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ENTREPRENEURSHIP AND ESTABLISHMENT OF A MILK TEA SHOP IN
FINLAND

Bachelor's Thesis 2013

ABSTRACT

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Keywords

Entrepreneur, Business plan, Marketing, Customer segmentation, product segmentation

The thesis is related to entrepreneurship in Finland and explains more on milk tea business which case company is going to establish. Marketing aspects such as targeting market, customer segmentation and market mix are emphasized.

The objective of study is to offer detailed suggestion for ones who would like to start a business in Finland. Its aims are reducing hardness for new enters, minimizing risks, offering essential analyzing methods and providing useful information.

The research method is mainly action research and meetings and interview were also carried out.

Business plan, market research and market analysis are essential for entrepreneur, detailed elements and aspects should be considered thoroughly.

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1 INTRODUCTION

1.1 Why this topic was chosen

The reason to choose this topic is an idea from two of my friends and me. Three of us were facing the obstacles to find a job in Finland back then. Due to fact that economic crisis and relatively high unemployment rate in Finland, it is difficult to find a job, especially for foreigners whose Finnish language level is low. Hundreds of offers were sent out and responds were sorry and thank you or no response at all. Three of us discussed this situation together and came out an idea to start our own business by opening a shop.

By passing through the process of offering good idea, evaluating it, eliminating it, we all agreed milk tea shop is the best idea. Milk tea (also called bubble tea) is an extremely popular drink in most of Asian countries. It originally started from Taiwan in 1988. There are only two milk tea shops in Finland and both of them locate in Helsinki area. As we researched, their business is doing very well and attracts many customers. The successes of these two shops are huge motivation for us. Another advantage is that competition is not intense at all for milk tea industry in Finland. Finns have the habit to drink something or have some desert in the afternoon like other Europeans, and a coffee shop is a usual place for friends to hang out. At this point, an elaborate decorated milk tea shop with tasteful deserts seems to be a promising business. Competitions from local shops should be considered and compared with dominating position of coffee in Finns drink list, milk tea probably is just an occasional substitute. To make it success requires detailed research and meticulous business plan.

However, starting a business is never easy, especially for doing it abroad. We started from consulting Timo Lehmusmetsä who is a business advisor of Kouvola Innovation Oy. Plenty of useful information, manual on starting a business in Finland and websites were provided by him. We also received a lot of helps and valuable

suggestions from Taimela Sini, lecturer from Kymenlaakson Ammattikorkeakoulu and Peltola Satu, principle lecturer from Kymenlaakson Ammattikorkeakoulu.

1.2 The objective of the thesis

The objective of study is to offer detailed suggestion for whoever would like to start a business in Finland, provide step-by-step instruction, lists essential elements in business plan; point out aspects should be paid more attention in the process of starting a business. Besides, the study itself is a research for our own business; all the sources from advisers, literatures, publications and internet are valuable for entrepreneurs.

As mentioned before, starting a business is never easy. There are many topics related to entrepreneur and marketing field to be studied on, research work to be carried out, financial issues to be took care with. The aim of study is to offer a simpler instruction for the ones who would like to be an entrepreneur in Finland by using our business as a case. By showing what we have done in the process of starting a business, it may make it easier and clearer for new entrepreneurs. Wrong paths and mistakes may be avoided for them as well.

1.3 Methodological approach

1.3.1 Research process

According to Quinlan (2011, 5) a research project can be simply categorized into four frameworks: Conceptual framework, theoretical framework, methodological framework and analytical framework. More detailed process of research is demonstrated in figure 1.

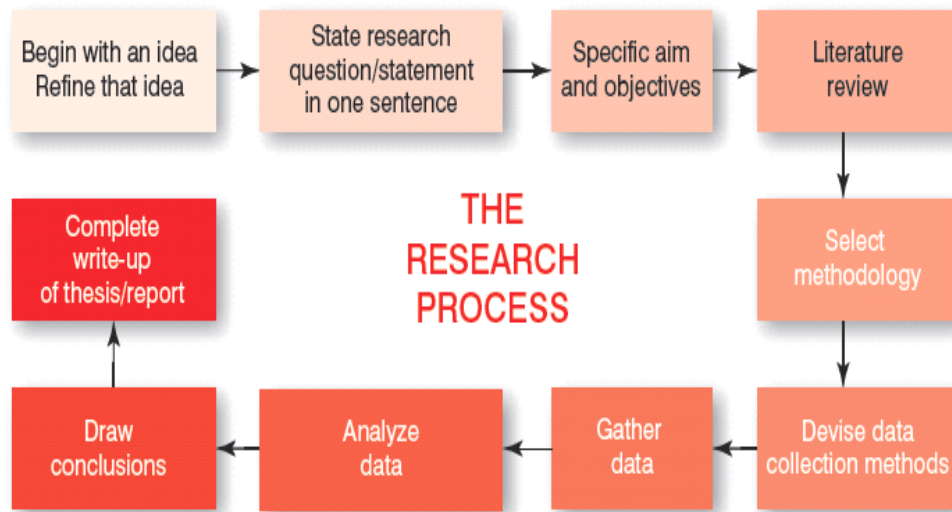


Figure 1: The research process (Quinlan 2011, 4)

As the figure 1 shows, first one must have an idea for research project or thesis, and then try to express it with one sentence which includes key words of the idea. The objectives of research should be clarified, what kind of question the research should answer or what solutions should be found. After that, list the literature which is going to be read for research project. Then, there are many research methodologies and data to be chose that will be mentioned later. Data collection is crucial in research process. Basically, the method of data collection depends on the method of research. The more data, the better quality of research work.

