

Thesis

**Title: BUSINESS PLAN FOR EXISTING
VENTURE – PAPU CAFE**

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<p>Abstract:</p> <p>Finland is considered as one of the potential markets for specialty coffee industry with the high amount of coffee consumption. The aim of this research is developing a business plan for existing business – Papu Cafe in the centre of Helsinki, Finland.</p> <p>In this research, the author focuses on investigating the entrepreneurship and coffee industry in Finland, the characteristics of coffee drinking trends. Besides, it is essential to understand the purpose of conducting a business plan for existing business. This process is sensible for looking backward, monitoring whether the current performance is effective and ensuring achieve the target segment. Especially with enterprise has the ability to build the future strategies; business-planning tasks help it to grow the next level. In the practice part, the author evaluates the past and current performance and strategies of her coffee shop since opening. From that, the future business plan is developed in order to achieve the business objectives, which are evaluating the past performance and examining whether it is possible to launch the e-commerce system.</p>	
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Table of Contents

List of Figures.....	5
List of Tables	5
1 INTRODUCTION	1
1.1 Motivation for the research topic	1
1.2 Aim of the research	1
1.3 Research design	2
1.4 Demarcation.....	3
2 THEORETICAL FRAMEWORK.....	4
2.1 Entrepreneurship in Finland	4
2.1.1 Definition	4
2.1.2 Motivation – Become entrepreneurs in Finland	4
2.1.3 Stages of small business growth	7
2.2 Finnish coffee industry	9
2.2.1 Market analysis	9
2.2.2 Coffee trends in Finland	10
2.2.3 Specialty coffee segment	11
2.4 Business plan defined.....	12
2.4.1 Definition	12
2.4.2 Purpose of business planning.....	13
2.4.3 On-going business planning.....	13
2.4.4 Structure of a business plan	14
2.4.5. Structure of Papu Cafe business plan	16
3 BUSINESS PLAN OF PAPU CAFE	18
3.1 Executive summary	18
3.2 Business Description	19
3.2.1 General information	19
3.2.2 Location and Facilities.....	21
3.2.3 SWOT analysis	21
3.2.4. Market Position.....	21
3.3 Product and Service	22
3.3.1 The Coffee	22
3.3.2 Tea and Other Beverages	22
3.3.3 The Food	23
3.3.4 Papu Gallery	23

3.4 Market analysis	23
3.4.1 Customer Profile	23
3.4.2 Market Opportunity	25
3.4.3 Direct Competitors.....	26
3.5 Marketing plan	27
3.5.1 Traditional marketing	27
3.5.2 Online Marketing.....	28
3.6 Financial History of the first year	29
3.6.1 Financial Data	29
3.5.2. Data analysis	32
3.7. Preparation plan for Web Store	35
3.7.1 Products	35
3.7.2 Logistics.....	36
3.7.3 Payment method	37
3.7.4 Financial plan.....	37
3.8 Management and operation	39
3.8.1 Management team.....	39
3.8.2 Operations Plan.....	40
3.9 Financial Plan	40
3.9.1 Sales Projection.....	40
3.9.2 Balanced Sheet.....	42
3.9.3 Cash Flow	43
3.9.4 Break-even analysis	44
4. MOTIVATION	46
5. CONCLUSION	47
REFERENCE	47
APPENDIX	50

List of Figures

Figure 1 Stages of small business growth (Source: Churchill and Lewis, 1983)	7
Figure 2 Map of Kruununhaka (Source: City of Helsinki Urban Facts, 2014).....	24
Figure 3 Total Sales by products of Papu Cafe in 2016	33
Figure 4 Monthly sales of Papu Cafe in 2016.....	34
Figure 5 Break Even Analysis of Papu Cafe in 2017	45

List of Tables

Table 1 Balance Sheet of Papu Cafe in 2016.....	29
Table 2 Monthly Sale Projection of Papu Cafe in 2016	30
Table 3 Income Statements of Papu Cafe 2016.....	31
Table 4 Uses of Fund for Web Store	37
Table 5 Sales Forecast of the Web Store in 3 years.....	38
Table 6 Sales Projection of Papu Cafe 2016-2019	40
Table 7 Balanced Sheet of Papu Cafe 2016-2019	42
Table 8 Cash Flow of Papu Cafe 2016-2019	43
Table 9 Detailed Data of Break Even Analysis	44

1 INTRODUCTION

1.1 Motivation for the research topic

With a small number of 5.4 million inhabitants, Finland is considered as one of the biggest coffee consumption markets in the world, since per year every Finns purchases around 12 kg (CBI - Ministry of foreign affairs, 2013). To Finns, coffee is not only an energy drink at work but also a national beverage at public events, festivals. This very coffee culture is moving towards a big revolution of quality and concept of “single served coffee cup, instead of bulk coffee”. In which, the demand for delicate and fresh-brewed coffee is rising up in Finland.

According to Economist, together with other Baltic countries, Finland is one of the entrepreneur-friendly economies (The economist, 2013). Helsinki - as the heart of Finland, is targeted as a potential market for the coffee industry. The city is well known as home of many small roasteries that interested in developing high-quality coffee. (CBI - Ministry of foreign affairs, 2013).

The author herself has a strong passionate for coffee. Since days in the university, she dreamed of building her own coffee shop. After months of preparation, Papu Cafe - located in Kruununuhaka area – the central of Helsinki, is opened in December 2015. The coffee shop focuses on providing high-quality coffee and beverage, services and green space to consumers who are looking for a slight relaxation. However, since opening, the author did not have a chance to look back the performance of the past one-year and evaluate the success of marketing campaign and strategies. She realized the needs of updating her business plan.

1.2 Aim of the research

Developing a business plan is the most important step of launching a venture. While composing, the entrepreneurs have a chance to look through every aspect of their business. Especially with the established business, reviewing and conducting their business plan regularly helps them to monitor the expenses, define every strategy.

Since this thesis is written when Papu Cafe celebrate its first anniversary, the author thinks it is necessary to look backward at the business plan in order to clarify changes of the business itself and monitor whether the present performance matches the previous objectives. Besides, the author also wants to investigate the movement of

Finnish coffee industry and defines the new coffee trend, which is essential in the long-term plan of the coffee shop.

There is a fact that identification the key factors and strategies are essential to growth the business to the next level. This proposal is prepared to examine the market opportunities of the electronic commerce platform. The ongoing business plan would be a guidebook for the business management and dynamite material if the author wants to expand her business in the future by looking for investors or sponsors.

1.3 Research design

The thesis is conducted with two parts: theoretical framework and business plan. The writer used both primary and secondary data collection techniques in order to reach the research issues. The theoretical framework is created by collecting information from diverse source of books, documents and market studies. The main sources of the plan come from the internal business plan founders made in 2015 and the data collected by the writer's direct observations and experiences.

The theoretical framework helps readers to understand the background information and motivation of the thesis. As a result, the writer first focuses on clarifying the entrepreneurial framework for new and growing venture and the entrepreneurship scene in Finland. These statements are based on literature review and analysis by the author prior understanding. Besides, a market analysis of the coffee industry in Finland is conducted in order to provide enough information for the further business plan. Then the writer introduced the specialty coffee segment, which is the target segment of the coffee shop. This helps the readers easier to follow through the main object of the coffee shop. Finally here comes the literature review of a business plan, which described the purpose of on-going business planning and introduced a well-structured business plan. In the last stage of the theoretical framework, a structure of Papu Cafe business plan is introduced in order to help the readers easier to track on the following part.

After literature review and market research, the author compiles the business plan of Papu Cafe at the end of the thesis. It describes in-depth plan by passing the operation plan, management plan and financial analysis of current performance for both internal and external audiences.

1.4 Demarcation

The main scope of this research is concentrating on business planning factors when establishing existing venture in Finnish Food and Drink Industry. As Finnish entrepreneurship policy is continuously changing, it is difficult to ensure the information in this thesis is absolute. As a result, it is necessary for the readers to update any news in Finnish entrepreneur policy and coffee market in the future. Besides, the statistics analysis of the coffee industry is limited by time and resources summarized.

2 THEORETICAL FRAMEWORK

2.1 Entrepreneurship in Finland

2.1.1 Definition

Since the economic crisis in the last decades, the global economy witnessed many downsizing activities of companies in order to stay competitive. This creates high interest in entrepreneurship, as many young believes that it is more secure to work for their own business. In 2012, 22% of Spanish young people wanted to be a self-worker in the future, which is the highest among European countries (TNS Europe, 2012). The high rate of unemployment in Spain is explained as the main reason for this behavior. While according to TNS Europe (2012), Europeans had seen “entrepreneurship” as the value least generated compare to other countries, which means that entrepreneurship is not yet a typical characteristic of the European Union. Entrepreneurship is defined as a “process by which individuals – either on their own or within organizations – purpose opportunities” (Stevenson & Jarillo, 1990, p. 23). The entrepreneurial function can be new products, services, strategies or new market that does not have the product before, uses the existent resources input turn into outputs. (Shan & Venkararaman, 2000). The entrepreneurial opportunity is considered as the availability of opportunities, which can bring the growth of the firm or create new firms (Stevenson & Jarillo, 1990, p. 24). Entrepreneurial opportunity is unexpected and unvalued towards the economy, it takes time and efforts for entrepreneurs to generate “ideas” or “opportunity” into economic value.

Carsrud and Brannback (2007) believe that entrepreneur is not necessary an “inventor”, but must be an “innovators” and the team player. Bolton & Thompson (2003) developed FACET model in order to characterise principal features of the entrepreneur. According to him, the successful entrepreneur has six main characteristics, which includes: Focus, Advantage, Creativity and Ego. These facets members as actively opportunities spotters, create the significant different and bring the potential contribution for the venture.

2.1.2 Motivation – Become entrepreneurs in Finland

During the first quarter of 2016, there are more than 8500 newborn entrepreneurs, which accounts for 2,3% of total entrepreneurs (Statistics Finland, 2016). Finns entrepreneurial activity rate increases steadily year by year with the 6,6 % in 2015,

compare to 5,6% in 2014 (Global Entrepreneurship Monitor, 2016). This is the positive signal after the dark period of Finnish economy crisis since the collapse of Nokia. Global Entrepreneurship Monitor put Finland in the innovation-driven economy with the eighth position in global competitiveness rating. Heinonen and Hytti (2008) described the entrepreneurship scene in Finland as high educated and strong innovative level.

There are more than 85% of Finns think positive about entrepreneurship and consider entrepreneur on high position. However, only 33% of people would choose to start their business as the long-term career (Global Entrepreneurship Monitor, 2016). This means that Finns have positive attitudes towards entrepreneurship, many even seeking for entrepreneurial opportunities in their surrounding environment.

While at the same time, there are needs to improve the entrepreneurial culture and attitudes (Global Entrepreneurship Monitor, 2016). Comparing within the innovation-driven countries, Finland is left behind in internal market openness factor (Shan & Venkararaman, 2000). Besides, Finnish entrepreneurs hesitated when it comes to risk capital, high-growth orientation, and internationalization (Stenholm, Kovalainen, Heinonen, & Pukkinen, 2011). It has been an argument about the necessary to change in entrepreneurial culture and attitudes in Finland (Ministry of Finance , 2012).

