it's anyway fair to assume that Smartly impact on the environment is quite low. It would be recommendable that Smartly (if it's not already doing it) started to work on the topic of Eco-efficiency and became more aware of the use of only renewable energy in its offices and developed a series of internal policies on sustainability topics. It is today more and more known the huge impact that digitalization is having on the World's electricity consumption. As a tech company, Smartly should take this topic into consideration and give its contribution to finding a solution, maybe by using its influential presence in the advertising world and spreading awareness between its clients. In case Smartly had actually developed a environmental sustainability plan that is currently in action, it would be advisable to leverage this point by communicating it in a more efficient way, in order to gain reputation and attract potential new customers [15].

2.5.5 Social sustainability

Finally, on the social side, Smartly tries to create an optimal work environment: *"We trust each other with ownership, freedom, and responsibility. Trust is a must for transparency, self-organization, and fast decision-making: if trust is broken, we go out of our way to restore it"* [19]. Outside of its own offices, Smartly hasn't publicly committed to any kind of goal. Generally speaking, their reputation could improve with some acts of philanthropy aimed to tackle social issues in the Helsinki area. For example, it could help in the development of a better public communication system, or in the creation of a more responsible, less aggressive way of advertising on social media. At last, it could even plan to make a selection of companies to work with, privileging the more sustainable ones over the others.

2.6 Challenges, uncertainties and risks

2.6.1 Uncertainty

The dominant type of uncertainty in the case of Smartly.io is the state uncertainty, that is the inability to predict how environment might be changing. Smartly.io is operating in an industry of giants: Facebook, Google, Twitter, Pinterest. The whole business of Smartly.io basically depends on how these platforms will evolve in the future, a thing that they cannot control. In addition, their business also depends on people's behavior online. Studies showed that the number of active users on Facebook is constantly decreasing since 2017 [16], raising the questions "Towards which platform are these users moving? What is the next big thing that Smartly.io should move into?". Also, there could be a change in people's mentality about data privacy, as discussed later, leading to dramatic consequences for the online advertising business. In brief, Smarty.io's business depends on a lot of external actors and factors that might be changing in the future and none of them can be predicted at this stage.

2.6.2 Risks

Facebook copying software.   The main challenge that the company could encounter comes from their biggest partner, Facebook, that has been under a lot of global criticism these last years concerning their aggressive approach towards their competitors. Because Zuckerberg owns the majority of the voting shares, he determines the way Facebook operates. In an interview given for NYT, Chris Hughes, co-founder of Facebook, commented *"Mark's influence is staggering, far beyond that of anyone else in the private sector or in government [...] he can choose to shut down a competitor by acquiring, blocking or copying it"* [18].

And it turns out that Facebook has already copied the main tool of Smartly.io's software, their campaign optimization algorithm. Indeed, Smartly.io recently published on its blog: *"Campaign Budget Optimization (CBO) is a new feature by Facebook that optimizes the allocation of spend across all of your ad sets in a campaign, and gives you control of the budget on the campaign level, no longer on each ad set's settings. In short, CBO can improve your campaign's performance in a single click! If you have used the Smartly.io Predictive Budget Allocation, you can expect similar performance and time savings from CBO"* [19].

As the legal risk deriving from Facebook is directly visible from many Appeals Court rulings, we need to highlight the significance of legal risk. The choice of laws section should be written in the manner, which does not allow the use of arbitrators but instead the public sector courts to get some media help if necessary. As legal remedies are more effective in the US, it is also a good alternative to relocate the Smartly.io headquarter to San Francisco, so they could appeal to the Unites States Court of Appeals for the Ninth Circuit. It is a published fact, that Mr Mark Zuckerberg originally stole the idea for Facebook from Connect U/Winklewoss brothers: *"Zuckerberg had secretly started working on another social network. In fact, he registered the domain name thefacebook.com on January 11, 2004, four days prior to their third meeting"*.