1.3.2 Research methodology

As mentioned before, there many research methodologies to be choose from, Quinlan (2011, 177) states that the chosen methodology should support and help the research development. Select the most appropriate methodology for research project is important. The most common methods are survey and case study. However, there are other ones such as: experimental design, ethnography, action research, grounded theory, content analysis, discourse analysis, documentary analysis, narrative analysis, image-based analysis, feminist research and so on.

The method used in this thesis is action research. Quinlan (2011, 183) defined action research is used to make changes, development or improvement for a company or a team. It can collect quantitative or qualitative data or both. Unlike the most research methodology, action research process is cyclical than linear as figure 2 shows.

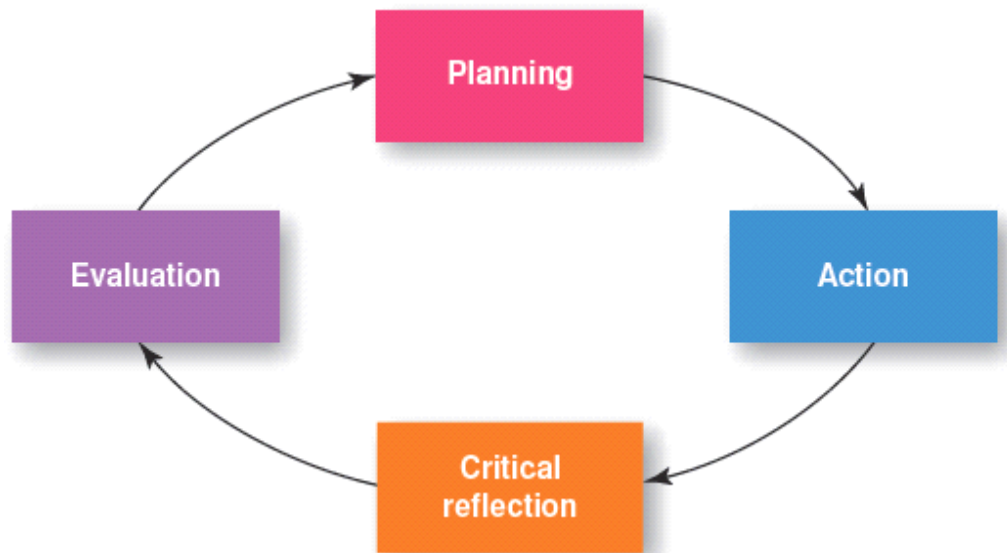


Figure 2: The process of action research (Quinlan 2011, 16)

As the figure 2 shows, the first step in action research is that there is a plan to achieve or improve something, then is the action of this plan, third step is identify the critical reflecting and drawbacks of the plan after acting it, the fourth step is to evaluate the disadvantages of the plan and find solutions or alternatives for them. It could be a circulation since after evaluation the plan can be modified or replanned to start again in order to make the plan better and better.

The purpose of this thesis is to answer the question how to establish a milk tea shop in Finland and how to make it success. Most of the research sources are from literature, publication, internet, Finnish Enterprise Agency, interview and meeting. The interview took place in 2012 with Business Advisor Timo Lehmusmetsä from Kouvola Innovation Oy. The meetings were with lecturer Taimela Sini from

Kyminlaakson Ammattikorkeakoulu.

1.4 Brief company introduction

The company my friend and I would like to open is milk tea shop which is going to locate in Tampere region. Tampere is a city in southern Finland and has a population of over 340,000. It is the second largest city in Finland after the great Helsinki area. The shop is going to open on the pedestrian street of Tampere. Shop area would be 50~60 square meters with the capacity of around 30 people. Company Products include milk tea, all kinds of Chinese tea, deserts, shaving ice with fruit and red bean and fruit salad with yogurt. Teenagers and customers age from 18-30 are targeted group. The shop decoration, advertisements as well as products will all coincide with company image which is colorful, cheerful and healthy.

2 BRIEF DESCRIPTION OF ENTREPRENEURSHIP

In this chapter, the entrepreneurial activity both in the world and in Finland will be introduced in section 1 and 2. In section 3, the advantages and disadvantages of entrepreneurship are discussed. In the last section, the importance of creativity and innovation in entrepreneurship and of the bright and feasible business idea are mentioned.

2.1 Worldwide entrepreneurial activity

According to Zimmerer, Scarborough and Wilson (2008, 2-3), the entrepreneurial activity is keep increasing globally. Take United States as an example. Each year there are more than 850,000 new businesses are conducted by entrepreneurs. One of the reasons for the thrive in entrepreneur is that more and more world's largest companies are laying off employees. The dismissed people are often one with years of experience who have business idea and capable of starting a new business. Besides, the high risk in starting a business by oneself is no longer to be seen as a problem since one's career in large company that should be solid secure can also be ended easily.