Government supports

Finland got a high score from experts when it comes to overall government support for entrepreneurship (Stenholm, Kovalainen, Heinonen, & Pukkinen, 2011). Global Entrepreneurship Monitor (2016) rated Finland among top 10 countries for government policies for supporting services (7th place), taxes and bureaucracy (9th place). Business guidance and service in Finland are organized and coordinated by Ministry of Employment and the Economy with the service named “Enterprise Finland” (<http://www.yrityssuomi.fi>). Enterprise Finland is the public organization for companies and individuals who interested in starting their own business in Finland. As the online advisory service, Enterprise Finland gathers necessary information from statutory, public business services to funding information in one place. Recently, My Enterprise Finland service is introduced as a personal workspace, which includes tools for business planning and operations, information and service fit personal profiles.

However, Global Entrepreneurship Monitor (2016) also suggested that Finland worse than other innovation- driven countries in designing government support programs for

entrepreneurs. The study also pointed out that the reasons for low level supporting program are economic crisis and recession, which distracted the government to sponsor these programs. There is the fact that the government budget is influenced by the Euro crisis in the up coming year (EY Entrepreneur of The Year, 2015). Finland - as a potential market for entrepreneurship needs help from the government to build better the business environment, increase innovation, internationalization, and competitiveness among innovation-driven countries.

Education

According to Solomon, Bamossy and Asegaard (2002), entrepreneurial education requires “constructive learning and self-experiential” learning methods from school, universities along with the government. The teachers as the promoters must encourage and inspire students to take part in entrepreneurial activities, gain experiences, motivation (Solomon, Bamossy, & Asegaard, 2002).

Finland has received a high score on entrepreneur skill among the Nordic countries when it comes to opportunities perception, startup skill, non-fear of failure and networking (Stenholm, Kovalainen, Heinonen, & Pukkinen, 2011). While according to Solomon, Bamossy and Asegaard (2002), the opportunities perception strongly relates to the level of education of one individual. Thanks to the highly educated population, Finns find it easier to perceive entrepreneurial opportunities. This means that Finns see the business opportunities around their surrounding more often than other economies and have the ability to approach them.

On the other hand, Finns clearly stay behind in term of entrepreneur aspiration. Only 17% of Finnish young people between 15 to 29 years old show their interest in start up their own business (TNS Europe, 2012). Global Entrepreneurship Monitor (2016) pointed out that there is a lack of focus on entrepreneurship education in at the school stage. There is the fact that young people aspiration and attitudes are affected by education (TNS Europe, 2012). School, universities and government should take measure to promote and inspire entrepreneurship across the country from young ages. This would gain positive impact on entrepreneurship attitudes especially when it comes to risk capital, high-growth orientation, and internationalization. (Stenholm, Kovalainen, Heinonen, & Pukkinen, 2011)

2.1.3 Stages of small business growth

Every enterprise needs to go through different phases of business development in order to achieve success and each phase has its own goals and difficulties. Positioning the stages of the business helps entrepreneurs to identify the key frustration and find the solution to reach the next stage. Churchill and Lewis (1983) stated in their Harvard Business Review named “The Five stages of Small Business Growth”, in this study, they assumed that every small business share the common problems happen at the same stages in the business development. Churchill and Lewis pointed out that here is a five-phase model for small enterprise growth, defined as existence, survival, success, takeoff and resources maturity.

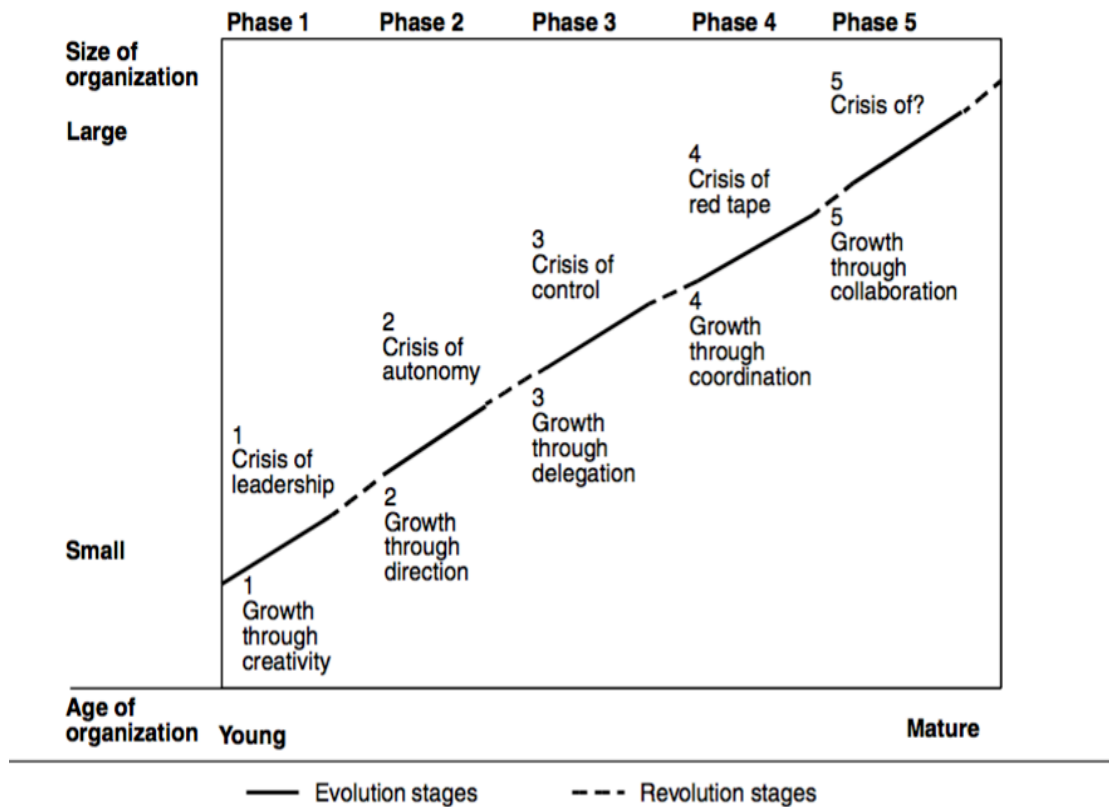


Figure 1 Stages of small business growth (Source: Churchill and Lewis, 1983)

Stage 1: Existence

The main goals in this stage are seeking for customers, gaining customer acceptance or visibility of product. During this period, the business owner is the one that does all the important tasks and directly supervises all the subordinates. The formal planning and system development activities in this stage are minimal to nonexistent. The firm

strategy is simple and the owner does everything in order to remain alive. (Fawaz, 2012)

Stage 2: Survival

A business is considered as it passed the existence stage when the business must demonstrate itself as a workable business entity. In the survival stage, the concern issue shifts from remaining exist to gaining profit. The business organization is still simple as the system developing and planning activities are minimal. In this stage, the firm may choose to grow in size, profitability and move to another next stage. Or it may remain at the Survival Stage to generate the return on invested time and capital. (Lewis & Churchill, 1983)

Stage 3: Success

The success stage is the turning decision of the business as it shifts from survival to risky, the owner has to decide whether to expand or keep the company stable and profitable or exploit the company's accomplishments (Fawaz, 2012). As a result, this stage of growth requires the owners disengage from the business and participate in other interests, at the same time keeping the firm more or less in the status quo (Lewis & Churchill, 1983).

Stage 4: Take off

In this stage, the owner and the business are separated, however, the business is still controlled by the owner and the stock control (Fawaz, 2012). The main concerns are how to develop speedily and how to maintain that grow in this two areas:

- **Cash:** Whether the business has enough capital to maintain the speedy growth of the business or the inadequate expenses control exacerbates the cash flow.
- **Delegation:** The capability of the owner to delegate responsibilities to subordinates in order to enhance the managerial effectiveness of the speedy development.

During this stage of growth, if the firm is managed properly, it can be mature into a larger organization or on the other hand, meet many operational difficulties. (Lewis & Churchill, 1983)

Stage 5: Resource Maturity

At this stage of growth, the main problems are financial consolidation, systems, financial and personnel resources management, flexibility interaction and entrepreneurial spirit. The management force in this stage requires the business to

professionalize its management tool and standardize the cost system. This stage of business puts many pressures on the operational, managerial and strategic abilities of the owner. (Lewis & Churchill, 1983)

Papu Cafe development stage

After one year launching with the stable revenue, Papu Cafe is now stepping to its foot out of the Existence Stage and starting the Survival Stage. During the last one-year, the coffee shop proved that it is a workable entity as the firm has been able to gain a stable amount of the new and return customers, the quality of our products are acknowledged. Moreover, Papu Cafe also received more than 50 thousand euro of grow margin. In the next growth stage, our main concerns are the profitability of the business and the managerial abilities of the team members. The shop plans to focus on increasing the sale by the marketing, product development activities in order to receive more profit.

2.2 Finnish coffee industry

2.2.1 Market analysis

According to CBI trade (2016), Europe is a large and stable market for coffee consumption activities. Among the Nordic countries, Finland along with Denmark and Norway make up the top three highest coffee drinking markets with the average consumption is 10,2kg per person per year (European Coffee Symposium, 2016). Those Nordic countries have the strong tradition of having coffee at home and at work. This unique coffee culture creates a new trend of coffee drinking across Europe, as coffee consumers start to transform from buying “bulk” coffee to high quality and sustainability coffee (CBI - Ministry of foreign affairs, 2016, p. 2).

With the number of 5,4 million inhabitants, Finland is considered as a small consuming market within Europe. Since 2008, the consumption rate of coffee and coffee products in Finland is decreased by 1,4%. However, with this situation, Finland still manages to become the highest individual coffee consumption countries with 12 kg of coffee per capital each year (CBI - Ministry of foreign affairs, 2013). According to Nordic Coffee Culture Blog, 84,2% of Finnish population is assumed as the potential coffee drinker. The most popular Finnish coffee is light roasted, which is famous around the world for its unique flavour, while there are also different kinds of medium and dark roast coffee available in the super market. (Nordic Coffee Culture,

2016) The European Coffee Symposium believes that there are strong opportunities for growth in the Finnish market because of the existing consumer preference (European Coffee Symposium, 2016).