In a recent Ninth Circuit Appeals Court case open hearing[29], it was argued, that *"Facebook was secretly tracking its subscribers intimate Internet use even when logged-out of their accounts. With the benefit of discovery, much of it is under seal, we know it was no accident and Facebook was aware its practices were contrary to its public disclosures"*. Mark Zuckerberg paid the Winklewoss'es 65 million dollars in an arbitration process, and later these original creators of the Social network sued him for more damages[39]. This case was also decided in San Francisco at the United States Court of Appeal for the Ninth Circuit. The plaintiff was the Facebook Inc.; Mark Zuckerberg and Intervenors Divya Narendra; Cameron Winklewoss and Tyler Winklewoss. It is quite easy to conclude here, that the past behavior of Mr Zuckerberg is well known for the judges in this appeals level court, although the judge deliberated in the last line of this ruling[30] to the favor of Zuckerberg, stating *"at some point, litigation must come to an end. That point has now been reached"*.

Another way to eliminate these kind of legal risks, would be to incorporate Smartly.io with Facebook itself, which implies complete change of chain of command structure in the Smartly.io. The reasoning being, that in this case there would be no motive to copy from itself. This incorporation could also take place tax optimally, for example, with share exchanges via holding company structure and possibly also with the help of invidualized investment insurance schemes in personal taxation, so that the profitability would not take hits from resulting capital gains taxation. Luckily, the norms supplementing the Finnish income taxation is exceptionally clear on this matter for company taxation sector[38]. But more realistically speaking, we do not believe that normal academic risk minimizing tools from the field of finance and law would really affect Mr Zuckerbergs behaviour, which illustrates consistent patterns of lying face-to-face even to the Members of the Senate and EU Commissionaries.

This put Smartly.io in a delicate position, to put it most politely. We cannot even assume what kind of IPR strategies the Smartly.io has implemented, because the Smartly.io directors and lawyers wrote back to our email that they are not going to give any information outside on these matters. If, for example, Facebook denies the implementation of more spesific contractual clauses, Smartly.io would have to completely revise its overall corporate risk policy in that respect. They may be in a hurry, because the latest FB9 developer conference in April 2019 announced several new use cases for the Facebook platform. For example, Tinder-like dating services for their members and new client acquisition software for the Instagram. Also, in the summer it was published that Facebook will also push forward a project which tries to be more stable than Bitcoin and usable to its members. The stablecoin project goes under the name Libra. Does this sound like cleverly executed strategy, which is not mentioned in the mission statement or any other publicly available financial reports which the shareholders are entitled to have,

or is this in fact, the continuation of stealing use cases from the rival firms as the idea taking is not protected properly under the copyright legislation?

New competitors. In addition, Smartly.io is never sheltered against new competitors that could arise in the advertising market. In the age of digitalization, the tech world is changing quickly. A competitor could develop a better optimization algorithm, propose the same services at a lower price, or make a key partnership with a new emerging social media.

If the technological changes are going to be somewhat similar in comparison to previous decades, we cannot even put the new competitors into correct terms. For example, who could have suggested back in 2000, that in the year 2019 the social media and smart phones were going to be one of the biggest advertising platforms. Then there are the Porter's substitutes, which have the same effects as competitors. Who can tell for sure, that advertising will have the same role in the coming decades. Maybe we have new "financial ratios" deriving from ESG framework that will affect factual consumer behaviour. For instance, a company who gets full five stars in some ESG ratio is probably going to get a lot of new customers by being responsible and these new ratios have the same end result as does the traditional advertising. ESG is a real hype currently already in the financial services, where the biggest institutional investors are looking for the top ESG ratings as well, not just superior risk-adjusted returns based on old Sharpe ratios. Is the biggest Smartly.io client Facebook seen as "responsible" in the light of the recent news and does this affect advertising overall is a relevant question to ask here perhaps?

Data privacy awareness. People are becoming more and more concerned about the use of their personal data collected online. According to a survey by McAfee, more than 40% of people worldwide feel they lack control over their personal data and one-third of parents don't know how to explain online security risks to their children [17]. Your online data includes more than your name, physical address and phone number. It's an ever-growing database of personal information that can include every credit card number you've ever had, every purchase you've ever made per store, including size, price and type of item, every friend and follower on each of your social media platforms, every post or photo you've ever liked or commented on, etc. In brief, big tech companies like Google or Facebook really know you as a person. And all that information, you agree to give them for free each time you accept the terms of use or the cookies on a webpage.