One of studies conducted by Global Entrepreneur Monitor (GEM) clearly demonstrates the proportion of early-stage entrepreneurial activities for each country.

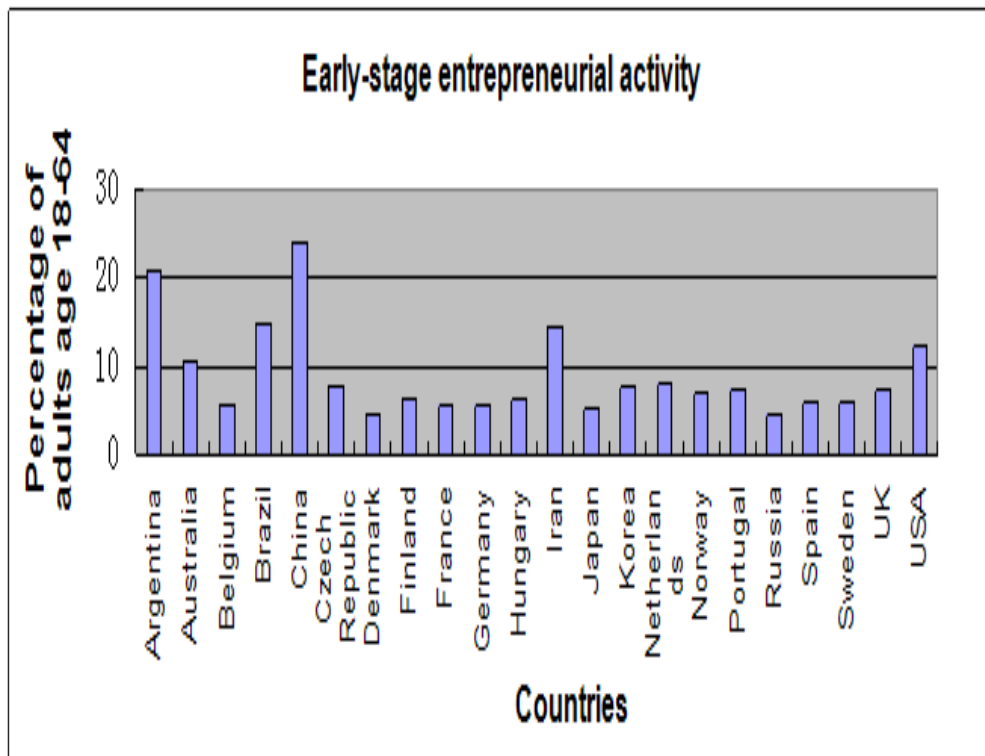


Figure 3: Worldwide early stage entrepreneurial activity (Data from GEM 2011 Global Report 2012, 11).

According to Kelley, Singer, and Herrington (2012, 5), during the survey, 140,000 adults whose age from 18 to 64 years old were interviewed in 54 economies. Base on the research, the estimated entrepreneurs who were involving in starting and running new business were 388 million all over the world.

In Figure 3, some typical countries are taken to as examples, generally, as Zimmerer, Scarborough and Wilson (2008, 2-3) concluded: Economies in North, South and Latin America lead the figure in early-stage entrepreneurial activity while Asian countries were in the lowest level. In Europe, figures were not differing a lot from country to country. In one word, entrepreneurs play an important role in world economic and the future of entrepreneurial activities seems to be promising.

2.2 Enterprise in Finland

When focusing on starting a business in Finland, the situation is not optimistic at the moment. According to the report of Statistics Finland, the openings of enterprise in Finland are keeping declining since 2012 due to the weak economic environment. As the latest statistics showed: the number of enterprise openings in third quarter of 2012 dropped by 2.9% when compared with corresponding quarter of 2011. Trade industry in Uusimaa region is was the highest both in openings and closures figures.