While according to the CBI Trade Statistics: coffee (2013), it is difficult to enter the roasted coffee market because of the high state and famous brand of European Roasters. For instance, Gustav Paulig Oy Ab is the leader in the coffee industry in Finland, accounts for 51% of the sale value in 2012. Was founded in 1876, the brand is well known and trusted among the Baltic countries. The second place is Meira Oy, which accounts for 16% of the market in 2012. However, opportunities are existed for the local market with the growing coffee shop with high-quality coffee, as there are the increasing numbers of small importers who interested in directly importing coffee bean from developing countries (Ethiopia, Indonesia, Guatemala...) Small coffee roasters named as: Helsinki Kahvipaahtimo (www.helsinginkahvipaahtimo.com), Turun Kahvipaahtimo (www.turunkahvipaahtimo.fi), Kaffa Roastery (www.kaffaroastery.fi) is leading the new coffee trends. (CBI - Ministry of foreign affairs, 2013)

2.2.2 Coffee trends in Finland

Third wave of coffee

According to the data from the National Coffee Association's 2016 about the Coffee Drinking Trends, the young generation shift from the cheap beverage to devoted, standardized and value-shared drink. As coffee in the new generation becomes a value-driven product, consumers choose to put their value on quality, sustainability rather than price like the past. The reason behind the value driven is the young consumer nowadays prefer to spend money on product or service in order to reflect their "own value" (National Coffee Association , 2016). The Specialty Coffee Association of Europe described this high-quality production and promotion of coffee as the artisanal beverage transformation as the "Third wave of coffee". This new wave of coffee creates new trends of coffee production, serving-processes as well as consumption.

First is the increasing of the individualization of coffee consumption (CBI - Ministry of foreign affairs, 2013). As many single-serving methods present in Europe, consumers have different options to purchase their favorite coffee. The small roasters also played important role in the individualized coffee, which is providing a variety of

signature products for their consumers. There is the fact that 15 percent of Finnish coffee market belongs to coffee capsules, which is an easy and convenient way to serve high-quality coffee at home (CBI - Ministry of foreign affairs, 2013). The second coffee trend is the increasing in the demand of specialty-coffee segment, which also accompanied with the individualization of coffee. While most consumers continue to purchase inexpensive coffee, there are a significant number of people whom willing to pay a higher price for higher quality coffee. This increasing interested in specialty coffee reflects on the necessary of sophistication coffee shops and skilled baristas with signature blending and flavor.

Sustainability

Sustainability includes the environmental, social, health and safety issues, becomes more and more important in the future. Especially in the coffee industry, it becomes strong impact when consumers start to concern about the sustainability of coffee sourcing (CBI - Ministry of foreign affairs, 2013). As a result, the sustainability standards are becoming as requirements of any coffee entry in Europe. Together with the niche labels such as Fairtrade and Organic, there is many popular labels focus on mainstream coffee products known as 4C, UTZ Certified, Rainforest Alliance... (CBI - Ministry of foreign affairs, 2013)

In Finland, the coffee industry has not yet invested many efforts in sustainability as other European countries. Only large coffee brands for examples: Paulig - has limited products have 4C certificates, while Meira Oy has its own Fair-trade brand as Meiran Reilu kahvi (CBI - Ministry of foreign affairs, 2016).

2.2.3 Specialty coffee segment

Definition

Specialty coffee is defined as the coffee that has the cupping score above 85 (SCAA, 2015). The high-quality coffee requires a consistency between every process in the lifecycle of the bean.

Specialty means every people who take part in the value chain work from the farmers, green coffee buyers, to the roasters, the Baristas, maintain the standards and keep the excellent quality of the bean. Consumers are also played an important role in order to complete the lifecycle of the specialty coffee. Since they are the one receive not only the result of high quality standard but also the commitment of the coffee contributor.

Specialty coffee in Finland

Compare to other Nordic countries, Finland is considered as the late player in the specialty coffee segment (European Coffee Symposium, 2016). However, following the trends of the third wave of coffee, there is a significant increase in the demand of this coffee trend. In 2011, more than 46,4 million kilos are produced by Finnish coffee roasters and 94% of them are light roasted (Nordic Coffee Culture, 2016).

More independent small roasters such as Kaffa Roastery and Turun Kahvipaahtimo are taking the lead in the production of specialty coffee (European Coffee Symposium, 2016). This cooperation tightly between the coffee shop and suppliers leads to the improvement of coffee quality and knowledge. As the specialty coffee in Finland is the development stages, there are many opportunities for the local coffee shop.

2.4 Business plan defined

2.4.1 Definition

Barringer & Ireland defined a business plan as the written material described what and how the new business going to do in order to achieve success (Barringer & Ireland, 2012, p. 112). While according to United Nation Conference on Trade and Development, the business plan represents the past and current conditions, but mostly the future of the enterprise (United Nations Conference on Trade and Development, 2012, p. 3). It shows the strength, weakness, opportunities and threats of an enterprise. Moreover, the plan describes in detail products or service, resources, strategy and revenue of the company in the next three and five years period. (United Nations Conference on Trade and Development, 2012, p. 3)

A business plan is the tools for the founders to write down their business idea in papers. The plan has to be powerful enough to convince the readers that the new business is profitable and sustainable, since “Business that fails to plan, plans to fail” - Benjamin Franklin.

While not only the new venture but also the existing business also needs to create a business plan (Ford, Bornstein, & Pruitt, 2007). Peterson, Jaret and Schenck (2010) recommend that the existing firm must rewrite and evaluate their business plan once a year, while monitor and update the business plan every month.

The words in the business plan must be real, accurate, truthful, complete, easy-to-read and well structure (United Nations Conference on Trade and Development, 2012, p. 3).

2.4.2 Purpose of business planning

According to Barringer and Ireland, a success business plan helps entrepreneurs to achieve internal and external goals (Barringer & Ireland, 2012, p. 112). First, composing business plan forces the founders themselves to study every element and process of their business, which they may not consider while composing the business idea. As a result, the plan becomes the concrete guide for the employee and founder team to follow. Pinson agreed with this idea, according to her business plan is the blueprint of a business, it helps the founders to analyze their business and apply changes, improvement in order to increase the profit (Pinson, 2008, p. 2). By preparing the plan, the new venture can identify target customer, market segment, define a competitive pricing strategy and specify other competitive conditions (United Nations Conference on Trade and Development, 2012, p. 3). Writing them helps entrepreneurs to make the mistake in papers, not in reality. You have a chance look ahead the problems before they happen and prepare suitable solutions (Barrow, Barrow, & Brown, 2008, p. 7).

On the other hand, a business plan is a communication tool of the new venture with outsiders such as advisors, investors, bank, and lenders... (Barringer & Ireland, 2012, p. 114). It provides an opportunity for the new venture to convince outsiders that there is a potential market exists and this business is profitable, in order to achieve the main targets of the business plan which are helping entrepreneurs to raise the capital and extending funding.

2.4.3 On-going business planning

There is a myth that creating a business plan is only for start-up companies (Berry T. , 2006). It is not accurate to think that business-planning task is only for beginning stage of the business (Ford, Bornstein, & Pruitt, 2007, p. 10). Peterson, Jaret and Schenck (2010) believe that ongoing business planning process is the key to the success of a business. According to Timothy Berry (2006), a business plan is an effective tool for existing firm to plan and manage its growth. Enterprises have more advantages than start-up while conducting a business plan since the financial statistics

are analyzed from market reality and firm's experiences (Ford, Bornstein, & Pruitt, 2007, p. 11).

Ongoing business planning helps entrepreneurs to monitor their business whether achieves the objectives (Business Link UK, 2009). Entrepreneurs sometimes use business plan as the scale when their business receives high growth or downwards. In this case, Peterson, Jaret and Schenck (2010) suggested that entrepreneurs could focus only on the relevant sections of business plan for examples: marketing or operation plan. While constantly updating business plan could help entrepreneurs to targets where the business is now and shows the direction entrepreneurs want their business to grow (Business Link UK, 2009).

In case of the existing firm, who ensures to expand their business, the planning process is extremely important (Berry T. , 2006). Different from the new firm, the ongoing planning processes are completed as the firm is organized with full cycle plan and faced with reality (Berry T. , 2006). Thanks to the real-time business analysis, the future strategies are outlined from the past strategies in the beginning business plan and companies could gain success from the previous mistakes (Business Link UK, 2009). As a result, "existing business should use business planning processes to control their destiny, set long-term objectives and vision, and manage steps towards their future" (Berry T. , 2006).

2.4.4 Structure of a business plan

Executive summary

Executive summary is a brief general review of the entire business plan, which introduces to the busy readers specialize features and objectives of the plan (Barringer & Ireland, 2012, p. 122). This is considered as the most important part of a business plan, cause it is the part that most of readers first read.

According to Barringer and Ireland, it is essential to remember that executive summary is the summary not the introduction of the plan. As a result, this part should be written at last when the business plan is finished. The length of the executive summary should not over 2 pages and the language must be condensing, attractive and easy to understand (Barringer & Ireland, 2012, p. 123). The writer must mention 3 main content in the executive summary known as Purpose of the business plan, highlight and financial requirement (United Nations Conference on Trade and Development, 2012, p. 30).

Business description

This section introduces the overview description, background information and the main objectives of the company (Ehmke & Akridge, 2007, p. 2). For the new venture, it is important to mention that the writer knew surely how to bring the business idea comes true (Barringer & Ireland, 2012, p. 123).

These are the main elements that the entrepreneurs must mention: mission statement, business model, product and service, SWOT analysis (Pinson, 2008, p. 32). Mission statement explained the reason why the business exists and the future plans and place in the industry. Conducting a SWOT analysis while writing a business plan enable the writer to focus the business on its strength, have great opportunities market and faces the weakness and find the suitable solution (Pinson, 2008, p. 33).

Market analysis

Market analysis is defined as pointing the target market segment of the business in the industry (Barringer & Ireland, 2012, p. 124). It means that the main task of this section is analyzing the market possibility, characteristics and choosing the target market segment for the different product or service. Besides, the writer focuses on listing the customer profiles in order to have specific knowledge about the potential consumer who willing to buy the product (Ehmke & Akridge, 2007, p. 4).

In the market analysis section, it is essential to specify the direct competitors who sell the same product or serve the same function service (Ehmke & Akridge, 2007, p. 4). The reviewing competitors' strength and weakness tasks help the firm to understand and compose effective strategy in order to have sufficiency share of the market (United Nations Conference on Trade and Development, 2012, p. 60).

Marketing plan

Marketing plan focused on how the firm is going to sell its product or service (Barringer & Ireland, 2012, p. 124). Effective marketing planning is the key to success of a business (United Nations Conference on Trade and Development, 2012, p. 74). The plan focuses on four different areas: Product or service, pricing, distribution and promotion strategies (Ehmke & Akridge, 2007, p. 5). The main objective of this section is how the business keeps the existing consumers stay and attracts new consumers.

Management plan

Management plan describes how the business would be processed and the physical resources need in other to run the venture (Barringer & Ireland, 2012, p. 129). This

section also specifies the management team, introduced the board of directors and company structure (Ehmke & Akridge, 2007, p. 6).

This part is considered as a critical section of a business plan; the external audience would take a look at this section after accessing the executive summary (Barringer & Ireland, 2012, p. 129). Many investors, lenders often make their decision based on the strength of the management team (United Nations Conference on Trade and Development, 2012, p. 88). As a result, it is important for the writer to demonstrate the management team meets the required skills, experience in order to drive the firm to achieve the success.