As this awareness rises, a lot of tools respecting data privacy appear. For example, Ad & Tracking Blockers, that prevent web ads, and their potential cookie and other tracking capabilities from appearing on a webpage while you surf. Also, private search engine, such as DuckDuckGo, that doesn't collect, store or sell your search data to third parties. In a not-too-distant future, one could imagine that people completely change the way they surf on internet by refusing to share their personal data. If this happens, the whole business of personalized advertising would collapse, and Smartly.io would not be spared.
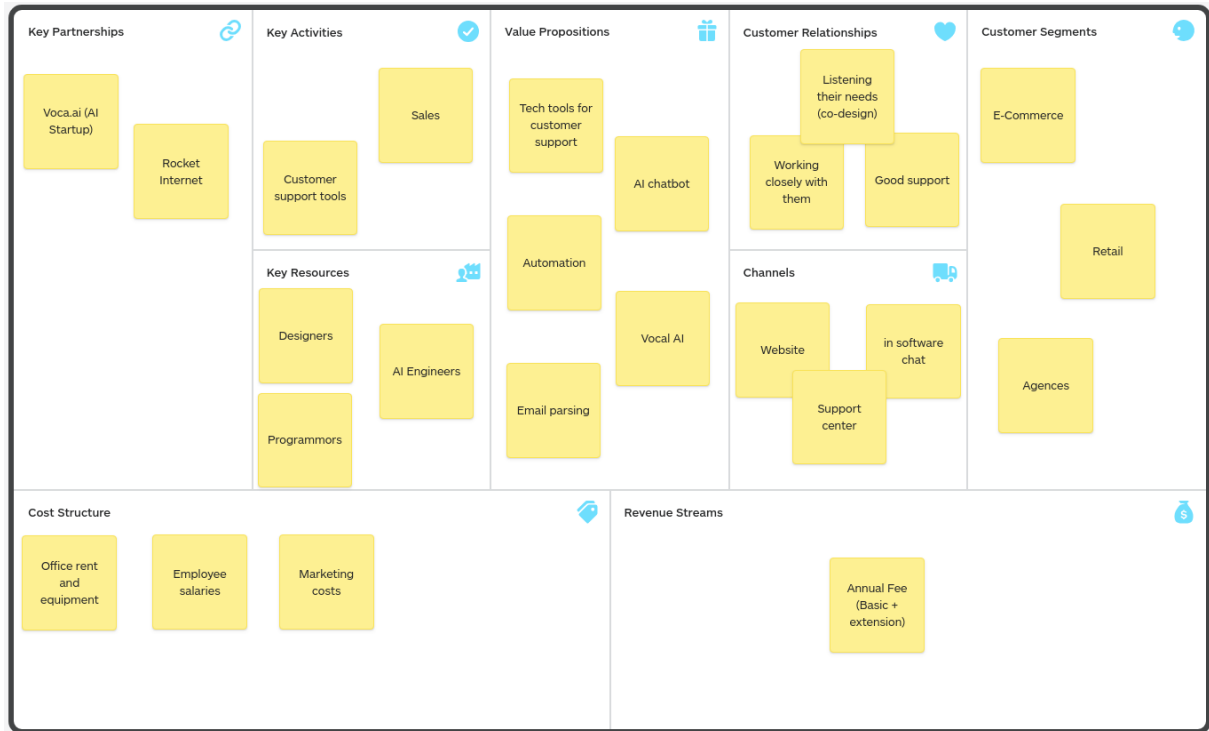
3 The Future

3.1 New Business Model

Figure 5: New Business Model Canvas *(created with Strategyzer)*

Value proposition. In order to completely rethink a new value proposition, the main strengths of the company in question has to be identified. Smartly.io is of course known for its very performing advertising software, but also for its excellent customer relationships [20, 21]. They are proud of it and do not hesitate to shout this from the rooftops, by repeating this message widely in their Culture Handbook for example [4]. In addition, they dispose of a lot of very talented programmers specialized in software architecture, data analysis and optimization. Hence, by combining these two resources, that is their excellent expertise in customer support and their current staff specialised in building optimization software, one way they could bring a new value to their current customers is by specializing in Automated Customer Service. That means purpose-built software that aims to reduce or eliminate the need for human involvement when providing advice or assistance to customer requests.

The technological tools that Smartly.io could propose to their customers could vary from customer self-service portals and knowledge bases to live chat and chatbots, or automatic assignment of requests to the right department or person. With their team of machine learning experts, Smartly.io could develop state-of-the-art Natural Language Processing techniques to understand in a very precise way each request of a customer and perform the wished action automatically. These methods would be implemented through user-friendly software, simple to install and use for their clients.