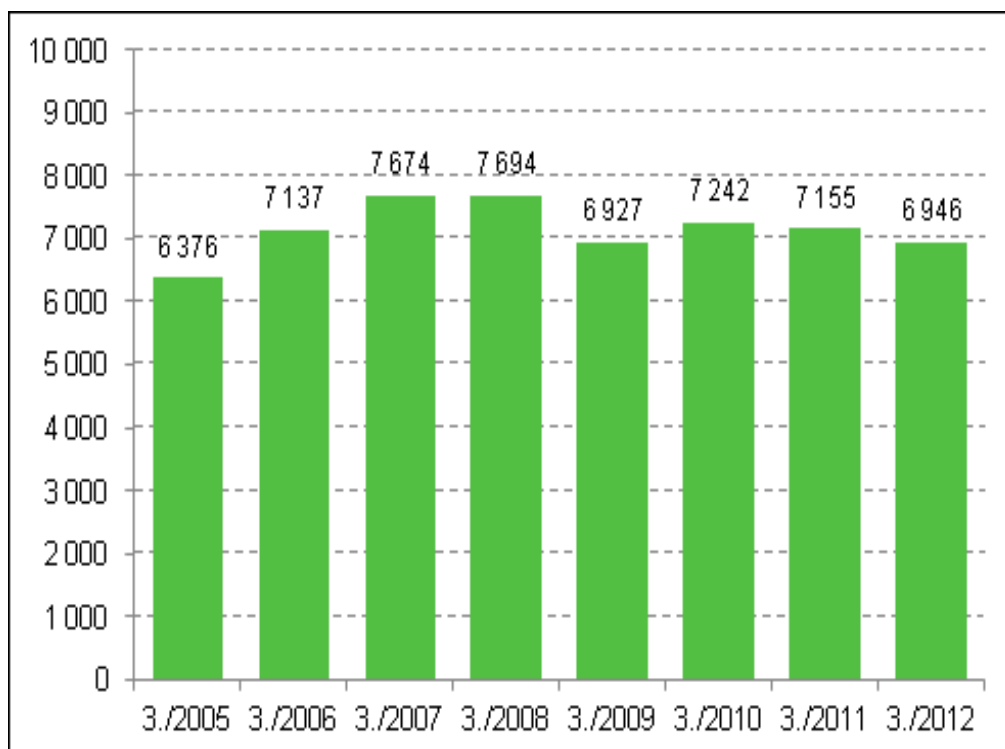


Figure 4: Enterprise openings of Finland in third quarter 2012 (Data from Enterprise openings and closures, Enterprise openings, 2012 3rd quarter, Statistics Finland).

According to the figure 4, there were 6,946 enterprise openings in the third quarter in 2012 while in the corresponding period of 2011, this figure was 7,155. As the statement of Enterprise openings and closures, Statistics Finland (2012) concluded: The openings of enterprise were highest in trade as mentioned before, whose number was 1,142, accounted for 16, 4% of all openings in third quarter of 2012. Followed by construction industry 1,123 (16.2%) and

professional, scientific and technical activities 1,100 (15.8%).

For municipalities, there were 1,235 openings of enterprise in third quarter of 2012 in Helsinki, followed by Espoo (360), Tampere (337), Vantaa (276) and Turku (269).

However, the closures of enterprise in the second quarter of 2012 decreased as well as figure 5 showed.

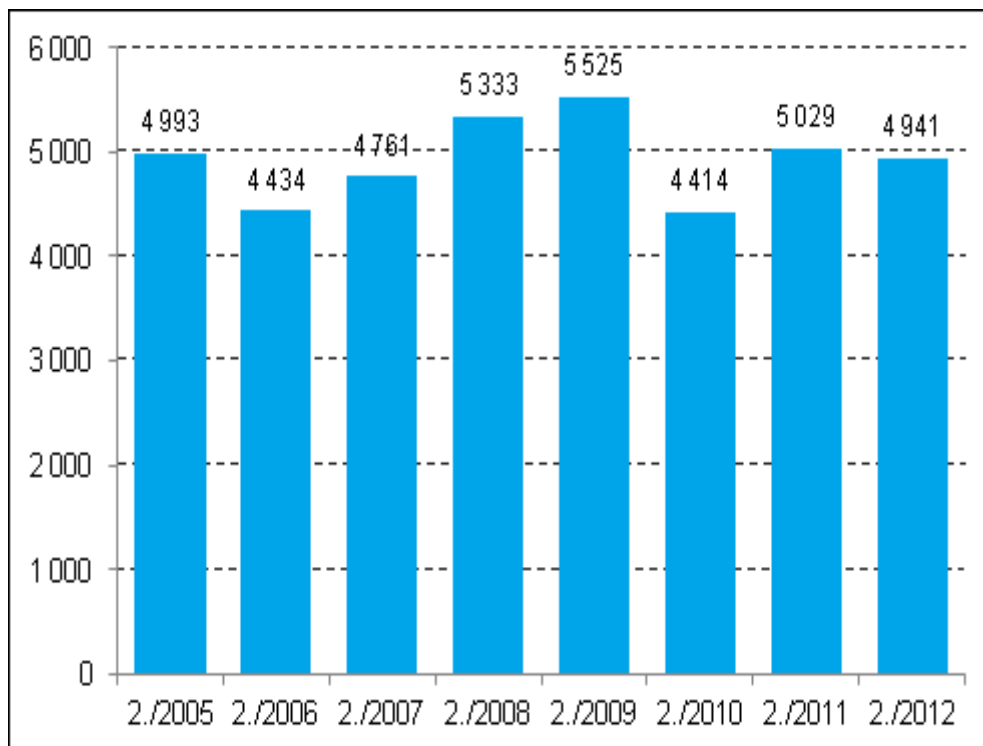


Figure 5: Enterprise closures of Finland in second quarter 2012 (Data from Enterprise openings and closures, enterprise closures, 2012 2nd quarter. Statistics Finland).

Enterprise openings and closures, Statistics Finland (2012) stated that there were 4,941 enterprise closures in the second quarter of 2012 while the number of corresponding period in 2011 was 5,029, decreased by 1.7%. For municipalities, the highest figure is Helsinki where 857 enterprises closed followed by Espoo (246), Tampere (215) and Vantaa (196).