Financial plan

The financial plan is the necessary part of the business plan especially with the investment purpose (Barringer & Ireland, 2012, p. 130). In this section, the writer describes the present financial status and forecasts the future financial statement (Ehmke & Akridge, 2007, p. 6). The financial projection is used in order to convince the readers that the business has profit potential as well as ability to return on investment (United Nations Conference on Trade and Development, 2012, p. 117).

With existing enterprise, the financial plan focuses on forecasting the product demand, revenue, and expense of the future strategies (Ehmke & Akridge, 2007, p. 6). The result of the past and current performance is used to support the credibility of the business itself and the future strategies. The financial plan of the grow business plan includes: income statement, balance sheet and cash flow statement (United Nations Conference on Trade and Development, 2012, p. 119).

2.4.5. Structure of Papu Cafe business plan

The next chapter of the research is going to introduce the Papu Cafe business plan, which belongs to on-going business planning research for the established venture. With this type of business plan, there is no fixed structure; as a result, the management team based on the objectives of our venture to design the structure that matched our goals. The plan includes introducing the coffee shop and its main products and markets to the readers. The author also wants to focus on the financial situation in the first year, from which, she can identify the problems and seek the solutions.

Next, the plan is going to introduce how the firm prepare for the E-commerce and the schedule of the future activities. The last and most important of this plan is the

financial plan, in this part, all the calculation are organized from 2016 to the next 3 years. As a result, readers can track on the historical data and look at the important assumptions of Papu Cafe in order to obtain the success.

The following are the structure of Papu Cafe Business Plan in 2017:

1. Executive summary
2. Business Description
3. Products and Service
4. Market analysis
5. Marketing plan
6. Financial History of the first year
7. Preparation plan for the Web Store
8. Management and operation plan
9. Financial plan

3 BUSINESS PLAN OF PAPU CAFE

3.1 Executive summary

Papu Cafe is coffee shop located in Kruununhaka – the center of Helsinki. It is the places where consumers can taste prestigious coffee experience from bean to cup with freshly roasted coffee, specialty drinks, and unique Vietnamese food. The coffee shop focuses on providing high-quality coffee and beverage, services and green space. Our target markets include: neighborhood of Kruununhaka and Kluuvi, high-quality coffee shop with classic atmosphere. As Papu is the place where the classic coffee culture stays and generates the new trends, each cup of coffee is fresh-made by order with a transparent making process.

While Papu Cafe celebrated its first year, this proposal is prepared to monitor whether the present performance matches the goals of the founders and look for the solution to increase the current sales volume. After 12 months launching, the shop received significant success with the stable income and fixed amount of consumers as the first specialty coffee shop in this local. As a result, the management team plans to invest 15,000 Euro from their personal funds into the business in order to develop E-commerce platform for the shop. This supplemental financing is used build the website, purchase equipment and cover the expense for the payment and delivery service. The products that consumers can purchase through the web store include: the coffee and tea packs, subscription box, corporate pack and gift set. Our goal is not only bringing the best coffee and tea straight to consumer doorstep or workplace, but also providing a healthy alternative taste of beverage. The web store expects to run in the beginning of April and bring more than 25,000 Euro grow margin.

On the other hand, the proposal also includes Papu Café's sales forecast in the following 3 years. The author projected the net profit in 2017 will increase 40% compare to last year with the addition profit of the web store, while the next 2 years the net profit percent would 10% each year. With all of our passion and experience for coffee, the management believed that Papu Cafe becomes the environment, where people with different backgrounds but have the interests for high quality together in a common forum.

The data in the business plan is collected by the author observation and experiences as one member of the management team and the first business plan of Papu Cafe made in 2015.

3.2 Business Description

3.2.1 General information

Company name: Helsinki Watcha Oy

Business name: Papu Cafe

Business ID: 2713567-7

Business premise: Mariankatu 24 C 18, 00170 Helsinki Finland

Business type: Cafeteria

Year of establishment: 12/2015

Website: www.papucafe.fi

Person in contact: Mr. Olli Keränen (0405769593)

Our story

Finland is listed among the heaviest coffee consumers in the world, Finns are enjoying their coffee without compromise, and thus coffee has certainly become an irreplaceable element of the Finnish lifestyle. During the last decade, the new market segment has appeared in coffee industry: specialty coffee. This is a big revolution in quality and concept of “single served coffee cup, instead of bulk coffee”. The core value of this market segment is to serve the good, high quality of coffee at a reasonable price.

The business idea started with the purpose of providing customers with prestigious coffee experience from bean to cup. The enjoyment of coffee itself, care of sustainability and appreciation of quality product from Finland are the solid foundation for our coffee solution. Here in Papu Cafe, the coffee is made after consumers choose their favorite bean and method from the counter. Papu is the place where the classic coffee culture stays and generates the new trends. Each cup of coffee is fresh-made by order with a transparent making process. At Papu - where quality and culture make the coffee.

Besides, Papu Cafe has developed also a new sub-segment of Vietnamese signature food and beverage. The company uses the fresh ingredients from the trustable suppliers to prepare a unique experience for Finnish consumers. Papu Cafe identified us as vegan-friendly coffee shop by which the standard menu items are included vegan alternatives.

During one year of launching, Papu Cafe has received more success than expected with the huge support from media and our dear customers. The management team

proudly announced that compare to the business plan, which is made in the beginning of the business, the outcome of the business is profitable and the total sale, in reality, is significantly higher than predicted. In the next year, our goal is ensuring Papu Cafe as one of the leading coffee shops in Kruunuhaka.

Mission Statement: Generating happiness and holistic sense to individuals over quality coffee creation.

Values: pay strong attention to sustainable coffee production, operational transparency, individual care and multicultural environment.

- Sustainable Coffee Production:

Coffee as an agricultural product shall be well produced and managed. The shop uses the coffee beans with sustainable and Fair-trade certification. This will ensure the quality of our materials, at the same time to secure growers' benefit and our environment.

- Operational Transparency:

When making the coffee, the baristas would like to show the operations to our customers. To do so, customers will be able to get a clear picture what happened to their orders, and how the firm keeps our house promises of a high-level coffee experience.

- Individual Care:

At Papu, individual is the unit of our care. We appreciate and respect differences and diversity from each customer. Each order is made in house for the customer and each customer's feedback matters.

- Multicultural environment:

Papu cafe located in Kruunuhaka area; where the history of Helsinki stays. As a result, our company not only cares about the consumer satisfaction but also the indoor and outdoors environment matched together. Our target is providing best coffee for local residents and tourists, at the same time introducing the Kruunuhaka history and culture.

Vision: Papu Cafe vision is to become a local coffee shop for making the best fresh food and beverage in Kruunuhaka.

More and more people are interested in the quality of the coffee and where the bean comes from. Papu Cafe offers high quality of food and beverage, made from the best ingredients from as locally as possible with the affordable price.

3.2.2 Location and Facilities

Papu Cafe located at Mariankatu Street, a part of Kruununhaka area, Helsinki. The premise has 58 meter-square divided into 2 different rooms, 1 kitchen, and 1 toilet. It contains maximum space for 20 seats and another 8 seats for the summertime.

3.2.3 SWOT analysis

<u>Strengths</u>	<u>Weakness</u>
<p>First specialty coffee shop in Kruununhaka</p> <p>High-quality beverage, fresh-made, organic and vegan-friendly food</p> <p>Unique Vietnamese coffee and food experience</p>	<p>Price competitive</p> <p>New service and product needs time to accept</p> <p>Limited Finnish language as two founders are also foreigners</p>
<u>Opportunities</u>	<u>Threats</u>
<p>Increase in specialty coffee demand in Finland and in different consumer segments</p> <p>Less direct competitor in specialty segment in the local area</p>	<p>Direct competitors (coffee shop, teashop nearby)</p> <p>Indirect big competitors (coffee franchise: Starbucks, Robert's Coffee...)</p>

3.2.4. Market Position

After one year of launching, Papu Cafe received significant success with the stable income and fixed amount of consumers as the first specialty coffee shop in this local. During this operation period, the management team managed to maintain the quality of the product, and finally be accepted as one of the leading coffee shops in term of delicious coffee and beverage in the Kruununhaka local. In 2016, Papu marked itself as a beginner and active learner in many of activities in the specialty coffee industry. On the other hand, according to Hufvudstadsbladet Newspaper, Papu Cafe is considered as the first authentic Vietnamese coffee shop in Helsinki.

With this success in the local market, the management team has the motivation for the bigger growth plan of the Papu Cafe in 2017. There are two main focuses in the next one-year period for the Papu Cafe, which are increasing the in-store purchase volume and developing the e-commerce channel for the venture. Our target is making Papu web store become one of the leading beverage retailers in Finland.

3.3 Product and Service

Papu offers a carefully selected range of coffee, tea, sweets, and sandwiches. 100% of our coffee beans are roasted in Finland under the corporation with the leading Finnish experts, while tea and other food ingredients are organic origin and fresh and deliver daily. Besides, the firm puts much effort on product development and the new products will be introduced in the near future.

3.3.1 The Coffee

The quality of the bean is the priority requirement of the management team when choosing its coffee supplier. We believed that the coffee, which is roasted in the local, maintains its best quality. After carefully market research, the firm chooses coffee bean from small independent roasters in Finland. As the cooperation tightly between coffee roaster and coffee shop leads to the increasing of coffee quality and knowledge.

In coffee shop, there are different types of beans from the light to dark roasted, which are produced by different roasters in Finland. These beans are imported from many developing countries such as Kenya, Ethiopia, and Colombia... and roasted directly in Finland. With many variety methods of making coffee known as Aeropress, Chemex, Siphon and pour over, consumers can choose types of bean and method to make it freshly on the counter.

Besides, Papu Cafe also provides consumers a unique chance to experience Vietnamese coffee. Vietnamese coffee is traditional ground coffee to be brewed in “Phin” filter – which used the dripping method to have the coffee. The coffee is served with the condensed milk in order to have the strong taste of coffee and sweetness of the milk at the same time. Vietnamese coffee is considered as one of the signature drink of Papu Cafe.

3.3.2 Tea and Other Beverages

The tea is sourced from the trustworthy local suppliers, located in Helsinki. Papu Cafe introduces variety types of classic and flavor tea choices and serves at its best quality. The quality of the tea is secured by the exactly time management and temperature of water.

Papu team puts lots of efforts into product development in both existing product improvement and new product development processes. We want to ensure that

consumer can experience the high quality and trendy products while at Papu. As a result, the shop has introduced the new and non-coffee of beverage collection includes milk tea, chai latte, green tea latte, and rooibos latte... These drinks are made from fresh, organic ingredients with Papu's own recipe.

3.3.3 The Food

There is a small bakery in the coffee shop. The bread and desserts are baked directly in the shop with Papu's own recipe. All the ingredients used in the shop are imported from well-known suppliers and delivered daily. At the moment, Papu also has many lunch options include: salads, sandwich, and soup with the menu changing every day. In the near future, the team is trying to introduce more Vietnamese Cuisine to Finnish customers with the unique and distinctive flavors.

