



# **Business Plan of a Motorcycle Company**

Case: Motosi Oy

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## ABSTRACT

The purpose of this Thesis is to explain in detail the Business plan of Motosi Oy. The company is a small start-up company that buys motorcycles from Finland and abroad and resells them in Finland.

This thesis will give information about the backgrounds of Motosi Oy. The owners of Motosi Oy have another company, SJ Import Oy, which will also be explained in detail as well as the backgrounds of the founders.

In this Thesis there is a specific market analysis of the motorcycle-sector in Finland and especially in Pirkanmaa-region where Motosi Oy has its premises. This thesis will also provide in-depth analysis of the budget and marketing for a motorcycle-company.

The objective of this thesis was to have an analysis of the market and raise awareness of the risks. This thesis will also give ideas on what to take into consideration when starting a motorcycle company and what possibilities there currently are on the motorcycle-sector in Finland.

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**Key words:**  
Business plan, Market Analysis, Marketing, Budgeting

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## **1 INTRODUCTION**

Motosi Oy is a company founded in September 2010. The company is concerned in buying motorcycles in Finland and abroad and selling them in Finland. This document will explain in detail the business procedures and the functions of this company. The main concern will be in how to expand the company from a small start-up company to a nationally recognized brand and increasing its market share. Marketing and budgeting will be a priority in this business plan.

## **2 BUSINESS IDEA AND MAIN PRODUCTS**

Motosi Oy is going to be concentrating mainly on buying and selling motorbikes. The company is going to be selling the bikes in Finland, but will buy them from Finland and abroad. Motosi Oy will be importing bikes mainly from Italy and the United Kingdom. The plans also include selling products related to motorcycles, such as spare parts and bodykits.

### **2.1 Background of the company**

Janne Jokinen and Jukka Ranne based Motosi Oy in September 2010. They already had a fully functioning company SJ Import Oy. Here are the backgrounds of the owners of SJ Import Oy and Motosi Oy.

### 2.1.1 Janne Jokinen

Janne owns 45 percent of Motosi Oy and 60 percent of SJ Import Oy. He started SJ Import as a sole proprietor in June 2009 and in January 2010 it was changed into Limited Liability Company when Jukka Ranne started working for the company fulltime. Janne is a Business College graduate in Marketing and graduated in 2010. He has bought and sold damaged bikes from an early age and has also imported parts and bodykits for bikes for a few years. He worked for Storm Motor Oy from 2008 to 2009 and that is where the owners first met. Janne has also participated in three separate entrepreneur courses.

He did his military service in 2007 in Parola Armoured Brigade and ended up training military drivers in Non Commissioned Officer School. He is now ranked sergeant and specialized in military vehicles.

### 2.1.2 Jukka Ranne

Jukka owns 55 percent of Motosi Oy and 40 percent of SJ Import Oy. He is graduating from TAMK, where he has studied International Business. He has a wide variety of sales experience as he has worked for Storm Motor Oy for two years selling motorcycle accessories being a floor manager for one summer, and has also sold mobile subscriptions for DNA Finland and Sonera Oy for over three years in total, working as a floor manager for over half a year. He has also worked in other sales related businesses, for example sold timber for the timber yard Puukeskus and also worked in telemarketing for a period of time.

He did his military service in 2006 and ended up training reserve officers in Hamina Reserve Officer School. He is now ranked second

lieutenant in artillery and gained a lot of leading experience in the military service.

## 2.2 SJ Import Oy

SJ Import Oy is a company that mainly imports JDM-cars to Finland. JDM-cars are cars that were made only for Japan Domestic Markets. They are usually highly powerful cars that really stand out from the mass and have achieved a cult-status within car enthusiasts. SJ Import mainly imports cars from the United Kingdom.

The prices for these cars in Finland are from 4000 to 10.000 euros tax-free and the customers have to pay taxes approximately 25 percent of the amount they bought the car for. By selling cars tax-free, SJ Import doesn't have to pay additional VAT when they sell the cars and the customers save money when they register the cars themselves. This has also brought many customers back to them as the customers have sold their previously bought cars at a profit and want to buy another cars to register and resell. The customers make a four-digit number of profits on the cars they have registered and resold and it even helps SJ Import as they get to sell more cars to these customers and they rarely sell registered cars themselves so they don't lose any customers. They even have a couple of companies as customers that can be considered their resellers.

The starting point of the company happened in February 2009, when Jukka Ranne and Janne Jokinen went to the UK to buy cars for themselves and drove them back through Europe. When they got back to Finland they registered the cars and sold them at a good profit within a few days. After that Janne Jokinen got excited and did five similar trips with his friends in the hope of making some extra money. At the time both Janne Jokinen and Jukka Ranne worked for Storm Motor and at the end of the summer Janne was convinced that

he could make a living doing car business and asked Jukka to become his business partner.

SJ Import started in the summer of 2009 when Janne started it as a sole trader and Jukka provided financial support and helped him otherwise, like finding the shipping company that they still use and which has enabled them to start doing business in such a big scale. In the beginning the owners went to the UK to buy the cars themselves and as the demand exceeded all the expectations they had to go there every two weeks to buy more. During the fall 2009 Jukka was on exchange in the Netherlands, but was still able to participate in the trips almost every time and in December 2009 when he finished the exchange studies he started working for SJ Import fulltime.

SJ Import Oy has one important person working in United Kingdom. He owns a larger depot there. He is sourcing cars for SJ Import Oy and sends them information about potential ones.

In January 2010, SJ Import Oy changed the company form from sole proprietorship to a limited company. The stocks were divided 60/40 with Janne Jokinen owning the majority as it was his idea and he funded more for the company when it was changed into a limited liability company.

Importing cars from the United Kingdom was an excellent idea in many ways. The Financial Crisis, which started in the fall of 2008, struck the UK really badly and the British Pound plummeted compared to Euro. In January 2008 Eur-GBP exchange rate was on average 1,4 and in January 2009 it was only 1,05 on average. On the graph below, you can see how the exchange rate has changed from January 2008 to October 2010.





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FIGURE 1. The exchange rate of GBP in relation to Euro

By the end of January, almost two million people had already lost their jobs<sup>2</sup> and people started selling cars that they couldn't afford anymore. Janne found that out on international car forums and they acted on it before anyone else in Finland figured that out. There were no other companies in Finland that imported cars from the UK and as they were the first ones there, they were able to gain knowledge on how and where to buy. They also got several contacts that enabled them to purchase more cars from one single place thus saving them time. They also figured out that if they were to sell these cars with bigger margins, people would rather go to the UK themselves to buy the cars there. As SJ Import OY has managed to cut the costs and import in high volume they are able to provide the cars for the same money, or even less, than individual customers could.

During the year 2010 SJ Import Oy imported approximately 300 cars and the turnover of the company was over 1 500 000 Euros. In

<sup>1</sup> <http://tools.currenciesdirect.net/currency-chart/>

<sup>2</sup> <http://www.telegraph.co.uk/finance/financetopics/recession/4300123/UK-jobless-total-2m-mark-is-now-in-sight.html>

January 2010 the company started with 50 000 Euro equity, so this shows how rapid the turnover has been with the cars. SJ Import has sold cars for over 1000 Euros cheaper than the competitors and is now, in the numbers sold, the biggest JDM-importing company in Finland. All that has happened in just a year and now it is time to expand also to selling motorbikes with Motosi Oy.

### 2.3 Motosi Oy

The idea for Motosi Oy has been in the background of SJ Import Oy the whole time, but the owners haven't had the time to start to realize the idea. They want Motosi Oy to support SJ Import and vice versa. During summer 2010 they found out that people are willing to give their bikes cheap in exchange for cars and sold over 20 bikes during the summer that came on exchange. As summer was over the prices of bikes drop dramatically as people need a car for the winter. Therefore SJ Import can take bikes in exchange when they sell cars for winter and in autumn Motosi Oy can take cars in exchange when people want to buy bikes for the summer.

Different ways of changing commodities into money have become more popular in Finland lately. There are specialized sites on the Internet that buy directly from people, such as [www.kultarahaksi.fi](http://www.kultarahaksi.fi) (gold into money) that buys gold from people. Motosi Oy has reserved similar domains where they buy bikes from people. They have registered for example the following names:

[www.pratkarahaksi.fi](http://www.pratkarahaksi.fi)

[www.ostanpratkasi.fi](http://www.ostanpratkasi.fi)

[www.ostanpyorasi.fi](http://www.ostanpyorasi.fi)

[www.myyppyorasi.fi](http://www.myyppyorasi.fi)

These sites are aimed for people who need money quickly. There are, for example, many people that have bought their bikes through financing companies and there having been some changes in their

economic status they can't afford the bike anymore. Motosi Oy offers them an easy and convenient way to sell their bikes for cash.