It seems that the situation is not optimistic for the ones who would like to establish a company at the moment since according to the

statistics the openings of enterprise is declining for a long time. More people have to give up the ideas to start a business under the current economic conditions. However, the closures of enterprise was decreased as well which probably is a good news since it maybe the sign of the recovery of economy.

2.3 Benefits and drawbacks of entrepreneurship

Most of the entrepreneurs choose to establish their own business because they believe it is a better way to prove them, achieve the goal and live a better life. Zimmerer, Scarborough and Wilson (2008, 8) mentioned that a survey conducted by Gallup Organization showed 86% of small business owner would choose to the same path if they had it to do all over.

Establishing a company by oneself is an opportunity to control one's own life and destiny, to make the dream come true and to achieve the goal. Veerabhadrapa (2009, 100) stated as an entrepreneur, you are your own master. Many people find out that working for someone else can be exhausted or boring. Sometimes, even wasted one's whole life on a job that he\she does not interested at all, dreams were just passed by. Entrepreneurship is the best way to inspire one's full potential towards goals and dreams. In the stages of establishing and running a company, there are plenty of elements to consider, data to analyze, decisions to make, paperwork to do, it is definitely a hard way. On the other hand, during this process, one's potential can be aroused since most entrepreneurs chose to do business within the field that he\she genuinely like. It is actually a process of enjoying the feeling to control oneself, to learn management skills, to solve the problem, to create self-satisfaction and to make the dream come true.

Profits are another benefit of entrepreneurship. According to Zimmerer, Scarborough and Wilson (2008, 9), most entrepreneurs are not super-rich, however many of them become quite rich. Among the Forbes list of the 400 richest Americans, 75% are first generation

entrepreneurs. Research showed that the opportunity of people who self-employed to become a millionaire is four times than the ones who work for others.

Besides, establishment of a company creates jobs and social value. Business owners may earn respect from both employees and neighbors since all kinds of businesses base on honest and trust. Zimmerer, Scarborough and Wilson (2008, 9) referred that National Federation of Independent Businesses found that 78% of Americans think small business gives a positive influence on States' direction.

In order to establish a company, many people invest all the savings or money borrowed from friends and relatives or loan from bank; anyway, there is a high risk that this money may never be earned back. Recent research showed that 35% of new business fail within two years, 54% close within four years. Before make the decision, entrepreneurs should consider the worst scenario and prepare for possible ways to lower the risk. Besides, the income for entrepreneurs is not as steady as regular job. Sometimes, the income index is negative for months which require liquidity as backup.

Before the business gets established, entrepreneurs usually live under pressure and anxiety because of the long work hours and all the detail things to do. In a survey conducted by Dun and Bradstreet (2002, 35), 65% of entrepreneurs spend more than 40 hours per week to their business as the figure 6 shows.

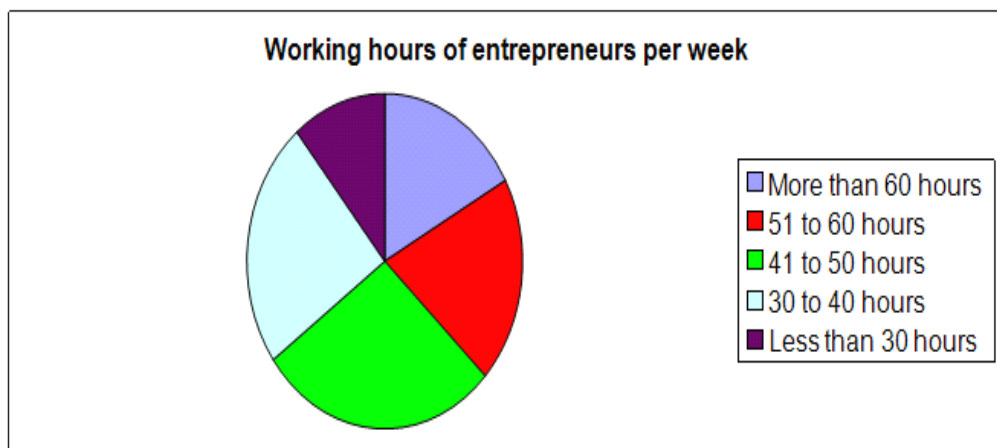


Figure 6: Working hours of entrepreneurs per week (Data from 21st Annual Small Business Survey Summary Report, 2002, 35).

According to Acs, Arenius, Hay and Minniti (2004), half of entrepreneurs start their businesses at age between 25 and 39 years, which is the common age for marriage and raising baby. Starting own business at this age usually makes the entrepreneurs lack of energy and time to build a family or take good care of one. Zimmerer, Scarborough and Wilson (2008, 14) concluded that marriages, families and friendships often become casualties of small business ownership. Figure 7 demonstrates entrepreneur age when business was launched.