3.3.4 Papu Gallery

Papu Cafe believed that the environment of the coffee shop is also one of the core product and services of a coffee shop. At Papu, we identified ourselves as gallery coffee shop, where consumers can enjoy their drinks at the corner of art atmosphere. The team worked with the local Kruununhaka, artists and created the Papu Gallery community, where the artists can have the exhibitions in Papu. All the walls in Papu are changed monthly and decorated by their artworks, with the hope that Papu Cafe becomes a place where the cultural and spirit of Kruununhaka stays.

3.4 Market analysis

3.4.1 Customer Profile

Management team believed that coffee shop customer profile is created by socio-geography. Thanks to these factors, entrepreneurs can identify their market segment, define the potential consumer and set the suitable price with their products.

Papu Cafe located in Vironniemu District, which is considered as the financial and cultural center of Helsinki and of course Finland. It became the Headquarter of Helsinki since 1640 when the government moved Helsinki from Vanhakaupunki to Vironniemei (City of Helsinki Urban Facts, 2014, p. 30). Nowadays, Vironniemu District includes Kruununhaka, Kluuvi, and Katajannokka blocks. Kluuvi is well known as the commercial central of Helsinki, while the harbor Katjannokka is visited by thousands of tourist every year. While on the other hand, Kruununhaka is the home

of many Finnish national spiritual heritages: the Lutheran Cathedral Church, the Senate Square, the Government Palace and the University of Helsinki etc.

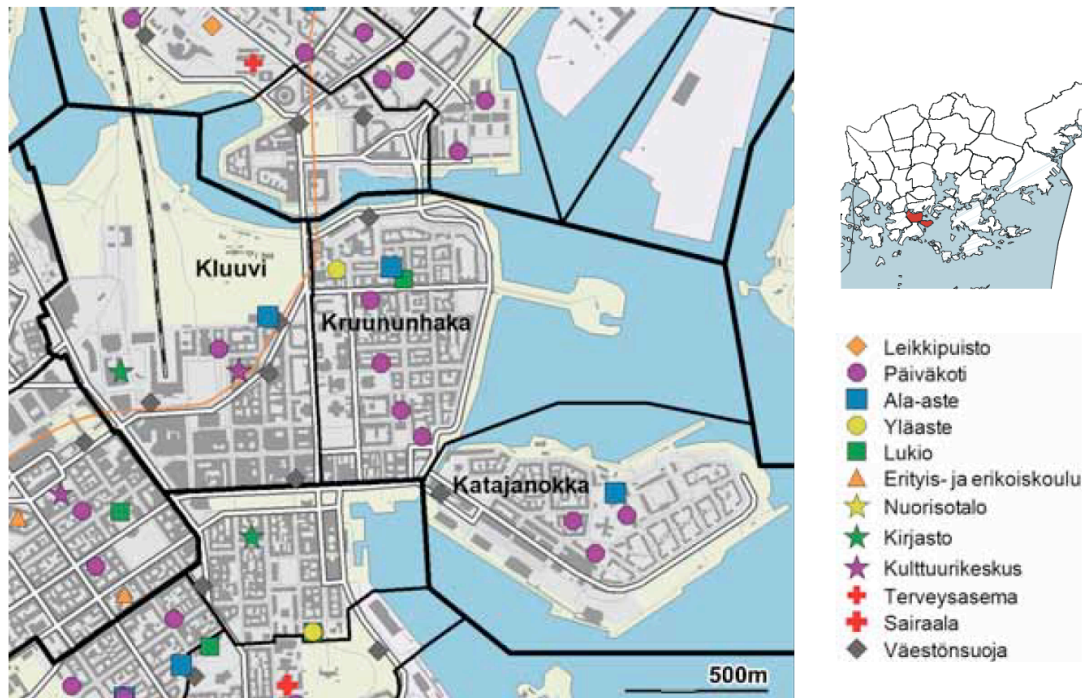


Figure 2 Map of Kruununuhaka (Source: City of Helsinki Urban Facts, 2014)

According to the study named made by students from Aalto University in 2015; Kruununuhaka block has 6182 inhabitants, and 60% of them between the ages of 25 to 64 years old (Anttila, Korpela, Lammi, Pääkkönen, & Tani, 2015, p. 10). Besides, it also listed as the high-income area with the average more than 33507 euro per year (City of Helsinki Urban Facts, 2014, p. 31). These factors made Kruununuhaka stays in the eighth place when it comes to the Attractiveness between the Districts in Helsinki in term of Financial and Educational Status of the Residents. (Anttila, Korpela, Lammi, Pääkkönen, & Tani, 2015, p. 10) Thanks to these geographical and socioeconomic factors in this area, the management team identifies different groups of existing consumer that includes:

- **Local residents:** who have a stable income, look for the relax environment to meet friends and enjoy the high quality of food and beverage. This group of consumer accounts for 35% Papu's sales in the last one year.
- **Office workers:** As the coffee shop located in the center area with lots of offices, this group of consumer plays an important role in the marketing strategy of Papu, especially when they looking for some cozy cafeteria to enjoy the lunch and coffee break.

- **Students:** with the aged from 16 to 24, mostly come from the University of Helsinki and Sibelius-lukio High School. This group of consumer is considered as the early adapters, who open to try the new drinks and cultures.
- **Tourists:** this is the potential group of consumers as their purchase behavior is spending more on food and beverage. As a tourist always wants to taste the local food from the region they are visiting. As a result, they often visit the local branded coffee shop.

On the other hand, E-commerce offers a chance for the firms to expand their market from the local to national level. Target consumer profile of Papu web store includes consumers who interested in purchasing high quality of coffee, tea and other beverage in Europe. Thanks to the connection with more than 15 roasters in Finland, Papu Cafe ensures our consumers can experience the freshly roasted coffee in the most convenient way.

3.4.2 Market Opportunity

At the moment, there are only a few competitors within this coffee shop segment in the local market. Papu as the first specialty coffee shop in this region has a successful first year and our products received positive reviews from the local customers. In the next coming year, our company plans to increase our presence not only in the local market but also expand into the nation level. Thanks to the development of information technology, consumers nowadays have significant knowledge about coffee and specialty coffee. As a pioneer in the coffee industry, the firm wants to cover not only consumers' coffee in store but provide the coffee they drink daily. This provides a chance for the specialty coffee shop to grow, at the same time face the strong competitiveness between other coffee shops, as they are investing more in the quality of the coffee and products.

The E-commerce entrepreneurs listed the niche products that going to sell well online in 2016 includes Specialty coffee, Matcha and Detox tea... These products have their specific target consumer group online and the task of the sellers is reaching that group and building their own place where people share interest on these products. (Teneva, 2016) Thanks to the foundation as a specialty coffee, Papu already have an amount of returned customer who interested in these niche products. The management team also has the same idea about building a community where people in love of having the high quality of these special products can interact, share information and purchase

these products easily. Moreover, consumer behavior nowadays in purchasing products has changed; they expect to buy their favorite products anytime from anywhere and with any device. As a result, E-commerce seems to be the future direction for specialty coffee and Papu Cafe at the same time.

3.4.3 Direct Competitors

There are many different coffee shops in Kruununhaka area and what make Papu Cafe apart from them are products themselves. The management team believes that the quality the product is the one that keeps consumers come back. The shop continuously introduces the new and healthy product to the Finnish consumer such as sessional coffee, special tea, match drink and beverage, Vietnamese drink and cuisine. The direct competitors of Papu Cafe include: some coffee shops nearby and other specialty web store.

Cáfe Daja

Address: Mariankatu 13B, 00170 Helsinki

Website: <http://www.cafedaja.fi>

Located in the same street and short distance from Papu Cafe, Daja is considered as the main competitors of Papu. This coffee shop is established in 2015 by two Germans with the goal of providing good coffee and pastries from Germany. The coffee shop provides a variety of food and drinks in the relaxing spaces. Their biggest strength is their location convenience and reasonable prices. Their webpage is designed with three different languages Finnish, English and German, which provides a comfort zone for consumer to interact. However, Café Daja lacks social media promotion and interaction with customers, as their Facebook page is used as a tool to update weekly menu.

Espresso Edge

Address: Liisankatu 29. 00170 Helsinki

Website: <http://espressoedge.fi>

Established in 1999, Espresso Edge is not only an antic coffee shop in Liisankatu but also becomes one of the culture symbols in Kruununhaka region. The coffee shop is famous for their homemade food and cakes. With the reputation built many years, Espresso Edge definitely is a strong competitor of the coffee shops nearby. On the other hand, the coffee shop also meets some problem in term of the social media. For example, they only received more than 850 Likes on Facebook page and their latest

post is on Christmas. This is considered as poor performance on social media compare with their reputation in Food and Drink industry.

Slurp

Webpage: <https://www.slurp.coffee>

Papu team considered Slurp as one of our future competitors. Slurp is a coffee subscription service launch in 2014 that helps to bring coffee from small roasters to consumers. The firm focuses on increasing their preference on the specialty industry and becomes one of the online Specialty Coffee retailers around Europe.

However, Slurp only focuses on developing the variety of their coffee menu but not the type of the product. Their website did provide the tea menu but there is not any product there yet, consumer do not have the wide selection of alternative drinks besides coffee.

3.5 Marketing plan

During the first year launching, the majority of our marketing activities are focusing on traditional marketing and especially on the local market. Since the target customers are the surrounding Kruunuhaka offices workers and residents, the coffee shop has coordinated first with the local newspaper in order to increase the presence of our coffee shop and promote our stories. Besides, Papu also worked with Helsinki Sanomat and Hufvudstadsbladet to promote the unique points and characteristics of our products and our coffee shop to customers. The shop has received so much attention about our coffee journey. As a result, in the next following year, the management team focuses on developing the social media marketing activities along side with traditional media.

3.5.1 Traditional marketing

Local Kruunuhaka always is our first and priority consumer-based, as a result, in the next coming year, the firm has the plan to continue coordinate with the local magazine. Thanks to the positive effects of last year, the team will share more interesting stories in our coffee cultures, adventures, challenging and updating our new product with the local customer. Besides, the opening and promotion of the Web Store is going to introduce on the Finnish magazines, newspaper with special offers and stories.

On the other hand, the coffee shop is going to participate and sponsor the coffee events, competitions in the specialty coffee industry, for examples, Helsinki Coffee Festival, Specialty Coffee Association... This is a great chance to promote ourselves, interact directly with different suppliers and consumers, increase the knowledge of coffee, update the new coffee trend and share the coffee culture with all of the coffee lovers. The team also prepares special events to introduce our new products, Web Store. In the opening events, the influencers and bloggers in Food and Drink industry, journalists are invited to experience the new product in order to have the professional review and promotion on their blogs. Besides, several samples and brochures are delivered in the city centre and tourist attractions nearby in the Web Store promotion period.

3.5.2 Online Marketing

- ***Social media marketing***

The firm has plans to invest more effort on social media marketing especially on Facebook and Instagram. As social media channel not only provides information about the products, discount programs but also a place to interact with consumers.