Bikes are a lot cheaper abroad than in Finland and there are huge possibilities in importing bikes. In some countries damaged bikes are sold for very low prices and as the spare parts are also cheap to buy abroad, it is usually most profitable to buy damaged bikes, repair them and then sell them in Finland. The company has plans of starting to import various parts for bikes that no other company yet provides domestically, such as fairing sets and sticker kits. Janne Jokinen has bought and repaired damaged bikes before and the owners have ordered various sticker kits for bikes and they know now which sets are worth reselling in Finland. In fall 2010 Motosi Oy applied for a bank loan of 50 000 Euros and the owners lent some money to the company as well in order to start Motosi Oy in full scale.

Connections are vital, especially when trying to run a small company efficiently. The owners of Motosi Oy were able to persuade one of their friend to make a logo for the company as a favour. The logo was made by Matti Sampela, who also did part of his practical training for SJ Import Oy. The idea for the logo was to have a bit old but good-looking bike on it to show that the company doesn't sell expensive brand new bikes and it also gives the image that the business has been running for some time already.



FIGURE 2. Motosi Oy logo

### 3 MARKET ANALYSIS

Market analysis is divided into two segments: Micro- and Macro environment. Microenvironment consists of six different factors that are close to the company and have direct impact on the company's strategy: Customer, Employees, Suppliers, Shareholders, Media and Competitors<sup>3</sup>.

According to Grafton Milne on Marketing Plan Success, "the macroenvironment consists of all the factors that influence an organization but are out of its control".<sup>4</sup> Blythe divides macro-environment to seven elements in *Essentials of Marketing (2005)*:

- Demographic factors;
- Economic factors;
- Political factors;
- Legal factors;
- Socio-cultural factors;
- Ecological and geographical factors;
- Technological factors

There will always be new factors that influence a business and companies must be aware of them and be able adapt to them. In this thesis we will go in depth to a few of these elements that are most important to Motosi Oy.

Motosi Oy is a small company that is just starting business and that is the reason why we will not have a balanced scorecard in this thesis. Balanced scorecard is a management system that maps an

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<sup>3</sup> <http://www.learnmarketing.net/microenvironment.htm>

<sup>4</sup> <http://www.marketing-plan-success.com/Articles/Macroenvironment/>

organization's strategic objectives into performance metrics. Traditionally Balanced Scorecards have been used to provide information about a firm's past performance. It is not well suited for predicting future performance or for implementing and controlling the firm's strategic plan<sup>5</sup>.

### 3.1 Microenvironment

#### 3.1.1 Customer

By the end of June 2010, there were 221 590 registered bikes in Finland. 6886 of them were registered in 2010 and 2398 of them were bought individually and not by licensed resellers. So 34,9% of the bikes had been imported from abroad as grey imports. There will always be people importing bikes on their own. If Motosi Oy is able to do the same thing as with SJ Import, the potential importers would rather buy the bikes from Motosi Oy than go through all the extra effort to save just a couple of hundred euros.

The customers are mainly 18 to 40 year old men. Some of them are beginners and therefore Motosi Oy will have a deal with a local equipment reseller that they will give discounts for people that have bought a bike from Motosi Oy. The customers are usually into motorsports and like to shop in a place where the atmosphere is relaxed and where they feel like home. People driving bikes are usually enthusiastic about bikes and buying a bike is usually a matter of feelings and not of reason.

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<sup>5</sup> <http://www.netmba.com/accounting/mgmt/balanced-scorecard/>

### 3.1.2 Employees

The employees must be as enthusiastic about bikes as the customers are. They will have to have more than average knowledge about bikes in general and have to know and recognise basic faults in bikes. Motosi Oy will be using same employees as they do with SJ Import Oy, so knowledge of both cars and bikes is preferable. The owners have both sold motorcycle accessories and know a lot about bikes. They have also owned bikes ever since they have been licensed to drive them. Tero Metsänen, who is currently working for SJ Import Oy, also knows a lot about bikes and especially the mechanical side of them. Motosi Oy will need another salesperson who will also possibly be responsible for the spare parts and other accessories they might start selling.

### 3.1.3 Suppliers

The company needs good contacts in the countries from where they will be importing the bikes. In the United Kingdom they already have some contacts that can help them with the bikes, such as the agent they use with SJ Import Oy. In the other countries too, it is vital that they are able to find trustworthy companies that could provide them with the bikes and possibly also help out with the logistics. Especially with Italy the logistics is going to be a problem and it will improve their cost-efficiency if they can get all the bikes gathered in one place where the shipping company can then easily pick them up all at a time.

### 3.1.4 Shareholders

The shareholders on Motosi Oy are Janne Jokinen and Jukka Ranne. Janne currently owns 45% of the company and Jukka owns 55%. This is because they had to get a loan from the bank and Jukka's parents guaranteed the loan. When the loan is completely paid up or Janne funds more for the company they will even up the percentage.

### 3.1.5 Media

The owners of Motosi Oy want people to regard them as a trustworthy company and they have to have some media attention to achieve that. Especially when buying bikes from Finland, they want people to consider Motosi Oy as an option when they want to sell their bikes. At the end of summer advertising must be increased as more people are in need of selling their bikes and are looking for ways to sell them. Motosi Oy can't expect to get such media attention as for example the companies buying gold have received, but they try to convince people that it is a good option for them to sell their bikes to Motosi Oy instead of going through all the trouble of selling their bikes themselves.

### 3.1.6 Competitors

There are currently 30 companies in Pirkanmaa-region that sell motorcycles. Six of them are proper motorcycle dealers and some of them also sell motorcycle accessories. Only one of them imports bikes as grey imports. That company is Tampereen Autocenter. They offer both new and second-hand bikes and they have been able to keep the country where they import the bikes from as a trade secret. They offer new models for even thousands of euros less than

licensed resellers and they have been very successful. The owners won “The Young Entrepreneur of the Year” award in 2010 and the company has been classified as one of the strongest companies in Finland.<sup>6</sup>

There are three companies in Finland that sell bikes tax-free: Panther in Vimpeli, Speederman in Ala-Honkajoki and T:mi Tapmotors-Parts in Muurla that mainly sells bikes for parts.<sup>7</sup> None of the companies offer sportbikes and that’s what Motosi Oy will mainly be selling. These companies also offer to sell bikes registered and Motosi Oy will be doing the same and try to encourage people to buy their bikes tax-free as it will be cheaper for them and easier for Motosi Oy.

## 3.2 Macroenvironment

### 3.2.1 Economic factors

The economic situation in Finland is one of the biggest factors in selling motorcycles. In financial distress especially the number of new bikes sold decreases. After the financial crisis, which started in the fall of 2008, the number of new registrations of bikes has decreased steadily<sup>8</sup>. In 2007 there were 11 533 new bikes registered, in 2008 the amount was 10 215 and 2009 it was 7 051. In 2010, the number of bikes registered between January and June was 4% less than the year before. As the graph below shows, the number of registrations had the same wave movement in 1998-2001 when the last depression struck with the burst of the IT-bubble. At the moment

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<sup>6</sup> <http://www.autocenter.fi/autocenter.html>

<sup>7</sup>

[http://www.nettimoto.com/listAdvSearchFindAgent.php?page=1&sortCol=&ord=&id=8185847&tb=tmp\\_find\\_agent&posted\\_by=&PN\[0\]=adv\\_search&PL\[0\]=advSearch.php%3Fid%3D8185847%40tb%3Dtmp\\_find\\_agent](http://www.nettimoto.com/listAdvSearchFindAgent.php?page=1&sortCol=&ord=&id=8185847&tb=tmp_find_agent&posted_by=&PN[0]=adv_search&PL[0]=advSearch.php%3Fid%3D8185847%40tb%3Dtmp_find_agent)

<sup>8</sup> <http://www.mpkauppiat.fi/Tilastot.php>



it seems that this financial distress is starting to go over and the economic situation is going to be getting better. This means that people are able to start spending money on demerit goods again.