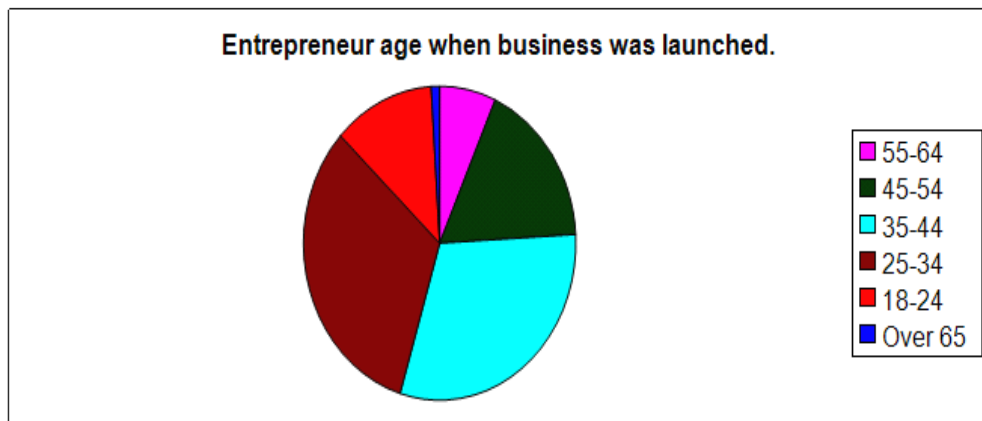


Figure 7: Entrepreneur age when business was launched (Data from Global Entrepreneurship Monitor, 2004).

2.4 Business ideas, creativity and innovation

Business idea is crucial for entrepreneurs. The idea is preferable within the field that entrepreneur familiar with or interested in. Operating a business in a familiar industry is easier than operating it in a new, unfamiliar field and the risk can be minimized as well. Becoming an Entrepreneur in Finland (2011, 9) summarized that business idea should answer the questions: what, to whom, and how.

First is to decide what kinds of products or services or the combination of two are going to be produced. Usually, the more

unique idea, the less competition. Bennis (1997, 86) said the quality of business idea determine the live or dead of a company. Creativity is key element in forming business idea which will be explained later. Second is to think about the target group and location of products or services. Recognize what is the customer needs, do they prefer better quality or cheaper price, will they choose simple and easy to use products or complex, high tech ones, where do they often buy same kind of products or services. Market research or survey can be conducted if condition is allowed. However, the result of research may be fault to demonstrate customers' buy behavior. For example, when asked will you buy this product when it is launched into market. Most answers are positive but the truth is they highly possible won't buy it. Third one is to consider the ways to implement a business idea, to transform an idea into a product or service. Whether to buy or rent a place for selling or sell through internet; what is the cost of it; find out reliable supplier and distributor; calculate the procurement of machinery and equipment; calculate the personnel needed, evaluate the way of advertisement, estimate the total investment to launch the business and consider the ways to get finance support.

As mentioned before, creativity and innovation are vital in forming a business idea. Zimmerer, Scarborough and Wilson (2008, 49) defined that creativity is the ability to come up with new ideas and find new solutions for problems and opportunities, while innovation is the ability to apply solutions. Mellor, Coulton, Chick, Bifulco, Mellor and Fisher (2010, 8) though that a bright business idea in first factor to build a successful firm, the second factor is people involved and third one is the network.

World is changing fast at present, customers' preference and buy behavior is changing as well, all of these requires creativity and innovation for a company to survive in the market. Few years ago, few people use touch screen smart phones, nowadays almost everyone uses them. The companies who are lack of creative thinking and foresight are eliminated or losing competitiveness in the

market. Small companies often rely more on creativity and innovation to compete with larger and stronger rivals. Heights and CHI Research (2003) found out that small companies produce more economically and technically important innovations than big companies. Heights and CHI Research analyzed 193,976 patents which were registered by 1,071 companies between years of 1996 to 2000. The starting line was set at the firms holding 15 patents at least. Among the companies who owned 15 to 44 patents, there were 260 small companies and 202 large ones which are showed in the table 1.

Table 1: Number of companies by patents (Heights and CHI Research 2003, 7)

Patents 1996-2000	Large	Small	Unknown	Total
15-44	202	260	23	485
≥45	486	96	4	586
≥15	688	356	27	1,071

Creative thinking can be in many ways. It often takes the time to observe and requires deep understanding on market as well as customers. It can be result from find new solutions for old problem, or from using latest technology to produce something simpler, more effective and better quality, or from applying multiple ways to cut down the cost to produce something cheaper, more often, from introducing new staff to a market. Innovation, on the other hand, is a constant process. However, not all the creative ideas can be applied successfully, failure always comes with innovation. It is a process to find the problem, correct it and applied it again.

The key of creativity and innovation is to think outside of the box, pay less attention to rules and what other companies usually do, observe the present and try to forecast the future. It is important to take one step first than anyone else.

3 ESSENTIALS FOR ESTABLISH AN ENTERPRISE

In this chapter different definitions of business plan will be introduced, in the first section, there is a discussion on why business plan is needed and what kind of role it plays in business operation. A detailed form of business plan will be showed in the first section as well.

3.1 Business plan

Zimmerer, Scarborough and Wilson (2008, 134) defined the business plan is a report which includes the entrepreneur's proposed business idea, how this idea can be applied, analysis of market, competitor and customer to show opportunity of the idea, financial document and personnel involved in the business operation as well as the ability of these personnel. Mellor et al. (2010, 63) described the business plan is a combination of idea, strategy, market analysis and market penetration, which should be easy to understand for readers. Pinson (2005, 1) considered the business plan as a guidebook for a company towards success and profit, it also should be a convictive report to lender and investor to invest into the company.