In the following period, the shop is going to put more focuses on increasing the numbers of Follower on Instagram and Likes on Facebook by buying the Instagram and Facebook Ad. Cause these advertisements help us to target our potential customers. Besides, the project “Papu Story” will be launch in May and target the loyal customer of Papu Cafe. This project is the interview and story telling of the customers, who enjoy their drink at Papu Cafe.

- ***Content marketing & video marketing***

Papu team also wanted to make our marketing channels become the source of fun and interesting information for our subscribers. Our posts can be the articles or video shows how to make good coffee at home, introduce the specialty coffee or how to make the Vietnamese culture.

- ***Email marketing***

The newsletter and email are designed and sent weekly, monthly, and in some special occasions during the year. This method helps the firm to update the latest news for example new product or special offer, discount, or events to the consumers and convince them comeback.

3.6 Financial History of the first year

3.6.1 Financial Data

The following data includes the balance sheet, sale projection, income statement and cash flow sheets of Papu Cafe from December 2015 to the ending of December 2016. This is also the first accounting period of the shop, which provides the information for the management team to monitor the present performance and problems of the coffee shop.

Table 1 Balance Sheet of Papu Cafe in 2016

	2016
Current Assets	
Cash	43796
Accounts Receivable	0
Inventory	3500
Other Short-term Assets	1200
Total Current Assets	48496
Long-term Assets	
Equipment	13000
Accumulated Depreciation	3250
Total long-term Assets	16250
Total Assets	64746
Liabilities and Equity	
Current Liabilities	
Account Payable	0
Short-term Loans	0
Other Liabilities	0
Total Liabilities	0
Owners' Equity	
Capital Input	60000

Retained Earnings	4746
Total Owners' Equity	64746
Total Liabilities and Equity	64746

Table 2 Monthly Sale Projection of Papu Cafe in 2016

		Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Sales units						
Coffee		235	378	467	534	658
Tea		145	226	256	289	349
Other beverage		53	63	78	104	173
Food		137	189	199	234	278
Desserts		120	234	154	178	183
Lunch		40	53	77	109	138
Sales						
Coffee	3,9	916,5	1474,2	1821,3	2082,6	2566,2
Tea	3,9	565,5	881,4	998,4	1127,1	1361,1
Other beverage	4,8	254,4	302,4	374,4	499,2	830,4
Food	4,5	616,5	850,5	895,5	1053	1251
Desserts	4,5	540	1053	693	801	823,5
Lunch	8,5	340	450,5	654,5	926,5	1173
Total Sales		3232,9	5012	5437,1	6489,4	8005,2
Cost of Sales						
Coffee	1,58	371,3	597,24	737,86	843,72	1039,64
Tea	1,02	147,9	230,52	261,12	294,78	355,98
Other beverage	2,67	141,51	168,21	208,26	277,68	461,91
Food	1,34	183,58	253,26	266,66	313,56	372,52
Desserts	1,98	237,6	463,32	304,92	352,44	362,34
Lunch	3,45	138	182,85	265,65	376,05	476,1
Total Cost of Sales		1219,89	1895,4	2044,47	2458,23	3068,49

Grow Margin		2013,01	3116,6	3392,63	4031,17	4936,71
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May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
532	539	542	621	630	604	645	675
198	186	214	355	365	387	396	445
97	89	93	110	126	175	188	237
178	188	180	285	249	268	259	275
89	93	97	184	195	194	189	173
59	64	54	98	133	125	133	153
2074,8	2102,1	2113,8	2421,9	2457	2355,6	2515,5	2632,5
772,2	725,4	834,6	1384,5	1423,5	1509,3	1544,4	1735,5
465,6	427,2	446,4	528	604,8	840	902,4	1137,6
801	846	810	1282,5	1120,5	1206	1165,5	1237,5
400,5	418,5	436,5	828	877,5	873	850,5	778,5
501,5	544	459	833	1130,5	1062,5	1130,5	1300,5
5015,6	5063,2	5100,3	7277,9	7613,8	7846,4	8108,8	8822,1
840,56	851,62	856,36	981,18	995,4	954,32	1019,1	1066,5
201,96	189,72	218,28	362,1	372,3	394,74	403,92	453,9
258,99	237,63	248,31	293,7	336,42	467,25	501,96	632,79
238,52	251,92	241,2	381,9	333,66	359,12	347,06	368,5
176,22	184,14	192,06	364,32	386,1	384,12	374,22	342,54
203,55	220,8	186,3	338,1	458,85	431,25	458,85	527,85
1919,8	1935,83	1942,51	2721,3	2882,73	2990,8	3105,11	3392,08
3095,8	3127,37	3157,79	4556,6	4731,07	4855,6	5003,69	5430,02

Table 3 Income Statements of Papu Cafe 2016

Period Ending

Year 1 December 2016

Sales

83024,7

Cost of Sales

31576,64

Gross Margin	51448,06
Gross Margin (%)	62
Operating Expense	
Salaries	15600
Benefits and Employer Deductions	1800
Rent	15600
Common Expense	500
Taxes	5160
Cash machine	440
Repair and Maintenance Equipment	0
Cleaning Supplies	150
Hygiene Licenses	110
Legal and Accounting Fees	1650
Bank Fees	720
Advertising	100
Depreciation	2500
Insurance	400
Water and Electricity	1200
Total Operating Expenses	45930
Profit before Tax	5518,06
Taxes Incurred (14%)	772,53
Profit after Tax	4745,53

3.5.2. Data analysis

In the first year, Papu Cafe received more than 50000 Euro profit from the sales. This is considered as the positive signal of a new venture and matches the past calculation of the management team. The main products, which are coffee and tea account for 61% of the total sales, while there is 13% of the sales belongs to the lunch items.

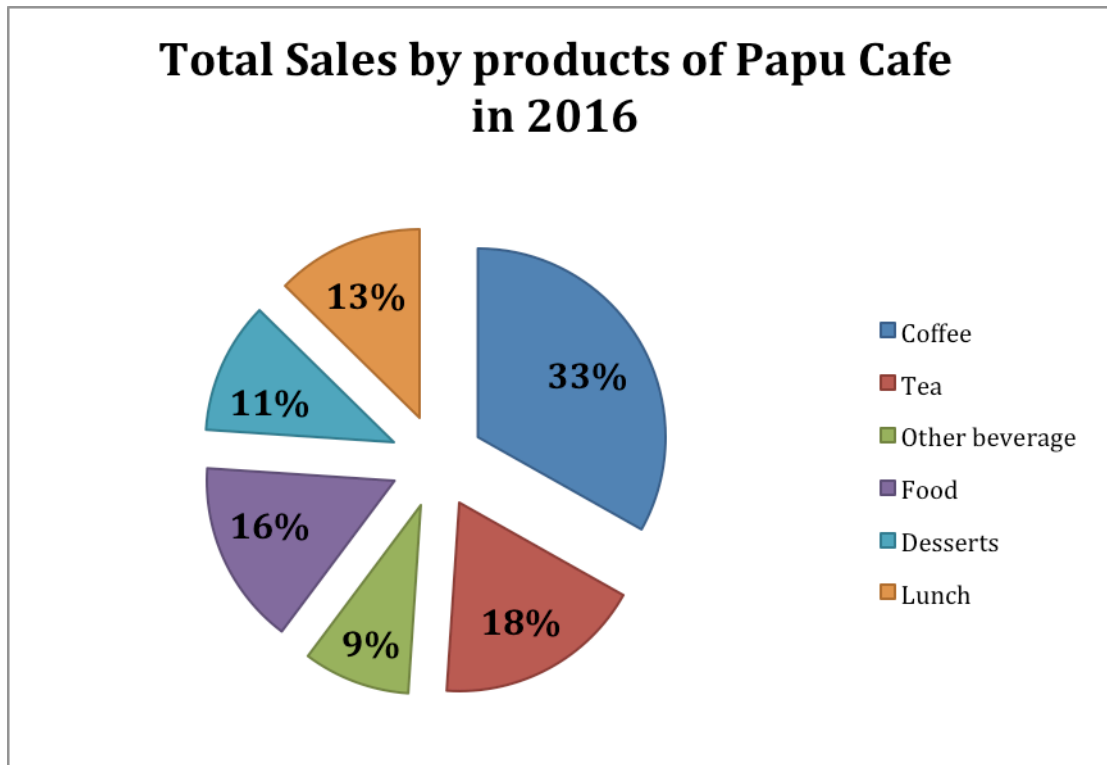


Figure 3 Total Sales by products of Papu Cafe in 2016

- ***Decreased of sale in summer period***

Papu Cafe total sales received steadily decreased in summer period from May till July. The total sales in this period is about five thousand euro per month, nearly 30% decreased compare to the average sales of the other months.

There is a fact that 80% of the sales relied on office workers, students, and local residents. From the beginning of May, students began their summer holiday and so are the office workers. Besides, according to our survey, the residents and office workers in Kruunuhaka area often spend one-month travel to another country or in their summer cottage house. These factors lead to the decrease in the revenue of the coffee shop.