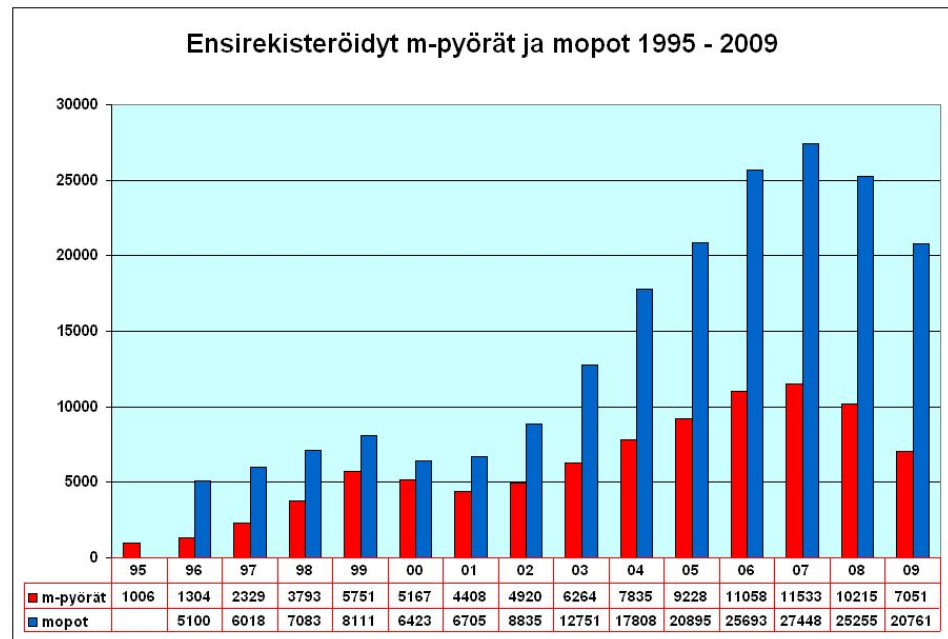


FIGURE 3. The numbers of first registrations in motorcycles and mopeds 1995-2009

With SJ Import Oy it was figured out that people don't want to spend as much money on unecessities during depression as before. That was why they sold mainly cheap cars that the competitors didn't want to sell as they could make more profit on the more expensive ones and didn't have to worry about the faults. Because of that the competitors weren't able to sell nearly as many cars as SJ Import did and their inventory turnover was too slow causing many of them to end business.

People will still tend to be sensible when buying bikes as they still remember too well the financial uncertainty. So they will price the bikes cheaper than the competitors do and even cheaper than private sellers do. To do this, they must be able to get cheap bikes from abroad. There are still the aftershocks of financial crisis affecting countries worldwide and when there's a crisis in one

country, it is a possibility to get bikes cheap from there as people usually sell demerit goods first to get their financial status in order.

In November 2010 the crisis in Ireland escalated and announced that Ireland's budget deficit would rise to 32% of its economic output this year.<sup>9</sup> This in turn means that the prices of cars and bikes have decreased in Ireland as the number of buyers has decreased and the number of sellers has increased. Therefore it is a potential market for both SJ Import Oy and Motosi Oy to buy motorvehicles from.

Most countries within the European Union have a common currency, the Euro. This facilitates international trade within the EU, which currently is the main market for Motosi Oy. With that it's easier to avoid risks and extra costs arising from currency fluctuations. In Britain, they still use the British Pound and, as stated before, it has decreased in value since 2008. With Motosi Oy the owners must keep track of the current exchange rates and increase their sourcing from Britain when the Pound is cheap. And if it increases in value, it is more profitable to buy from Italy or other countries that use the Euro.

### 3.2.2 Legal factors

Legislation in Finland is especially strict compared to some other countries within the EU. There are for example various regulations as to what kind of vehicles you can get registered in Finland. The regulations also change frequently and especially when importing from abroad, the company must have a clear picture of the regulations and legislations that control the imported vehicles.

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<http://online.wsj.com/article/SB10001424052748704116004575523121071932284.html>

Even though a vehicle is road legal and registered in another EU-country, it is possible that the vehicle cannot be registered in Finland. With motorcycles the regulations are usually less strict than with cars but there are still some legal factors that need to be considered when buying abroad.

For example, when importing from the United Kingdom, where the traffic drives on the left side of the road, the light pattern is different from countries where they drive on the right side of the road. The pattern needs to be changed and usually it requires the purchase of a new headlight unit. All the lights have to be E-approved in Finland whereas in many of the other countries a DOT-approval is enough.

As environmental factors are currently one of the most important factors in legislation and vehicles are considered one of the biggest polluters, the rules and regulations are getting stricter from that aspect as well. The Finnish government has raised the taxes on vehicles with high CO<sub>2</sub>-levels and there are plans to further raise the taxation thus making it more expensive to own for example a motorcycle.

The price of gasoline is also regulated by taxation and a majority of the price is formed from taxes. For example if a litre of 95octane fuel costs 1,50€, 0,897 of it is taxes, making it 59,8% of the price.<sup>10</sup> The price of fuel has increased steadily over the years. The 95octane fuel was on average 1,2€/ltr at the end of 2006 and at the end of 2010 it was on average 1,44€/ltr.<sup>11</sup>

In Finland the traditional 95octane fuel is replaced by 95 E10 fuel starting from 2011. This is an environmentally friendly fuel as it consists of maximum 10% of ethanol.<sup>12</sup> The fuel containing ethanol will burn cleaner and it is made from renewable ingredients. The

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<sup>10</sup> <http://fi.wikipedia.org/wiki/Polttoainevero>

<sup>11</sup> <http://www.polttoaine.net/index.php?cmd=tilastot>

<sup>12</sup> <http://www.e10bensiini.fi/>

price of the new fuel is going to be cheaper than 98octane, which consists of 5% ethanol. In most of the high performance vehicles, such as motorcycles, 98octane is the right fuel to use, but it is predicted that the price of it will increase with the introduction of 95 E10 fuel. This will in turn slightly decrease the demand for high performance vehicles as it is more expensive to drive them.

There are also regulations affecting importing from countries that don't belong to the EU. There are higher taxes to be paid and especially when importing from Asia the regulations are getting stricter. In December 2010 the European Union introduced an extra tax for certain goods imported from China.<sup>13</sup> The European Union is trying to prevent the spreading of cheap imported goods from China and thus maintain the demand for goods produced within the EU.

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<http://www.kauppalehti.fi/5/i/talous/uutiset/plehti/juttu.jsp?oid=2010/12/09/403469>

## 4 THE COMPANY AND PRODUCTION PLAN

### 4.1 SWOT-Analysis

Swot Analysis is one of the most popular tools when analysing the status of a company in the market. Swot is an acronym which stands for internal *strengths* and *weaknesses* and external *opportunities* and *threats*.<sup>14</sup> Companies analyse their situation their internal strengths and weaknesses in relation to the external environment and it allows them to assess their present situation. During SWOT Analysis the company should see where they are on the market in relation to where they thought they were. The difference between the two is called the strategic gap. Identifying the gap helps them plan their actions so that the company can move to the desired position in the market. The SWOT Analysis for Motosi Oy includes the following:

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<sup>14</sup> Zikmund, William G. *Marketing, Creating and Keeping customers in an e-commerce World*. Cincinnati: South-Western College Publishing, 2001

		positive	negative
I n t e r n a l	Strengths	<ul style="list-style-type: none"> <li>&gt; Taking cars and other motorvehicles on part exchange</li> <li>&gt; Price</li> <li>&gt; Bikes that stand out from the crowd</li> <li>&gt; SJ Import Oy</li> <li>&gt; Selling bikes tax-free</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Lack of experience in doing business</li> <li>&gt; New business</li> <li>&gt; Guarantee</li> </ul>
	Opportunities	<ul style="list-style-type: none"> <li>&gt; Getting the rights to represent a bike manufacturer, such as MV Agusta</li> <li>&gt; Expanding to servicing bikes</li> <li>&gt; Changes in import duties</li> <li>&gt; Selling parts for bikes</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Changes in legislation</li> </ul>
E x t e r n a l			

FIGURE 4. SWOT-Analysis of Motosi Oy

#### 4.2 Breakdown of SWOT-analysis

The owners of Motosi Oy also own SJ Import Oy and have thus gained a lot of experience from importing motorvehicles. Even though SJ Import Oy has imported over 300 cars from abroad, they have only been doing this for a year and a half, so the owners are beginners in doing business. SJ Import is going to do business side by side with Motosi Oy and this allows them to take all sorts of vehicles in part exchange. This will improve business for both companies as in spring more people are willing to sell their cars and

buy a bike for the summer. In fall a lot of people need to sell their bikes and buy a car.