3.1.1 Why business plan is needed

Basically, a company can benefits a lot from a good business plan. It is the blueprint to give the direction to the entrepreneur and enterprise. Business plan offers clearly goals and the path to achieve these goals. It is also a provement of entrepreneur's determination and thoroughly consideration of all aspects. It works as a tool for entrepreneur to analysis and adjust the strategy in order to become more competitive and profitable. It provides help in the lead ship of

entrepreneur. If the business plan is the work of all the employees' wisdom, the implementation of it makes the company becomes more united and determined since everyone has their own target and everyone involved in planning the future of company.

Another reason to write a detailed business plan is that it is the document to attract lenders and investors. Some of the entrepreneurs use their own savings to establish a company, some borrow from friends or relatives, more often, some try to get financial support from lenders and investors. A promising plan is very helpful to increase the possibility of that. According to Mellor et al. (2010, 63) , even though the banks are becoming more and more flexible on supporting small and middle size enterprise, the average rejection rate on such cases is 50%. Under this situation, a convictive business plan is all that matters. What lenders and investors would like to sense from a business plan is the likelihood of whether the entrepreneur can pay the interest back on time or whether the return on investment ratio is high. Profit and success are the ultimate goal for most of them. One of the purposes of business plan is to persuade lenders and investors to open their purse without ask too much from entrepreneur.

First is entrepreneur's credit history which includes credit card, car loan, personal loan or mortgage. Entrepreneur's credit score will be checked and risk level of credit will be evaluated. Secondly, they will look for collateral that entrepreneur has and the willingness of entrepreneur to deposit tangible assets in order to get loan from lenders. Thirdly, lenders have to know that entrepreneur will pay back their loan and interest on time, plus left the cash flow that will allow the company's continually running. On the other hand, investors pay more attention on company's potential and development. Fourthly, lenders and investors focus on market as well, it is best to provide them the market demand for company's products or services, if products or services are unique and there is risk that other company will copy it, entrepreneur should consider registering products or

services through copyright, patent or trademark. Lenders and Investors will exam whether the goal of company is realistic in the market and last but not least, they pay a lot of attention on marketing plan which will be discussed on section 3 of this chapter.

3.1.2 The form of business plan

About the length of a business plan, there are different requirements in different countries. In UK, it is between 2 to 300 pages, in USA it is 25 to 40 pages. For most of the companies, it is preferable around 30 pages. Since if business plan is short it may be not that convictive, if it is too long, possibly no one will read it thoroughly. Pinson (2005, 67) give the detailed requirements for business plan in UK: margin on 2, 5 cm; font size from 11 to 13; font size for title between 11 to 16 and 1, 5 line-spacing. For the elements in business plan, table 2 will show clearly.

Table 2: Elements in business plan (Zimmerer, Scarborough and Wilson 2008, 153-156; Pinson 2005, 6-113; Mellor et al. 2010, 67-74)

Executive summary (Summary of business plan)	Name, address, phone number of company and key people; Description of business, products and services; Overview of market and strategy; Financial request and how much money is needed; How the money will be used and repaid.
Description of business	Company's mission; Industry background; Industry trends and growth rate; Company goals and objectives.

Business Strategy	Image and position in market; SWOT analysis; Competitive strategies.
Products and services	Features of products or services; Warranties and guarantees; Intellectual Property: trademark, copyright and patent; Production process: raw material, equipment and machineries, suppliers; Products or services development.
Marketing strategy	Market size and trend; Demographic profile; Customer buying behavior; Advertising: media to use and costs; Pricing: fixed and variable cost, image, competitor' price; Distribution.
Location	Demographic analysis; Rental rates; Labor available; Salary rates; Size of store or factory; Facilities: kitchen, disabilities path; Decoration;

	Capacity of customers; Layout plan.
Competitors Management and personnel	Existed ones: SWOT analysis; Potential ones; Benchmarking; Managers and employees: background, education level, strengths, experience; Form of ownership; Company structure.
Financial documents	Business financial statement; Cash flow statement; Income project; Break-even analysis; Balance sheet.
Loan or Investment	Required amount; Plan to use funds; Payback schedule;
Supporting documents	Personal resumes; Owner's financial statement; Credit report; Rental agreement; Reference letter: business reference and personal reference; Contracts: equipment purchase agreement, vehicle purchase agreement

	<p>and service contract;</p> <p>Legal documents: partnership agreements, business licenses, licensing agreements, insurance policy agreements, copyrights, trademark and patents.</p>
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It seems that writing a business plan is a huge project but it can be differ from business to business, for some industries or companies, entrepreneur should focus on the key elements on table 2 which are marketing and financial issues. As a matter of fact, the process of making business plan is an opportunity for entrepreneur to exam the omitted point, avoid potential risk. Entrepreneurs may feel difficult while making the business plan but keep in mind that every little effort at the moment may lead to big success in the future. As Pinson (2005, 2) said: The business that fails to plan plans to fail.