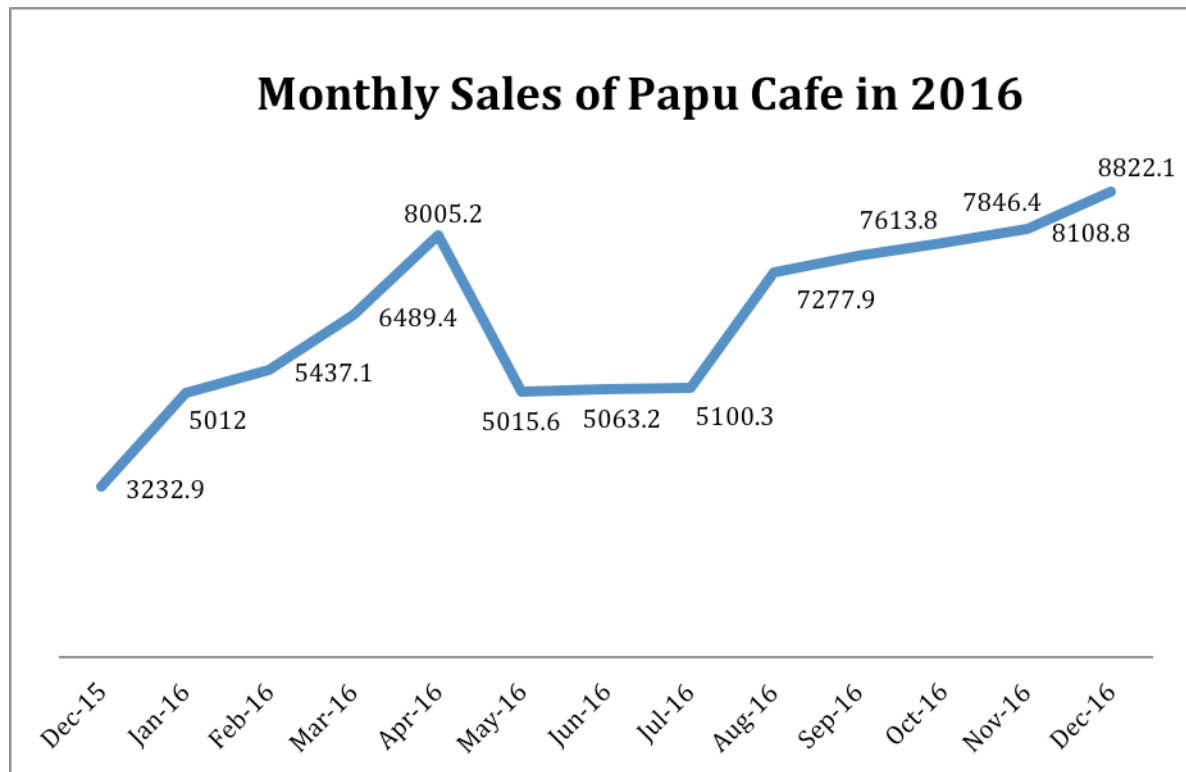


Figure 4 Monthly sales of Papu Cafe in 2016

Solution: There is a fact that summer is not the season for the local consumers; as a result, the firm has a plan to put our attention into the tourist group. Thanks to the geography advantages, Kruunuhaka located near many tourist attractions, it is easy and convenient for the tourist to visit our coffee shop. Besides, the team also starts to introduce the coffee shop in Helsinki and international travel webpages and blogs such as Visithelsinki, Tripadvisor, Heleat.fi and eat.fi... The coffee shop also prepared the outdoors terrace so that consumer can enjoy the beautiful view and weather in the summer time.

- ***Low numbers of lunch menu sales***

The lunch menu item is received a low number of sale with the average 3,4 units are sold per day. Although the volume increased steadily towards the time, the sale still considered as bad performance in the year-end period. As office workers are one of our main target consumers, they did come to buy coffee but not lunch. The team made the research about this problem and realized that one of the reasons is lacking the variety choice of lunch products and competitiveness of restaurant nearby. At the moment, the lunch menu of Papu Cafe only has the Soup of the Day and Salad. This limited of choice is one of the main reasons low numbers of lunch are sold. Besides,

the competitiveness of lunch hour is pretty high in the local area, as the surrounding of the coffee is many restaurant and coffee shop such as Korean House, which is located opposite the coffee shop, Daja Café...

Solution: One of the important tasks for the next period of the management team belongs to the diversification of product. The team is focusing on research and development new menu, especially with the unique lunch menu, with the Vietnamese Cuisine but at the same time fit the Finnish taste. This also one of the competitiveness of the coffee shop as there is not any restaurant offers Vietnamese food in this area. On the other hand, the coffee is joining food application on the mobile phone, which are Foodora and Wolt – the mobile application for food delivery to consumer doorstep, ResQ – selling the left over food with the cheap price. These applications not only help us to increase the sale but also become the effective marketing tool in order to promote the coffee shop to potential consumers.

3.7. Preparation plan for Web Store

3.7.1 Products

In the next coming year, e-commerce is considered as the main direction for Papu Cafe. Finland is the home of many excellent roasters but it is not easy to acquire their coffee, as a result, the founders want to build a place where consumers can purchase specialty coffee and high quality of tea or other beverage easily. Our goal is not only bringing the best coffee and tea straight to consumer doorstep or workplace, but also providing a healthy alternative taste of beverage. Papu team believed that consumer deserves a chance to enjoy their favorite beverage in a healthy and convenient way. Here is our product description:

- **Subscription box**

In the recent years, one of the megatrends of products is subscription box that delivered directly to consumer's house. Papu team has an idea that beverage could be a part of this potential segment. The shop offers monthly subscription boxes with different types of high-quality coffee and tea from small roasters that consumer cannot purchase in the stores. Besides, the subscription-box includes the beverage and mix of snack changed with specialized topics.

- **Coffee or tea pack**

The pack contains high quality of coffee or tea options, which consumers could directly customize the product through the website. The coffee or tea pack is the perfect choice for consumers who interested the specialty coffee movement as well as a gift for their families and friends. This pack is directly shipped all over the world as the mail pack to consumer's door, as a result cost saving and more convenient for consumers.

- **Corporate pack (Business to Business)**

Papu offers different products in order to target the corporate market as this segment contains huge potential. In the last one year, the coffee shop has been organized different events for offices within Kruununhaka area, the team realized that the corporate segment also interested in specialty coffee and tea products. With this corporate package, office workers always enjoy the delicious and freshly roasted coffee and tea within their office.

3.7.2 Logistics

- ***Delivery***

Delivery is the key factor in customer service that helps the firm to fulfill their customers' needs. The main issues when it comes to delivering the product in E-business are cost and delivery time. As a result, the main delivery method Papu going to use for our Web Store are postal and courier services, and van delivery due to the fact that Finland is our first market. The postal delivery method is the suitable method for our products in term of the sizes and distance. There are many companies offers these service in Finland such as Posti, Matkahuolto, UPS, FedEx... Posti can deliver our coffee and tea mail to consumers directly to their mailbox; this is the convenience and cost efficiency method for our firm and also consumers. While the subscription box requires being delivered by courier services and the van service can be used with the large orders from corporate consumers.

- ***Warehousing***

The warehousing activity is also one of the important parts of logistics. As our mission is delivering the freshest coffee to consumers' house, the shop does not stock too much coffee, while the coffee and tea mainly ordered from Finland, Denmark, and another Europe countries. As a result, the current 10 meter-square Warehouse in the shop still could afford the Web Store activities.

3.7.3 Payment method

Security is one of biggest the challenges when it comes to E-business, especially with the payment methods. The E-commerce payment requires optimizing and the transactions and risks between the buyers and sellers. As the growing of different situations between the buyers and sellers, the numbers of payment methods is increasing as well offer many innovative methods. (Lupu, Mual, & Stiphout, 2016)

There are numberless payment methods with different contexts such as pay in advance, pay afterwards, payment after delivery or payment on delivery. Papu Cafe wants to have the most efficiency as well as secured method of payments for both consumer and our company.

Papu chooses Paytrail – a Finnish service company, which provides all the payment options for E-commerce with the ePayment to all Finnish banks, the credit and debit card payment and invoice service. This customized service helps the firm to save time and money than contact the banks directly. Paytrail includes the payment methods from the Nordea, OP-Pohjola, Danske Bank, Säästöpankki, Oma Säästöpankki, POP Pankki, Aktia, Handelsbanken, Ålandsbanken, S-Pankki...

Pricing of the payment service exclusive of 24% VAT:

- Monthly fee 59e
- Transaction fee for banks 0,35e per transaction (except Nodrea 0,50e per transaction)
- Transaction fee for cards 0,35e per transaction + 2%
- Invoice service 0,35e per transaction + 2%

3.7.4 Financial plan

Budget for Web Store:

The broad members plan to invest more 15000 Euro from their own fund to the capital of the company. This additional fund is used to build the Website, packaging equipment, the cost for payment, and delivery service...

Table 4 Uses of Fund for Web Store

Website manufacturing	4000
Website yearly cost	500
Packaging Equipment	2500
Printer	500

Delivery Service	4000
Payment fee	800
Inventory	2700
Total cost	15000

The author assumed that Web Store is going to launch from April and the average amount of monthly are 100 orders for Coffee bags, 87 orders for Tea bags, 53 orders for Subscription box, 42 orders Corporate packs and 73 orders for Gift set. The number of orders increases 60% in the following 2 years.

Table 5 Sales Forecast of the Web Store in 3 years

Sales units		2017	2018	2019
Coffee		983	1573	2516
Tea		788	1261	2017
Subscription box		478	765	1224
Corporate pack		385	616	986
Gift set		662	1059	1695
Sales	Price			
Coffee	6	5898	9437	15099
Tea	8	6304	10086	16138
Subscription box	20	9560	15296	24474
Corporate pack	40	15400	24640	39424
Gift set	20	13240	21184	33894
Total Sales		50400	80640	129024
Cost of Sales	Cost per unit			
Coffee	2,84	2792	4467	7147
Tea	3,2	2522	4035	6455
Subscription box	11,4	5449	8719	13950
Corporate pack	15,4	5929	9486	15178
Gift set	9,8	6488	10380	16608

Total Cost of Sales	23180	37088	59341
Grow Margin	27220	43552	69683

3.8 Management and operation

3.8.1 Management team

Papu team includes a group of young dedicated people with the huge passion for coffee. The team has different background and variety expertise in entrepreneurial projects as well as food industry. All of the members have education background and working experience in International Business, Marketing, Finance, E-commerce and Sustainable Development. As mentioned before having a co-founder is Finnish helps the firm to provide insight and efficient communication with our communication in Finland. Our competencies on International Business, Marketing and e-commerce allow us to bring our products and service to the customers in faster and more sufficient and innovative way. The team is passionate about providing our customers great products and ultimate experience, not only a better alternative for coffee and tea.

Nha Truc (Founder – CEO)

Nha Truc is the CEO and one of the Founders of Papu Cafe. She has experience in E-commerce and Distribution and worked in Restaurant Entrepreneurial since 2013. She wants to use her expertise to provide the high-quality products, contents to consumers, as they deserve a chance to enjoy the taste of authentic coffee.

Ngoc Hoang (Founder – CFO)

Ngoc is the Head of Marketing and Co-Founder of Papu Cafe. Ngoc has an extensive International Business and Marketing background. Strong sense of business analytic skill, more than 5 years B2B and B2C marketing experience and passion for coffee are constantly made her became one of the active players in our team.

Olli Keränen (Founder – Head of Sales & Communication)

Olli is the only Finnish member in the Founder Team and the Head of Sales & Communication. With the Restaurant Entrepreneurship background, Olli has extensive experience in the Food and Drink Industry. Through Papu Cafe, he wants to provide not only the super high-quality coffee to customers but also the value of truly healthy alternative drink.

3.8.2 Operations Plan

- *Personnel Plan*

Besides the core staffs of our coffee shop are 3 members of Co-Founder team, the firm is planning to hire 1 web designer fulltime for a one-month project to build up the web store project and part-time in charge of the monthly maintenance of the website. On the other hand, the part-time workers are hired in the busy hours for examples the lunch hours from 11 am to 2 pm from the beginning of April. Since the web store project begins, more tasks need to be done by the management team.

- *Implementation Schedule*

The management team had a meeting with the designer and agreed on the salary and cost of the website. He needs a month in order to finish it start from March. All the preparation activities are launch from the beginning of January to the end of March. After that, the firm has two weeks testing in order to make sure that the logistic working smoothly.

The website will launch in 31st of April and there is a Grand Opening Event on the 1st May. During this event, the shop also plans to introduce the new products and lunch menu to our customers.

3.9 Financial Plan

3.9.1 Sales Projection

The financial plan of Papu Cafe is broken down from the 2 main revenue streams. They are the coffee shop and the web store. The following table represents the Sales Projection of Papu Cafe in a 4-year period of time (from 2016 to 2019). The author assumed that the growth rate of the total sale in 2017 is 40% and 10% the following years.