The bikes Motosi Oy sells are going to be priced lower than similar bikes in Finland. It is better to sell more products with smaller margins when starting the business. This will gain them recognition and spread knowledge of the company. Some of the bikes are going to be sold without taxes paid in Finland, that is tax-free. By doing this the company can offer bikes that cost less but the buyers must register the bikes themselves. This is also a threat as changes in legislation might make it really hard to get the bikes registered and fewer people would buy them.

As the company is a new business, it is going to take time before people will consider them as a proper motorcycle store. The customers might be afraid that they sell poor quality bikes as the prices are lower than those of the competitors and that they don't sell their bikes with any guarantee. The owners are confident that most of the buyers will still be attracted by the price. They will also be putting special bodykits to the damaged bikes they have bought. This will make them stand out from the mass and people are willing to pay more for that as buying bikes is always a matter of feelings, not reason.

In the future they also plan to start servicing bikes for customers and maybe also tune them, as people want to have a personal touch on their bikes. They have also planned of getting a rolling road, where they can test out the power output of the bikes and then tune them accordingly to gain more power.

They have also planned that in future they could also start selling new bikes from a certain manufacturer, such as MV Agusta. MV Agusta is an Italian bike manufacturer that doesn't have a proper

reseller in Finland. Their bikes are of high value and they are a well sought after by motorcycle enthusiasts.

### **4.3 Partnerships / supply chain**

Motosi Oy has made some preliminary discussions with other companies to partner with. With Allright Oy and Storm Motor Oy they have planned a campaign in which they would offer a discount voucher for all the people that buy a bike. The voucher would give them for example 20% off from the clothing and helmets in these stores. This could also be offered as part of sales negotiation especially for people that are just beginning motorcycling and would need new driving gear.

They have also made servicing agreements with some of the companies that service bikes near their premises. They also get discounts on all the equipment and spare parts they buy at Storm Motor Oy and Allright Oy.

The supply chain is going to be difficult to get into a point where the owners don't need to buy all the bikes themselves but are able to trust an agent abroad. They have been able to make this work with SJ Import Oy but it took them a lot of time and the start was really difficult. They have been searching for a person that would source the bikes in the target countries but have not yet succeeded. Therefore they have to travel abroad to buy the bikes and it would be most efficient if they could buy bigger quantities each time as the travel expenses are going to be high.



## 5 MARKETING

The two most widely used definitions of marketing according to Blythe (2005) are:

*Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably.*

*Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organisational objectives.*

These definitions aren't perfect, but give a good picture of what marketing includes. In a nutshell marketing helps bring buyers and sellers together. There are numerous ways to market your product, but first you have to know what you sell and to whom you are selling to.

### 5.1 Market definition

The target market for Motosi Oy is Finland. There will be some buyers from abroad as well for the motorcycles sold tax-free, but it is estimated that 99% of their customers come from Finland. Even though Finland as an area is huge, Finnish people are accustomed to driving long distances and potential bike buyers search the whole country when searching for the best option for them. In the northern parts of Finland the selection is smaller and in the southern parts the prices are higher. Motosi Oy is situated near Tampere, which is close to the middle point of Finland as to population. Therefore it is within a relatively small driving distance for most of the people in the country

## 5.2 Market segments

All buyers act differently and it is vital for a company to get a clear picture of what kind of people are potential customers for their products and how they could get potential customers to buy from them. It is easier to satisfy the needs of similar customers than trying to satisfy the needs of all sorts of customers.

With motorcycles the customers can be roughly divided into four segments:

Veteran cyclists have been riding for years, even decades, and usually drive custom or touring motorcycles. These drivers are aged 50 to 70 and mainly drive long distances rather than just cruise around near the place they live in. Good examples of these bikes are Yamaha FJR1300 and Honda VT Shadow.

Senior beginners are just starting to get interested in motorcycling at an older age. These are not yet sure what kind of bikes suit them best, but most of them start by buying a bike that isn't suitable for their skills. The bikes are usually really powerful or big in size. These are a good segment for Motosi Oy to buy bikes from as most often they sell their first bikes within the first year and want to change to a smaller, more nimble motorcycle. Examples of these bikes are Suzuki GSX-R1300 Hayabusa and Honda Gold Wing.

Extreme cyclists are usually aged 16 to 30 and drive fast and powerful motorcycles. These drivers usually want to pay less for their bikes and are more open to options, such as supermoto or fighter-styled bikes. They seek the thrill of driving fast or dangerously and often also practise stunting on their bikes. Some popular bikes are Yamaha YZF-R6 and KTM Superduke.

Average drivers can be any age group and they drive subtler bikes that are just fun and easy to drive. These bikes are in the mid-price range and are often from 500cc to 900cc. These bikers love riding small roads and shorter distances and usually drive in groups. Good examples of these bikes are Honda CBR600F and Kawasaki ER-6

With Motosi Oy, the target segments are extreme cyclists and average drivers. This is because the prices on these vehicles change the most during different seasons, meaning that the bikes can be bought for a lot less in the fall than what they sell in the spring. The drivers of these vehicles are also easier for Motosi Oy to handle as they have similar interests. Senior citizens usually want to buy from more acknowledged dealers and are willing to pay more to get a longer guarantee. The owners of Motosi Oy are still under 25 years old and the atmosphere in Motosi Oy is kept youthful on purpose to make it a relaxed place for the customers. There is a clear difference in the number of sales when the customer feels affinity for the seller and doesn't have to feel like being forced into decisions.

### 5.3 Primary wants of customers

The first thing every customer is interested in is the price. Every customer has set some kind of budget for him/her. Even though motorcycles are demerit goods, people still want to buy their bikes as cheaply as possible but still in good condition. Most of the customers prefer to have some changes made to the bike. Usually the exhaust system and fuel intake should be adjusted accordingly. These modifications cost over a thousand euros to make. When selling the bike, these modifications usually don't increase the price much but increases the demand. Average drivers prefer their bikes to be in standard condition as it is usually a sign that the bike hasn't been ridden hard or harmed in any other way.

Customers are interested in the maintenance made to the bike, but often the need of maintenance doesn't decrease the interest in the bike if the price is good otherwise. Having the oils changed before a bike is sold is a good idea as it gives the customers certainty about the engine and decreases the probability of the engine breaking down especially after winter.

Especially extreme bikers want their bikes to stand out from the mass and want at least some changes made to the looks of the bikes. Changing the exhaust system is preferred as it improves the looks and sounds of the bike, but also the blinkers and stock license plate holder should have been replaced. These changes don't cost much, but improve the looks a lot, thus making the bike appeal more to the customer.

The mileage is an important issue for the customers as low mileage usually tells that the engine is in good condition. If there isn't a record of the maintenances made, high mileage vehicles are really hard to sell. With bikes the mileage limitations are a lot stricter than with

cars. A bike that has done over 80 000 km is considered a high mileage vehicle and it is hard to sell.

## 5.4 Product portfolio

With Motosi Oy the product portfolio doesn't look similar to those of most companies. For the first couple of years the products will be only domestic and imported bikes. Therefore it is impossible to fit the products in Boston Box or other similar methods of planning the company's products and sales.

Imported bikes are vital part to keep the business running all year round as it is hard to find bikes with good margins in Finland during the summertime and in other countries there's a smaller gap in prices between different seasons.

Domestic bikes are the easiest to sell as they are already registered and most people don't even look at bikes that are sold unregistered. Motosi Oy is able to sell both types of motorcycles as people usually check what other bikes a dealer has for sale and when the customers see the prices of bikes sold tax-free they will take them as an option.

## 6 MARKETING STRATEGY

### 6.1 Marketing goals

Marketing can be used for example to move your company in the market, increase sale and to increase awareness. Motosi Oy's marketing goal is to increase awareness of the company and increase awareness of tax-free motorcycles. They will also promote that they will buy bikes with cash in Finland. Increasing sales is certainly the major goal of their marketing.

Marketing decisions are often divided into four categories: promotion, pricing, product and placement. These are often called the 4 P's of marketing or Marketing mix.

### 6.2 Promotion

Promotion is usually considered to be the essence of marketing. It is one of the most recognisable outcomes of marketing as people consider promotion the only way to market your product or service.

Motosi Oy will promote their business in many different ways. They will advertise the motorbikes on [www.nettimoto.com](http://www.nettimoto.com) which is the largest media in Finland for selling vehicles. Nettimoto.com is a trademark of NettiX Oy and they have websites for all kinds of things people can sell. The most recognised are nettiauto.com and nettimoto.com that sell cars and motorbikes and other motorvehicles. NettiX Oy has gained a dominant position for both individuals and companies selling motorvehicles.