It is to be noticed that the demand for this kind of tools is obviously present. Customer support is nowadays highly time-consuming and very repetitive. The continuous improvements of Artificial Intelligence are revolutionizing automation processes and could highly improve the efficiency of customer support. A lot of tools are emerging in this field but most of them have limited performances or are very specific for one industry. With their expertise in customer relationships and optimization processes, Smartly.io could develop some advanced tools and take the lead in this market. They would moreover profit from their already existing huge network of customers that daily use their advertising services. That way, promoting their new products would be much easier than what they had to do at the beginning of Smartly.io.

Customer segments. Smartly will have the same customer than before. We already said that it can be any company which needs online advertising and they were mainly working with E-commerce, retail, and agences. So, for these changes, we don't have practical implications. But, in providing software to support customers, Smartly can keep its customers and like this, they will know how much Smartly took care and support their customers before. But they will have some issues with the fact that a lot of companies already have customer support and everything like this so they will need to convince their customers to stay in the journey with them for another software. The ecosystem will actually be the same because they have the same developers providing new software to the same kind of companies. Maybe we can just remove social media like Facebook and Instagram from the ecosystem because smartly will not provide advertising anymore. It's not a disruptive type of innovation because it will work the same way than before here. Cutting of the FB related platforms may at this particular moment hurt the ear as it has become a key cash flow generator, but focusing on one key customer increases the risk profile of Smartly.io. So, it is rational preplanning to diversify the potential customer segments for the near future horizon already. The challenge is, that getting a marketshare also in totally new segments takes a lot of financial resources in the client acquisition stage and maintainance of customer relations has its costs as well. However, having a properly diversified customer segment portfolio and more than one cash cow is recommendable, especially when these new service ideas are implemented on top of Smartly.io already existing strengths. This is not new proposition in the formulation of competitive strategy. The idea of building a strategy upon the company's strenghts and technological posture is based on Porter's competitive strategy [35].

Channels. The channels through which Smartly can reach its customers and deliver its Value Proposition are exclusively digital. First of all, the main website will be the access gate to the service provided, but will also be the center of every information related to it. Smartly already built a similar channel for its actual service, so it would be easy for the company to apply its know-how into this new concept. Secondly, Smartly could reach its customers through a customer support channel. This was previously integrated in an app, but now it will be available directly on the website: the user will be able to access a dedicated chat which is managed and optimized by the same software that are sold as a service. In exceptional cases, the customer will also be allowed to call smartly's employees, which will provide immediate support. This system would not only improve the company's efficiency, but it will also be an instrument to demonstrate the software's skills. This part of Smartly's Business Model Canvas won't be totally overturned by the new business model: we believe that this is one of its strengths and therefore it is worth maintaining and adjusted to the new needs. In the short run, this will have some negative impacts on the profit margins, when the new channels are being implemented, but the costs wont be a burden for the Smartly.io as it has an excellent working capital situation and inhouse expertise around the matter. Having an effective website is a critical success factor, because it is one of the most central tools in the client acquisition process and there does not exist a huge mass of potential new clients but rather the contrary, so each new potential client would be served professionally already when entering the website for an introductory visit.

Customers relationship. Smartly are very close to their customers. And it will not change in the future. They will always try to understand perfectly the need and to do better to personalize the support customer in the way that the client wants. As Smartly already do a lot of support and that everyone does it, it will not be a problem for everyone to understand the customer's need and to develop this software in co-creation with the customer to do exactly what they want. Moreover, Smartly already know the customer so it will be easier to understand their need and to discuss with them for the co-creation of the design. Here we can maybe add someone in the ecosystem because we will have to do something great for our customer but also the final user, which we didn't really take care of before this. So for the customer relationship, it will be a sustaining type of value creation model.

Revenue streams. Smartly provides technological tools that through A.I. and automation can optimize and manage the customer support service of their clients. As every software company, it is required to constantly update and upgrade its product to stay in line with the market's technology requirements. This entails working closely with the customers, developing customized features, solving issues in almost-real time.

In addition, Smartly is providing a base-software, that can then be upgraded and personalized through the addition of packages. The revenue stream structure has to follow these needs. Smartly will charge their

clients with a fixed annual fee for the base software. The "upgrade" packages will also be paid for following the yearly payment system. The payment will be on a yearly basis and not monthly, because differently from smartly's tools for social media marketing, this software would not need monthly adaptations to the budget. This will guarantee a steadier cash flow that would allow Smartly to work with its clients on personalization and upgrades especially during the beginning phase.