Table 6 Sales Projection of Papu Cafe 2016-2019

Period Ending	2016	2017	2018	2019
Sales in store	83025	117600	129600	141600
Cost of Sales in store	31576,6	44688	49248	53808
Web Store Sales	0	50400	80640	129024
Web Store Cost	0	23180	37088	59341

Total Sales	83025	168000	210240	270624
Total Cost of Sales	31576,6	67868	86336	113149
Gross Margin	51448,1	100132	123904	157475
Gross Margin (%)		40	10	10
Operating Expense				
Salaries	15600	38200	38200	38200
Benefits and Employer				
Deductions	1800	3600	3600	3600
Rent	15600	15600	15600	15600
Common Expense	500	500	500	500
Taxes	5160	6000	7200	8400
Cash machine	440	440	440	440
Repair and Maintenance				
Equipment	0	500	500	500
Cleaning Supplies	150	150	150	150
Hygiene Licenses	110	0	0	0
Legal and Accounting Fees	1650	1800	1800	1800
Bank Fees	720	720	720	720
Advertising	100	1000	1000	1000
Depreciation	2500	2500	2500	2500
Insurance	400	400	400	400
Water and Electricity	1200	1200	1200	1200
Payment Service	0	700	700	700
Webpage Service	0	300	300	300
Delivery Service	0	3000	3000	3000
Total Operating Expenses	45930	76610	73810	75010
Profit before Tax	5518,06	23522	50094	82465
Taxes Incurred (14%)	773	3293	7013	11545
Profit after Tax	4746	20229	43081	70920

3.9.2 Balanced Sheet

The following table introduces the balanced sheet of Papu Cafe from 2016 to 2019

Table 7 Balanced Sheet of Papu Cafe 2016-2019

	2016	2017	2018	2019
Current Assets				
Cash	43796	80279	107131	138970
Accounts Receivable	0	0	0	0
Inventory	3500	5000	5000	5000
Other Short-term Assets	1200	1200	1200	1200
Total Current Assets	48496	86479	113331	145170
Long-term Assets				
Equipment	13000	16000	16000	16000
Accumulated Depreciation	3250	7250	11250	15250
Total long term Assets	16250	8750	4750	750
Total Assets	64746	95229	118081	145920
Liabilities and Equity				
Current Liabilities				
Account Payable	0	0	0	0
Short-term Loans	0	0	0	0
Other Liabilities	0	0	0	0
Total Liabilities	0	0	0	0
Owners' Equity				
Capital Input	60000	75000	75000	75000
Retained Earnings	4746	20229	43081	70920
Total Owners' Equity	64746	95229	118081	145920
Total Liabilities and Equity	64746	95229	118081	145920

3.9.3 Cash Flow

In the projected cash flow statement below, the subtotal cash receive is the cash from the sale of the shop and the web store. The bill payment is calculated by taking the Operating Expenses of each year (except the depreciation) and the non-inventory cost of sales, then times the payment delay (in days).

Table 8 Cash Flow of Papu Cafe 2016-2019

	2016	2017	2018	2019
Cash Received				
Cash from Operations				
Cash Sales	83025	168000	210240	270624
Subtotal Cash From Operations	83025	168000	210240	270624
Additional Cash Inflows				
Sales Tax, VAT, HST/ GST				
Received	0	0	0	0
New Current Borrowing	0	0	0	0
New Other Liabilities	0	0	0	0
Sales of Other Current Assets	0	0	0	0
Sales of Long-term Assets	0	0	0	0
New Investment Received	0	0	0	0
Subtotal Cash Inflows	83025	168000	210240	270624
Expenditures				
Expenditures from Operations				
Cash Spending	10729	16117	28008	70335
Bill Payments	58500	115400	155380	168450
Subtotal Spent on Operations	69229	131517	183388	238785
Additional Cash Outflows				
Sales Tax, VAT, HST/GST Paid				
out	0	0	0	0

Purchase Other Current Assets	0	0	0	0
Purchase Long-term Assets	0	0	0	0
Dividends	0	0	0	0
Subtotal Cash Outflows	69229	131517	183388	238785
Net Cash Flow	13796	36483	26852	31839
Cash balance on the start date	30000			
Cash Balance	43796	80279	107131	138970

3.9.4 Break-even analysis

Based on the historical data in 2016, the management team assumed fixed cost is 6,500 EURO per month; this includes the rent, payroll, utilities and other running costs, while the average purchase price is 20 Euro. The percentage of variable cost is 40% of the sale price; as a result, the variable cost per unit is 8 Euro.

Average Percentage Variable Cost	40%
Variable Cost (per unit)	8
Estimated Monthly Fixed Cost	6500
Sales price (per unit)	20

Table 9 Detailed Data of Break Even Analysis

Units	Fixed Cost	Variable Cost	Total Cost	Sales
0	6500	0	6500	0
100	6500	800	7300	2000
200	6500	1600	8100	4000
300	6500	2400	8900	6000
400	6500	3200	9700	8000
500	6500	4000	10500	10000
600	6500	4800	11300	12000
700	6500	5600	12100	14000
800	6500	6400	12900	16000
900	6500	7200	13700	18000

1000	6500	8000	14500	20000
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According to the calculation, the break-even point is 542 units, which means that the shop needs to sell 542 units with the sales is 10833 Euro in order to over the costs. The greater units sold, the firm gain more profit, the following chart this described the general assumption of the break-even point of Papu Cafe.

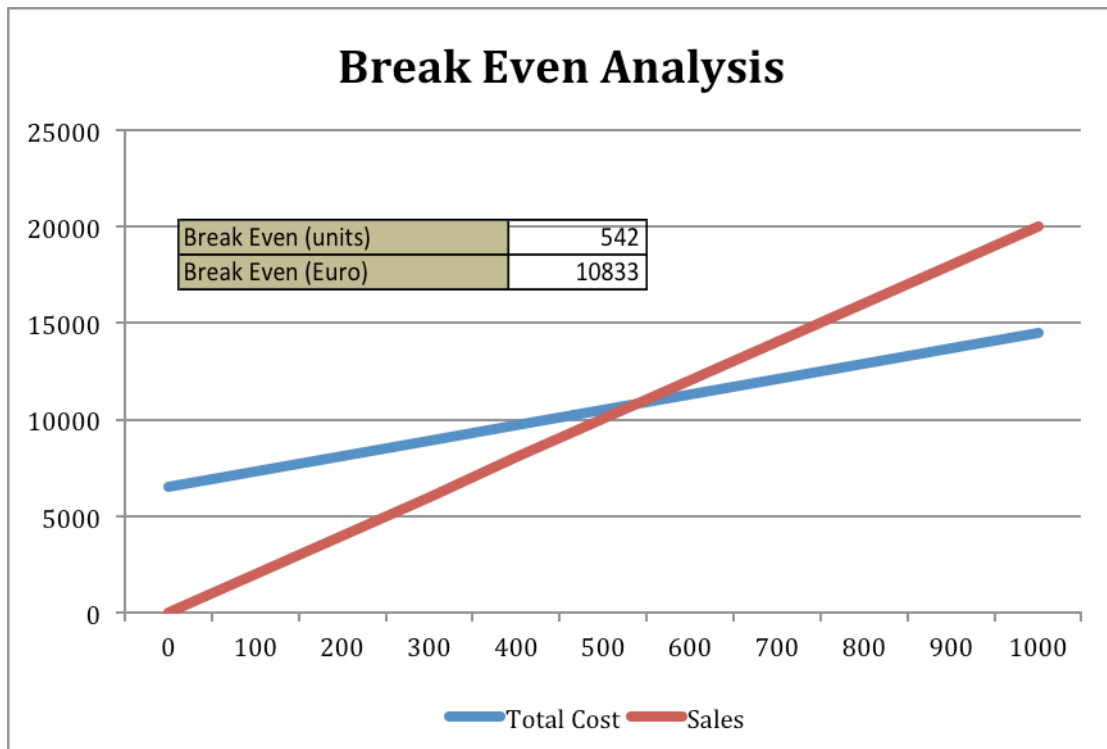


Figure 5 Break Even Analysis of Papu Cafe in 2017

4. MOTIVATION

Nowadays, E-commerce becomes one of the important parts of every business. Thanks to the innovation of logistic and technology, people can easily buy what they want at anytime from anywhere. Papu Cafe chooses the E-commerce direction due to the fact that the development speed of specialty industry, consumers' needs and target consumers of these products become widen. Since the suppliers of the specialty coffee are small and private roasteries, they only sell their products on their own websites. The author believed that a platform, which gathers all the specialty coffee and coffee equipment, is what consumers need right now. They can buy their favourite high-quality coffee anywhere easily or try different seasonal coffee every day with our monthly coffee mail.

After the business planning processes, the author realizes that the market opportunities for web store of the coffee shop are strongly potential. Following the projections, in the next 3 years, the web store will account for 30% of the total sales of the firm with the low level of investment. However, this also becomes one of the biggest challenges of Papu Cafe since it is established. As the electronic business requires continuously update the newest technology, if the firm fails to adapt to the users' needs and expectations, it is going to face the risk of losing consumers. As a result, the author believes that it is important to focus on improving the user experience in the website and ensuring the privacy and checkout processes go smoothly. She believed that with all the passion with coffee, the careful preparation and experiences Papu gained during the last one-year, the shop is reaching to the stable development direction.

The future challenges Papu Cafe in next year is continuously increasing in-store sales; differentiating from the other competitors. On the other hand, the firm also needs to research on consumer experience with the website and purchase, payment and delivery processes.

Our adventure in the coffee industry just starts and thanks to many help from government and mentors, we enjoy every single second of this journey. Though the way ahead is full of challenges and difficulties, Papu Cafe would try our best in order to achieve our goals.

5. CONCLUSION

This thesis helps the author to answer the research questions whether the current performance of the coffee shop is on track or not after one year operating. She realized that the development of the coffee shop is stable and suggested solutions for the current problem of the sales. The idea of expanding the business through the E-commerce direction has strong opportunities for success.

While choosing the topics of her thesis, the author thought it would be a chance to share her experience in term of entrepreneurship. At the beginning of her coffee adventure, she met many struggles while conducting the business plan. By sharing her stories and practical material from Papu Cafe, she hopes the readers will realize the importance of business plan. The author used both secondary and primary data to reach the aspect of research studies in Finnish coffee industry and entrepreneurship.

The study focused its attention on the electronic commerce, which reflects only one development direction and cannot apply to different types of business. Besides, the data and formulations are limited as the internal and individual experiences, as a result, make it difficult to break away from groupthink mentality. In further research, it would be interesting to have a discussion on the E-commerce direction with the coffee producers and other professional companies in the industry.

Thanks to this proposal, the author is aware of the importance of continuously updating business plan and therefore, in the future, the intention is to follow-up with conducting the business plan every year.

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APPENDIX