Keltainen Pörssi was the dominant media ten years ago and has since lost its market share. Keltainen Pörssi is sold as a print version and they also have all of the ads online. SJ Import has used

Keltainen Pörssi when advertising their cars and the results have not been nearly as good as with nettiauto.com. Keltainen Pörssi is still used by many when searching for a particular vehicle, but usually they end up buying through NettiX. SJ Import has usually got a maximum of two or three contacts per ad through Keltainen Pörssi but with NettiX they get two or three contacts a day per ad.

Motosi Oy is going to buy bikes in Finland with ostanpratkäsi.fi and they will need to promote that too. It is not enough if they promote that in their ads and in fact it might not be a good idea to promote it side-by-side with the bikes they sell as it will give a negative impression to the potential customers as they figure out the dealer has paid a lot less for the bike than what they are asking for it. With ostanpratkäsi.fi they should advertise on the banners of NettiX sites as most people are going to check what their bikes are worth on that site and they can see an easier way to sell their bikes. The printed media is also good for that purpose as the company is looking for people that don't want to go through all the extra trouble when selling their vehicles and they usually aren't comfortable selling online.

Motosi Oy has bought a van that they are going to use when picking up the bikes from their previous owners. They will get the van taped so that it will gain interest on the road as well. Below is a sketch of a potential decal. The van is going to be shared with SJ Import so they plan to have decals for both of the companies. There is a threat that there's too much information on the van, so they should keep it simple and emphasize the most important things, such as buying the bikes.



FIGURE 5. A draft of the decals for Motosi Oy van

Word of mouth has proven a powerful tool with SJ Import Oy. Having good customer satisfaction in the early stages of Motosi Oy will help them in the future sales. When selling the bikes it could also be good to say that the company is willing to buy the bike back after summer, thus helping them buy bikes in fall as the customers will contact them.

Motosi Oy has negotiations pending with Allright and Storm Motor Oy to start a campaign in which the buyers of bikes will get a discount voucher for motorcycle accessories in these companies. This would increase sales for Allright and Storm Motor Oy and would help Motosi Oy in the selling process. Allright and Storm Motor Oy don't sell bikes but are the two biggest retailer chains for motorcycle accessories in Finland. As Motosi Oy doesn't sell accessories yet, it would just increase sales for both.

The owners of Motosi Oy have planned of making a video about themselves and their interests to put on the company website. The video would show how they have been motorcycle enthusiasts from an early age and would give people an idea about the people that run the business. The video would be similar to the video of Texas



Cars Direct<sup>15</sup> found on youtube: <http://www.youtube.com/watch?v=tOttbbtSUGQ> but with a more relaxed and youthful feeling. It would also include videoclips and pictures of the owners driving various vehicles they have previously owned.

### 6.3 Pricing

Pricing is always difficult and it is often considered to be the most important factor in selling. Through advertising you can usually sell products at a higher price, but Motosi Oy will advertise by selling at a lower price. As the experience from SJ Import Oy has shown, selling with smaller margins increases the turnover of the stock and you are able to sell twice the number of vehicles in the time it would take with bigger margins. This brings a small problem as Motosi Oy isn't able to purchase more bikes from Finland during the spring season and therefore they have to import bikes abroad in spring. During the fall and winter the prices are a lot lower in Finland so it's a good time to buy bikes domestically. As Motosi Oy only has a limited amount of capital in the beginning, they have to use their money wisely. The prices of bikes in Italy and the UK don't change much according to season so it is better to buy bikes from Finland in the fall and winter, sell them in spring and with that money import more bikes from abroad.

Here's an example of the prices in Italy and Finland. Motosi Oy purchased a Yamaha YZF-R6 1999 with a mileage of 50 000km for 3000 Euros in the fall 2010. In Italy there's a Yamaha YZF-R6 2001 model with 24 000km for 3000 Euros<sup>16</sup>. Even though the bike in Italy is newer and with less mileage, it is not nearly as profitable to sell in

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<sup>15</sup> <http://www.texascarsdirect.com/>

<sup>16</sup> <http://www.revolutionbike.eu/index.php?page=moto&moto=410>

Finland as the one already purchased. In autumn the prices for the 2001 model YZF-R6 will be approximately 4900 Euros, so there is a calculated margin of 700 Euros after expenses of the imported bike. The expenses are 300 Euros for transportation, 600 Euros for taxes<sup>17</sup> and 300 Euros for the registration.

## 6.4 Product

At the moment Motosi Oy mainly sells motorcycles, but there are plans to start retailing bike-related goods as well. The motorcycles to be sold are manufactured in 1995 to 2010 and are mainly 600cc to 1000cc. The company will accept all kinds of vehicles on part exchange and so the range of bikes will expand also to 125cc bikes as young people give them on exchange when they switch to bigger and more powerful bikes.

Most of the motorcycles will be sportbikes, such as Yamaha YZF-R6 or R1 and Kawasaki ZX-R series and the asking prices will be from 4500 Euros to 7000 Euros. This price range is the largest in Finland and most people have a budget of maximum 8000 Euros for a motorcycle. It is also easy to get financing for such amounts.

There are plans to import dirt bikes for enduro and motocross use that aren't road legal. These bikes are sometimes half the price abroad than they are in Finland and there are no taxes on them when buying inside the EU.

## 6.5 Placement

Motosi Oy is located at Vainiontie 4 in Ylöjärvi, approximately 15km from Tampere. This location is excellent as it is close to all the major

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<sup>17</sup> <http://www.tulli.fi/fi/yksityisille/autoverotus/taulukot/moottoripyorat/index.jsp>

roads and it is within a relatively small distance from all the major cities in Finland. Ylöjärvi is a relatively small city with a population of 30 000. It is rapidly growing and Tampere is expanding towards Ylöjärvi.

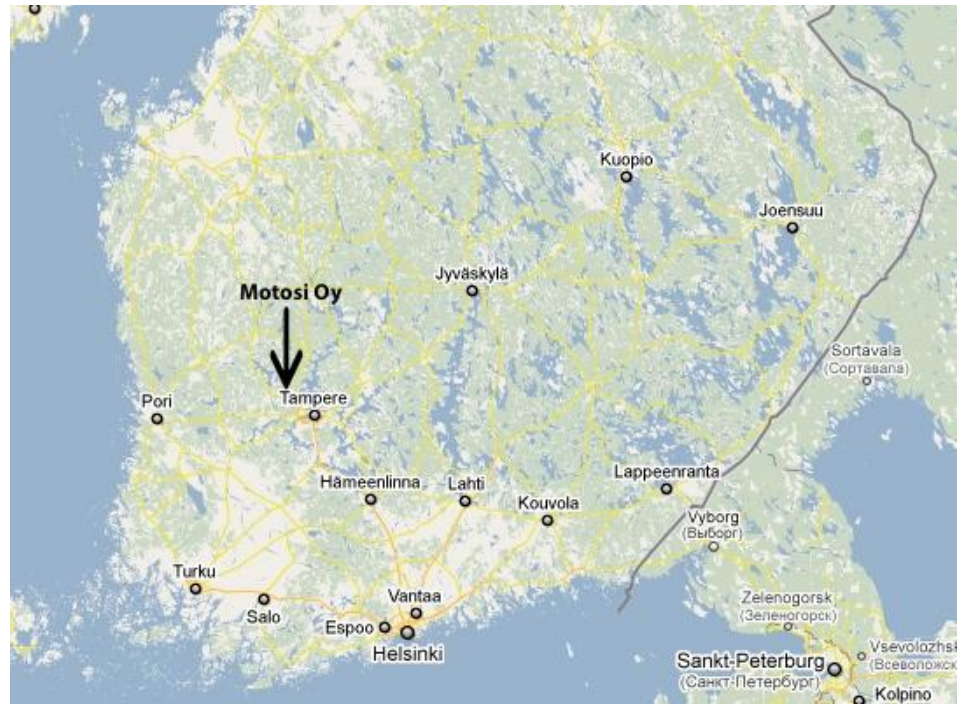


FIGURE 6. The position of Motosi Oy premises in the map of Finland

The owners of Motosi Oy and SJ Import Oy have purchased premises in the business district of Elovainio. The business district is relatively new and it is also growing rapidly. There are a lot of new buildings being constructed in the winter 2010-2011 and there are plans for more to come. Motosi Oy and SJ Import Oy share the premises and during the winter the bikes are kept on the balcony and cars are kept on ground floor as they can't be kept outside due to freezing temperatures. Below is a picture of the premises with the bikes on the balcony. On summertime the bikes will be kept downstairs as the cars can be kept outside as snow and freezing temperatures aren't a problem.