Resources. The resources include what companies rely on and what companies could provide to your customers. Both tangible and intangible assets are important. For most companies, they utilize their resources in hands providing service to their customers to get profit. Capital is the most basic element. for the new Smartly.io, this category could be divided into two parts: from the investment and the past profit. Considering how successful they are and how customers believe in it at present, it would not be a problem. Engineers, programmers, and designers are the most important producer. They provide a steady stream of assets to customers with their intangible assets, knowledge, and skills. As a company provides an intelligent system, the techniques in Machine Learning and Artificial Intelligence are core capital.

Based on their past commercial activities, they have already gathered millions of useful and practical information about their customers. The network set up before and the harmonious relationship between Smartly.io and their customers insure this transformation could be achieved in the future. Smartly.io has been praised for its customer service. Now we try to extend their strength and utilize it to help the whole company transform into a new model. As they practice this transformation, they would gain more experience with customer-service. It would also, to some extent, help accumulate other resources and achieve overall sustainability.

Partners. The cooperation between Smartly.io and Rocket Internet started from the early stage when Smartly only had eight staff [21]. Rocket Internet invests and supports technology and internet-related companies. They also provide operational service for realizing a global scale. With their assistance, the Smartly.io's transformation might be more feasible.

Technology is no longer the only winning factor in this revolution [22]. Customer service is increasingly important. Many customers leave a company not because they are unhappy with the service but because they are not being served. If a company loses its customers, it fails. But do these companies not provide customer service? In fact, customers only care about if you provide service when and what they need it. The advantage of AI customer service is that it can provide effective service guidance at any time. Voca.ai [23, 24] is such a company that provides intelligent voice customer service. If the new Smartly wants to be better at supporting customer communication, they need a business partner like this. In the past, the key Partnership with Facebook has been extremely lucrative for both parties. The trend is however such, that Facebook is losing members in many regions as a protest but also of other reasons. The Facebook has never had a potential threat in the form of a new social media giant but we cannot predict the future developments in the social media. For this reason, it is advisable to monitor new emerging trends and platforms enabling demand for new digital solutions. There may never become another Facebook size advertising platform, but if there was, that would pose excellent opportunities for Smartly.io. As finding new partnerships is this challenging for Smartly.io, it really needs to excel in its maintenance of existing clients too.

Activities. One of the new key activities is providing customer support tools for Smartly's customers. This is the base activity for the new business model. Smartly has done customer support for their own product before, but hasn't been providing tools for it, so the change will require some time. Other key activity is sales. Smartly needs to sell their product to customer companies to get revenue, because without revenue the company can't exist. Smartly has done sales also before, so this activity doesn't require as significant changes as providing tools for customer support.

Cost structure. The main costs come from salary. Compared with their former business model, Smartly needs to hire more skillful engineers and programmers who would require a high salary. To gather more customers they also need to pay money for advertising and marketing. After gaining enough publicity, the budget in advertisements can also be reduced, while at the same time, they might hire more staff for customer support and acquire more space for working. Cost in office renting and equipment will then go up. They also need to pay for their intellectual property protection to ensure stable development.

The finance theory has many investment calculations available to analyze the future cash flows. However, this is one of those situation in which they don't offer much guidance value as the future cash flows would be estimates at best on the possible new customer segments. This clearly poses a challenge as well as a visible risk.

3.2   Analysis of the new Business Model

As already explained in section 2.6.2, there are three main challenges that Smartly could face if the risks become reality. The most important that we highlighted was the concrete possibility to be cut out from the social media advertising market by its main partner, Facebook. There's, in fact, evidence that Facebook already owns a software that could make Smartly obsolete in its business ecosystem. Smartly's new business model addresses this challenge and provides a "way out" of its possible rapid decline by suggesting its relocation in a new business area, which could value the company's current strengths and fields of expertise. One challenge that the business model omits is related to the operational difficulties that Smartly has to face to complete its transition. Formation, relationships with stakeholders, partnerships with new companies, raising capitals for new research and development are all topics that need to be addressed by the company to be able to reach the goal. We can then say that the new business model is a "point of arrival", which could be preceded by different transitional business models.