FIGURE 7. A picture of the shared premises of SJ Import Oy and Motosi Oy

In the same building there are four other companies and all of them are helpful to Motosi Oy and SJ Import Oy. There's a wheel dealer, a car maintenance shop, a shop that sells bike spare parts and accessories and a company that sells tools. All of the companies in the building co-operate thus helping all of the others to succeed.

## 7 BUDGETING

Budgeting is planning the flow of money in a company for a certain time period. Having a good budget helps companies to calculate their income and expenses. The budget can also be used to measure the actual numbers to those that have been forecast. The budget helps to pinpoint how every department or action did in a financial perspective. Good planning and execution of budgeting will help reduce the costs and prepare for errors before they occur. There are two types of budgets, long term and short term.

Short-term budgets are usually for one year or less. It has two purposes: planning and control. It plans for how much money will be received and how the money will be used. It helps control the flow of money and tracking actual results against the estimates.

Long-term budgets are only for planning. It is made for a time period of more than a year. Planning long ahead isn't easy and long term budgets are never completely accurate but they help in planning ahead and preparing for what might happen. In long term budgets the total costs of decisions have to be considered and not only the results of one fiscal year.

What makes a good budget<sup>18</sup>:

- It's written clearly
- It's based on accurate information
- It's based on actual expenses if possible and carefully planned and calculated for the next year
- The background research is done properly and propable new purchases and changes have been taken into account.

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<sup>18</sup> Kemp, Sid and Eric Dunbar. *Budgeting for Managers*. McGraw-Hill, 2003

The budget should also be credible and it should be appropriate for the company situation. It has to be correct, clear and complete. Usually you can't know for certain the actual numbers for the future, but then the budget is made of carefully planned guesses. All the costs should be calculated and added to bigger entities, thus making sure you know what all the figures are consisted of.

The budget should match the available funds of the company. In larger companies there are also rules and limitations on how the budget should be constructed. Everyone reads a budget differently and uses it for different purposes and that should be kept on mind when writing a budget.

When planning for the expenses and income for the future it has to be kept in mind that every action has a reaction. For example increasing marketing should also increase the sales.

With Motosi Oy there are no previous financial data available. SJ Import Oy has had one financial year and that data can be used in part to make the figures more accurate. The budget is still mainly assembled with calculated assumptions. At the end of this thesis there are the appendices that show in greater detail what all the figures have been made up of.

## 8 SOURCES AND APPLICATIONS FOR FUNDING

The Start-up expenses can be seen in detail from the appendices. Motosi Oy applied for a loan from the Finnish bank Osuuspankki. After calculations the amount of the loan was decided to be 50 000€. It was vital to get enough money to get the company started during fall 2010 when the bikes in Finland were cheap to buy and a small loan was easier to get. The interest rate is a fixed 4,146% and the loan was taken for two years with the first installment being in January 2011.

There wasn't much need for new equipment or machinery as SJ Import already has most of the required tools and other supplies. After all the start-up expenses there were 47 900€ remaining for the purchasing of bikes.



## 9 INCOME STATEMENT

Income Statement is a report of all revenues and expenses related to a specific time period. With Motosi Oy the income statement will show in detail the revenues and expenses in 2011 and the totals for 2012 and 2013.

On Motosi Oy's Income Statement on the next page you can see what the revenues and expenses consist of. All the revenues come from selling the bikes as Motosi Oy doesn't yet have any maintenance service or other related sources of income. The revenues are calculated on the basis that they would be able to sell 42 bikes in 2011. The estimates of purchasing and selling the bikes will be explained later in this thesis.

There are many sources of expenditure. Most of the expenses can be divided with SJ Import Oy as they function in the same premises and have the same owners. For the first couple of years Motosi Oy will only have to pay 200€/month in rent as they only need a fraction of the space SJ Import does.

Cost of goods sold is 152€ per bike. This is the calculated average amount of money spent on purchased bikes and includes fuel (20€), tyres(40€), fairings(50€), spare parts(30€) and registration fees(12€). Not all of the bikes need fixing or any maintenance and it would be a lot more expensive to for example change tyres for all of them.

The insurance is the largest fixed cost as it is really expensive to insure motorcycles in Finland. Motosi Oy got a good deal from the insurance company Pohjola and it only costs them 2500€ per year for the group insurance.



Accounting is outsourced to Yrityspalvelu Simetra Oy which was found to have a really good price in relation to the services and expertise they offer. Accounting costs will increase every year as the turnover of the company gets bigger.

## 10 BREAKEVEN ANALYSIS

Breakeven Analysis is used in companies to view how much they need to sell in a year just to cover all the costs. Companies can have variations of breakeven analysis to view how much more they would need to sell if they, for example, are to increase marketing.

The annual fixed costs of Motosi Oy are 11 800€ and the average margin per bike is 1 145. With simple calculation it can be seen that after 10,3 sold bikes with that margin Motosi Oy is over the Break-even point. For the first year there are also the start up costs of 4.600€ and with 14.3 sold bikes they will break even.

Total fixed cost	11800
Total start up cost	4600
purchase price	3488
selling price	4785
Variable cost per unit	152
<b>Average margin per bike</b>	<b>1145</b>
<b>margin</b>	<b>23,9%</b>
Total fixed costs	11800
Break-Even sales €	49313
Break-Even sales first year	68536
Break even units	10,3
Break even units first year	14,3

FIGURE 10. Breakeven Analysis

Below is the chart for a deeper view of the breakeven points and how costs and profits vary according to the number of sold bikes. The total sales had to be left from the graph as it would have changed the scale too much to view all the other figures. With 50 sold bikes the total sales would be 239 250€ and on the breakeven point the sales are 49 286€.

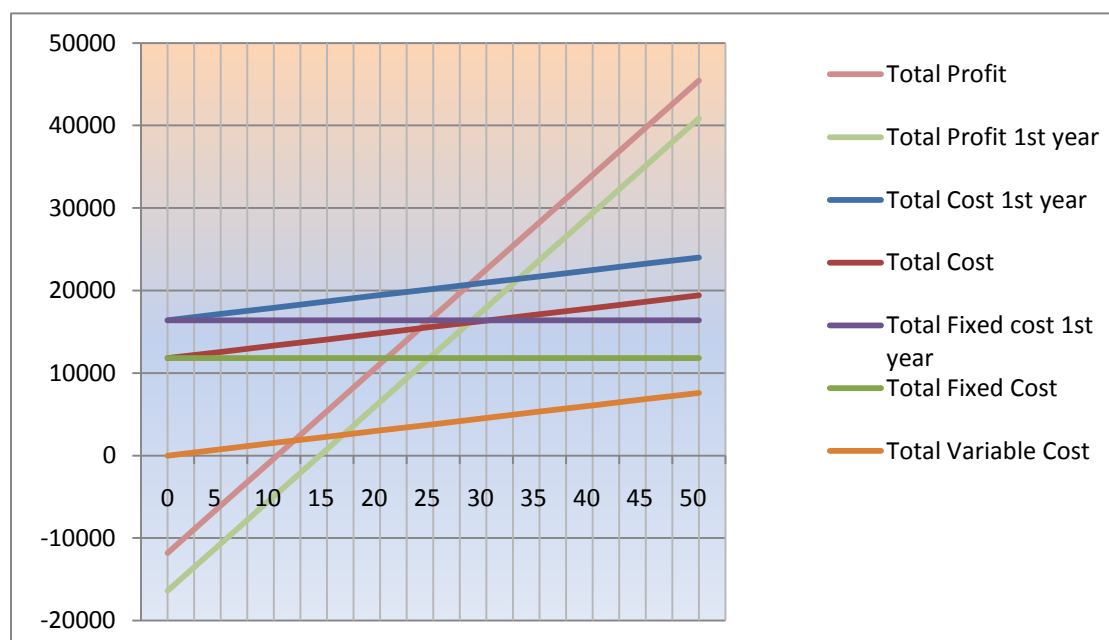


FIGURE 11. Breakeven Chart

## 11 BALANCE SHEET

Balance Sheet is one of the most important and largest financial statements. It shows the financial status of the company at a particular instant of time. It lists everything that the company owns in assets and sources and resources used to acquire the assets in liabilities. The term Balance sheet is sometimes substituted by more definitive terms: *statement of financial position* and *statement of financial condition*.

Sales and inventory are calculated on the basis that Motosi Oy will purchase 62 bikes by the end of the first financial period (from start-up to the end of 2011.) The company has budgeted to sell 44 bikes during 2011 and purchase more bikes during the fall with all of the remaining cash. After 2011 they have budgeted that their stock inventory will consist of 20 bikes. During 2012 they plan to sell 60 bikes and in 2013 they plan to have increased that number to 75.

Fixed assets have been budgeted to decrease in value approximately 100 Euros monthly, meaning that by the end of 2013 their nominal value would have been completely diminished and therefore it is budgeted that in 2013 they will invest 4 200 Euros in equipment.

The 50 000€ loan Motosi Oy got from the bank Osuuspankki is for two years and it is budgeted that at the end of 2012 they will have paid it back in full. By the time the loan has been paid back in full they will have gained enough capital from sales that they can continue doing business as usual.

## 12 CONCLUSION

This thesis was written while Motosi Oy had already started to function and as the company evolved, this thesis was used to report all the new information that was gained. Making a budget for a company that has no previous data of their accounting is always time-consuming and is based on calculated assumptions. The budget that has been set in this thesis is as realistic as possible in the current economic situation but in the future Motosi Oy will have to revise the numbers as they gain more information on what the actual numbers are.

There are many things to consider when starting a company that involves doing international business. The better you have planned all your activities and have a reliable budget the easier it is to follow the goals that have been set and realize when something is not going as planned.

The owners of Motosi Oy have a lot of experience on different sales-related businesses and using that experience will be their advantage. The owners have both been to business schools and learned new ways to think and can use that to renew the way motorcycles are traded in Finland. Most of the other companies have stuck with the way they have always done business and are slow to react to changes.

Motosi Oy has a good business idea and there is definitely market for the motorcycles they are about to sell. Importing motorcycles will not be easy but when they get started and gain experience it will get easier.

If everything goes as planned Motosi Oy should become one of the major motorcycle dealers in Finland and having this detailed plan will certainly help them now and in the future.

Marketing is one important area Motosi Oy should focus on. Even though NettiX Oy has almost a monopoly in advertising motorcycles, they should try to find alternative methods to increase awareness of the company and gain interest for the motorcycles they offer.

The possibilities for Motosi Oy are huge as they can expand to various other activities. Improving the look on a motorcycle has started to get more popular and selling these parts would be profitable even though it is time consuming. Servicing motorcycles and getting the rights to sell new motorcycles will also help Motosi Oy to further expand, but for this the owners must first get more experience from running a motorcycle-company.

SJ Import Oy will help Motosi Oy in many ways. Sharing premises is just one of the benefits Motosi Oy will get. Through SJ Import Oy the owners of Motosi Oy have gained a lot of experience from importing and selling used vehicles. This combined with the contacts the owners have attained will help Motosi Oy to gain a solid place in the market in Finland.

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## 14 APPENDICES

### Appendix 1. Details of costs

<b>Annual Costs</b>	
Internet	300 €
nettiX	1 800 €
advertising	500 €
insurances	2 500 €
accounting	2 400 €
vehicle taxes	400 €
website	200 €
electricity	1 200 €
office supplies	100 €
rent	2 400 €
<b>Fixed costs total</b>	<b>11 800 €</b>
<b>Start up costs</b>	
Registering the trademark	300 €
Van	2 000 €
Computer	600 €
Billboard	200 €
Office supplies	500 €
<b>total</b>	<b>3 600 €</b>
<b>cost / bike</b>	
fuel	20 €
tyres	40 €
fairings	50 €
spare parts	30 €
registration fees	12 €
<b>total</b>	<b>152 €</b>

## Appendix 2. Figures from buying and selling

<b>Purchases</b>	<b>4Q 2010</b>	<b>1Q 2011</b>	<b>2Q 2011</b>	<b>3Q 2011</b>	<b>4Q 2011</b>	<b>Total after 2011</b>
Domestic bikes	10	5	2	10	9	<b>36</b>
Imported bikes	0	8	10	5	3	<b>26</b>
<b>Total</b>	<b>10</b>	<b>13</b>	<b>12</b>	<b>15</b>	<b>12</b>	<b>62</b>
<b>Bikes sold</b>						
Domestic bikes	0	8	9	4	1	<b>22</b>
Imported bikes	0	3	12	4	1	<b>20</b>
<b>Average purchase prices with expenses</b>						
Domestic bikes	3200	3500	4000	3500	3200	
Imported bikes	3600	3600	3600	3600	3600	
<b>Calculated expenses</b>						
Domestic bikes	32000	17500	8000	35000	28800	<b>121300</b>
Imported bikes	0	28800	36000	18000	10800	<b>93600</b>
<b>Total</b>	<b>32000</b>	<b>46300</b>	<b>44000</b>	<b>53000</b>	<b>39600</b>	<b>214900</b>
<b>Average selling prices</b>						
Domestic bikes	4000	5000	5000	4500	4000	
Imported bikes	4000	4800	4800	4500	4000	
<b>Calculated sales</b>						
Domestic bikes	0	40000	45000	18000	4000	<b>107000</b>
Imported bikes	0	14400	57600	18000	4000	<b>94000</b>
<b>Total</b>	<b>0</b>	<b>54400</b>	<b>102600</b>	<b>36000</b>	<b>8000</b>	<b>201000</b>
<b>Cash in stock at the end of quarter (without other expenses)</b>						
52500	20500	28600	87200	70200	38600	<b>245100</b>
<b>Amount of bikes at the end of quarter</b>						
Domestic bikes	10	7	0	6	14	<b>37</b>
Imported bikes	0	5	3	4	6	<b>18</b>
<b>Total</b>	<b>10</b>	<b>12</b>	<b>3</b>	<b>10</b>	<b>20</b>	
<b>Average purchase price 2011</b>						
Domestic	3 435 €		<b>1 429 €</b>		Domestic	4 864 €
Imported	3 600 €		<b>1 100 €</b>		Imported	4 700 €
<b>Total</b>	<b>3 517 €</b>		<b>1 268 €</b>		<b>Total</b>	<b>4 786 €</b>

## Appendix 3. Calculations used in breakeven chart

Total Units	Total Fixed Cost	Total Fixed cost 1st year	Total Variable Cost	Total Cost	Total Cost 1st year	Total Sales	Total Profit	Total Profit 1st year
0	11800	16400	0	11800	16400	0 €	11800	-16400
5	11800	16400	760	12560	17160	23 925 €	-6075	-10675
10	11800	16400	1520	13320	17920	47 850 €	-350	-4950
15	11800	16400	2280	14080	18680	71 775 €	5375	775
20	11800	16400	3040	14840	19440	95 700 €	11100	6500
25	11800	16400	3800	15600	20200	119 625 €	16825	12225
30	11800	16400	4560	16360	20960	143 550 €	22550	17950
35	11800	16400	5320	17120	21720	167 475 €	28275	23675
40	11800	16400	6080	17880	22480	191 400 €	34000	29400
45	11800	16400	6840	18640	23240	215 325 €	39725	35125
50	11800	16400	7600	19400	24000	239 250 €	45450	40850

## Appendix 4. Balance Sheet, Assets

All figures are in Euros (€)	Start	2010	2011												2012	2013
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
<b>Assets</b>																
<b>Current assets</b>																
Cash	52500	17327	15532	13736	13209	30557	47905	65253	59940	54628	44530	22611	4210	2127	55007	149357
A/R																
Inventory		35173	38690	42208	45725	35173	24621	14069	21104	28138	38690	59794	80898	80898	69760	69760
<b>Total current assets</b>	<b>52500</b>	<b>52500</b>	<b>54222</b>	<b>55944</b>	<b>58934</b>	<b>65730</b>	<b>72526</b>	<b>79322</b>	<b>81044</b>	<b>82766</b>	<b>83220</b>	<b>82406</b>	<b>85108</b>	<b>83025</b>	<b>124767</b>	<b>219117</b>
<b>Fixed assets</b>																
Long-Term investments																
Property, plant and equipment		3600	3500	3400	3300	3200	3100	3000	2900	2800	2700	2600	2500	2400	1200	4200
Intangible assets																
<b>Total fixed assets</b>	<b>0</b>	<b>3600</b>	<b>3500</b>	<b>3400</b>	<b>3300</b>	<b>3200</b>	<b>3100</b>	<b>3000</b>	<b>2900</b>	<b>2800</b>	<b>2700</b>	<b>2600</b>	<b>2500</b>	<b>2400</b>	<b>1200</b>	<b>4200</b>
<b>Other assets</b>																
Deferred income tax			637	1275	2210	4038	5866	7695	8332	8970	9309	9351	9393	10149	24683	43670
Other																
<b>Total other assets</b>	<b>0</b>	<b>0</b>	<b>637</b>	<b>1275</b>	<b>2210</b>	<b>4038</b>	<b>5866</b>	<b>7695</b>	<b>8332</b>	<b>8970</b>	<b>9309</b>	<b>9351</b>	<b>9393</b>	<b>10149</b>	<b>24683</b>	<b>43670</b>
<b>Total assets</b>	<b>52500</b>	<b>56100</b>	<b>58359</b>	<b>60619</b>	<b>64444</b>	<b>72968</b>	<b>81493</b>	<b>90017</b>	<b>92276</b>	<b>94536</b>	<b>95229</b>	<b>94357</b>	<b>97002</b>	<b>95575</b>	<b>150651</b>	<b>266987</b>