Smartly is really good at customer support. It's why we decided to keep this strength and focus on it to develop the new business model. Using the company's skills in machine learning and optimization software also helped in understanding its value proposition. The right side of the canvas will appear similar to the original, as the point was to try to keep the current customers and continue to support them through a different type of service. There will be some differences in channels and revenue streams but the relationship with their customers and their customer segment will remain pretty much unchanged.

Despite the company's effort, the new business model could still affect its current customers because a lot of them, especially the big ones, already have a good customer support service. The risk here is that customers may not be interested anymore in Smartly's services because it has nothing to do with online advertising. The firm has to be good at designing a new service that can create new value for its clients, bringing innovations to the customer support field.

The business ecosystem of the company would change quite significantly with Smartly's shift to a new market. As we know, the company will detach from its main partner Facebook, and also the nature of the relationships with other companies will be different (from online marketing to customer support). In order to develop a new service, Smartly will have to create new relationships with specialized startups from new sectors, while still maintaining its current collaborations with key partners like Rocket Internet.

Smarlty's new business model doesn't directly address any specific ethical and sustainability issues. The suggestions and observations provided in section 2.5 could still be followed, as they would not be much affected by the changes presented in the business model. On the ethics side, Smartly could address new issues like the use of vocal AI as a means of communication to people, the user's trust towards an automated service and the decreasing importance of humans' role in the customer service field.

4 Conclusions

According to Porter and the Blue Ocean Strategy, the formulation of competitive strategy typically focuses on just a few key factors, where the company's strengths and skills are superior in comparison to its closest relative competitors. The current partnership with the Facebook has been central to Smartly.io's development of its core competence in the creation of its advertising software, where MNC's can implement their advertisements and see the remaining budget at the same time. The Smartly.io has been consistent in its efforts to specialize in the sector of advertising and paying an exceptionally close eye to customer service as well. For example, even the CEO still takes evening shifts in the chat service line conversations. However, in the long run, Smartly.io has to diversify its risk-mix in such a manner, that losing one key single client would not cause major impact to its operations. As important as the Facebook concern is at the moment for Smartly.io, it also holds true that losing this key partnership in one form or another, would cause direct impact to Smartly.io's profitability and solidity. Our suggestion for a new business model identifies the Smartly.io's strengths (skills), weaknesses, financial assets, brand, technological posture and then builds the new directions for future cash flows on top op these factors. Our suggestion for the future's new business model is perhaps not as innovative as the present one, or not even disruptive in the broad sense. In the end it does not have to be, if it satisfies the needs of the current shareholders in terms of reasonable dividend payments and share price growth plus satisfies the needs of other important stakeholder groups as well. Our suggestion for the new business model also diversifies the risk by having several customer segments.

We can easily predict that there will be a lot of changes in Smartly for the next few years. For example,there will be new hubs in different countries, they will have new customers too and maybe they will take more percentage of the fees, but we assume that something won't change, like the relationship this company has with their customers. The exceptionally strong focus on customer service has been very important for everyone in Smartly since the beginning. Smartly's partnerships will probably change in the future too, because there will be a growing number of new social media platforms serving different use cases. New, rising platforms with advertising options are promising opportunities for Smartly and it will probably try to get new partnerships with them. Even if Smartly's partnerships change, their key activities will probably stay the same also in the future. Smartly.io has published their growth strategy, unlike their IPR strategy which is kept a company secret. It was noted in the latest financial report, that Smartly is looking for growth by non-organic means. This means, that in the coming years, Smartly will not only grow by growing its own operations, but also look for companies to buy or to merge with. This is good news for the investors, because when Smartly manages to divide the revenues to several sources of cash flows also the risk-mix decreases, since individual cash flows would not be subject to market fluctuations on its whole weight. Getting publicly listed to the main list, becomes also then more easy. Hence, Smartly is in better position to price their possible share issuance, according to the comparable companies. The most common valuation method is known as comparables analysis, where the new listed firm is being compared into its key competitors according to valuation averages; comparables. In the context of p/e figures, the theoretical market valuation of Smartly would then be roughly, the result multiplied with sector p/e. In this case, 4.8 million * 18 = 86 millions. These figures may give the current management team of Smartly.io workable ideas of the proper exit timing too, if the superior diplomatic relations with the Facebook turn sour or the implementation of new business models and mergers do not prove to be profitable enough in their metrics.

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