## Appendix 5. Balance sheet, Liabilities

<b>Liabilities</b>																
<b>Current liabilities</b>																
A/P		3600	4853	6108	7484	9231	10980	12727	13980	15235	16364	17372	21897	18890	28532	52856
Short-term loans																
Income taxes payable			637	1275	2210	4038	5866	7695	8332	8970	9309	9351	9393	10149	24683	43670
Accrued salaries and wages																
Unearned revenue																
Current portion of long-term debt																
<b>Total current liabilities</b>	<b>0</b>	<b>3600</b>	<b>5491</b>	<b>7383</b>	<b>9694</b>	<b>13270</b>	<b>16846</b>	<b>20422</b>	<b>22312</b>	<b>24205</b>	<b>25674</b>	<b>26724</b>	<b>31290</b>	<b>29039</b>	<b>53215</b>	<b>96526</b>
<b>Long-term liabilities</b>																
Long-term debt	50000	50000	47917	45833	43750	41667	39583	37500	35417	33333	31250	29167	27083	25000	0	0
Deferred income tax			637	1275	2210	4038	5866	7695	8332	8970	9309	9351	9393	10149	24683	43670
Other																
<b>Total long-term liabilities</b>	<b>50000</b>	<b>50000</b>	<b>48554</b>	<b>47108</b>	<b>45960</b>	<b>45705</b>	<b>45450</b>	<b>45195</b>	<b>43749</b>	<b>42303</b>	<b>40559</b>	<b>38518</b>	<b>36477</b>	<b>35149</b>	<b>24683</b>	<b>43670</b>
<b>Owners equity</b>																
Owners investment	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500
Net profit	0		1814	3628	6290	11493	16697	21900	23715	25529	26496	26615	26735	28887	70253	124291
Retained earnings																
<b>Total owners equity</b>	<b>2500</b>	<b>2500</b>	<b>4314</b>	<b>6128</b>	<b>8790</b>	<b>13993</b>	<b>19197</b>	<b>24400</b>	<b>26215</b>	<b>28029</b>	<b>28996</b>	<b>29115</b>	<b>29235</b>	<b>31387</b>	<b>72753</b>	<b>126791</b>
<b>Total liabilities and owner's equity</b>	<b>52500</b>	<b>56100</b>	<b>58359</b>	<b>60619</b>	<b>64444</b>	<b>72968</b>	<b>81493</b>	<b>90017</b>	<b>92276</b>	<b>94536</b>	<b>95229</b>	<b>94357</b>	<b>97002</b>	<b>95575</b>	<b>150651</b>	<b>266987</b>

## Appendix 6, Income statement

All figures are in Euros (€) <b>Revenue</b>	2011												2011 Total	2012	2013
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Sales revenue	3891	3891	5188	9079	9079	9079	3891	3891	2594	1297	1297	3891	57068	77820	97275
Service revenue															
Interest revenue															
<b>Total Revenues</b>	<b>3891</b>	<b>3891</b>	<b>5188</b>	<b>9079</b>	<b>9079</b>	<b>9079</b>	<b>3891</b>	<b>3891</b>	<b>2594</b>	<b>1297</b>	<b>1297</b>	<b>3891</b>	<b>57068</b>	<b>77820</b>	<b>97275</b>
<b>Expenses</b>															
COGS (152€/bike)	456	456	608	1064	1064	1064	456	456	304	152	152	0	6232	9120	11400
Internet	25	25	25	25	25	25	25	25	25	25	25	25	300	300	300
advertising / marketing	192	192	192	192	192	192	192	192	192	192	192	192	2300	2500	2700
insurances	208	208	208	208	208	208	208	208	208	208	208	208	2500	2700	2700
accounting	200	200	200	200	200	200	200	200	200	200	200	200	2400	2500	2700
vehicle taxes	33	33	33	33	33	33	33	33	33	33	33	33	400	400	400
website	17	17	17	17	17	17	17	17	17	17	17	17	200	200	200
electricity + water	100	100	100	100	100	100	100	100	100	100	100	100	1200	1200	1300
office supplies	8	8	8	8	8	8	8	8	8	8	8	8	100	100	150
rent	200	200	200	200	200	200	200	200	200	200	200	200	2400	2400	2400
IT Equipment & Software													0	500	0
Interest expenses	172,75	172,75	172,75	172,75	172,75	172,75	172,75	172,75	172,75	172,75	172,75	172,75	2073		
<b>Total Expenses</b>	<b>1439</b>	<b>1439</b>	<b>1591</b>	<b>2047</b>	<b>2047</b>	<b>2047</b>	<b>1439</b>	<b>1439</b>	<b>1287</b>	<b>1135</b>	<b>1135</b>	<b>983</b>	<b>18032</b>	<b>21920</b>	<b>24250</b>
Net Income before taxes	2452	2452	3597	7032	7032	7032	2452	2452	1307	162	162	2908	39036	55900	73025
Income tax expense 26%	637,43333	637,43333	935,13333	1828,2333	1828,2333	1828,2333	637,43333	637,43333	339,73333	42,033333	42,033333	755,99333	10149,36	14534	18986,5
<b>Income from continuing operations</b>	<b>1814</b>	<b>1814</b>	<b>2662</b>	<b>5203</b>	<b>5203</b>	<b>5203</b>	<b>1814</b>	<b>1814</b>	<b>967</b>	<b>120</b>	<b>120</b>	<b>2152</b>	<b>28887</b>	<b>41366</b>	<b>54039</b>

## Appendix 7. Startup expenses

<b>Sources of capital</b>		
<b>Owner's investment</b>		
Jukka Ranne	55 %	1 375 €
Janne Jokinen	45 %	1 125 €
<b>Total Investment</b>		<b>2 500 €</b>
<b>Bank Loans</b>		
Osuuspankki, 2 year loan, fixed 4,146		50 000 €
<b>Total Bank Loans</b>		<b>50 000 €</b>
<b>Other Loans</b>		
-		0 €
<b>Total Other Loans</b>		<b>0 €</b>
<b>Startup Expenses</b>		
<b>Buildings / Real Estate</b>		
Purchase		0 €
Construction/remodeling		0 €
<b>Total Buildings / Real Estate</b>		<b>0 €</b>
<b>Capital Equipment list</b>		
Office supplies		500 €
Equipment		600 €
Fixtures		0 €
Machinery		0 €
<b>Total Capital Equipment</b>		<b>1 100 €</b>
<b>Advertising and Promotional Expenses</b>		
Advertising		0 €
Sign		200 €
Print		0 €
<b>Total Advertising and Promotional E</b>		<b>200 €</b>
<b>Other Expenses</b>		
Business registration & legal		300 €
Van		2 000 €
<b>Total Other Expenses</b>		<b>2 300 €</b>
<b>Reserve for contingencies</b>		<b>1 000 €</b>
<b>Working capital</b>		<b>0 €</b>
<b>Summary Statement</b>		
<b>Sources of capital</b>		
Owner's and other investments		2 500 €
Bank Loans		50 000 €
Other Loans		0 €
<b>Total source of funds</b>		<b>52 500 €</b>
<b>Startup expenses</b>		
Buildings & Real Estate		0 €
Capital equipment		1 100 €
Advertising & Promotion		200 €
Other Expenses		2 300 €
Contingency fund		1 000 €
Working capital		0 €
<b>Total Startup Expenses</b>		<b>4 600 €</b>
<b>Gap</b>		<b>47 900 €</b>