3.2 Financial plan

Financial plan is one of the most important elements in business plan; it serves not only as an assistant to attract lenders and investor, but also as a guide to make profit for a firm. Firstly, if entrepreneur need financial support from lenders and investors, it is suggested to write a document which includes the reason to apply for a loan or fund; the amount of money needed; the dispersal plan of funds or loan.

Secondly, in order to show entrepreneur's projection for future operation and profitability of company, a pro forma statement is needed. In pro forma statement, usually there are cash flow statement, income projection and break-even point analysis. According to Pinson (2005, 78), cash flow statement is an estimation of how much money will come in or out of a company within a certain period. While Zimmerer, Scarborough and Wilson (2008, 387) defined it as a financial statement to demonstrate the changes of company's working capital with amount flow in and flow out. However,

cash flow statement refers only to actual cash transaction, things like depreciation is not included. It helps entrepreneur to control the balance of company' expense and profit to maintain the proper running. Zimmerer, Scarborough and Wilson (2008, 387) also consider cash flow statement is too complicated to be done or used by entrepreneur or owner, it is more often used by accountant or financial officer. Anyway, table 3 is a simple example of cash flow statement and table 4 is an example of three-year income projection.

Table 3: Example of cash flow statement (Epstein et al. 2007, 101, quoted in Wikipedia,cash flow statement)

Cash flows from (used in) operating activities		
Cash receipts from customers	9,500	
Cash paid to suppliers and employees	(2,000)	
Cash generated from operations (sum)	7,500	
Interest paid	(2,000)	
Income taxes paid	(3,000)	
Net cash flows from operating activities		2,500
Cash flows from (used in) investing activities		
Proceeds from the sale of equipment	7,500	
Dividends received	3,000	
Net cash flows from investing activities		10,500
Cash flows from (used in) financing activities		
Dividends paid	(2,500)	
Net cash flows used in financing activities		(2,500)
-		
Net increase in cash and cash equivalents		10,500
Cash and cash equivalents, beginning of year		1,000
Cash and cash equivalents, end of year		\$11,500

Table 4: Three-year income projection (Pinson 2005, 91)

Three-Year Income Projection

Business Name:

Updated: September 26, 2002

	YEAR 1 2003	YEAR 2 2004	YEAR 3 2005	TOTAL 3 YEARS
INCOME				
1. SALES REVENUES	500,000	540,000	595,000	1,635,000
2. Cost of Goods Sold (c-d)	312,000	330,000	365,000	1,007,000
a. Beginning Inventory	147,000	155,000	175,000	147,000
b. Purchases	320,000	350,000	375,000	1,045,000
c. C.O.G. Avail. Sale (a+b)	467,000	505,000	550,000	1,192,000
d. Less Ending Inventory (12/31)	155,000	175,000	185,000	185,000
3. GROSS PROFIT ON SALES (1-2)	188,000	210,000	230,000	628,000
EXPENSES				
1. VARIABLE (Selling) (a thru h)	67,390	84,300	89,400	241,090
a. Advertising/Marketing	22,000	24,500	26,400	72,900
b. Freight	9,000	12,000	13,000	34,000
c. Fulfillment of Orders	2,000	3,500	4,000	9,500
d. Packaging Costs	3,000	4,000	3,500	10,500
e. Salaries/Wages/Commissions	25,000	34,000	36,000	95,000
f. Travel	1,000	1,300	1,500	3,800
g. Miscellaneous Selling Expense	390	0	0	390
h. Depreciation (Prod/Service Assets)	5,000	5,000	5,000	15,000
2. FIXED (Administrative) (a thru h)	51,610	53,500	55,800	160,910
a. Financial Administration	1,000	1,200	1,200	3,400
b. Insurance	3,800	4,000	4,200	12,000
c. Licenses & Permits	2,710	1,400	1,500	5,610
d. Office Salaries	14,000	17,500	20,000	51,500
e. Rent Expense	22,500	22,500	22,500	67,500
f. Utilities	3,000	3,500	3,600	10,100
g. Miscellaneous Fixed Expense	0	0	0	0
h. Depreciation (Office Equipment)	4,600	3,400	2,800	10,800
TOTAL OPERATING EXPENSES (1+2)	119,000	137,800	145,200	402,000
NET INCOME OPERATIONS (GPr - Exp)	69,000	72,200	84,800	226,000
OTHER INCOME (Interest Income)	5,000	5,000	5,000	15,000
OTHER EXPENSE (Interest Expense)	7,000	5,000	4,000	16,000
NET PROFIT (LOSS) BEFORE TAXES	67,000	72,200	85,800	225,000
TAXES				
1. Federal, S-Employment	21,700	24,200	28,500	74,400
2. State	4,300	4,800	5,700	14,800
3. Local	0	0	0	0
NET PROFIT (LOSS) AFTER TAXES	41,000	43,200	51,600	135,800

Pinson (2005, 90) pointed out the difference between income projection and cash flow: income projection records only projected

income and deductible expenses. The project needs to be as realistic as possible which requires entrepreneur to anticipate the sales. Market capacity and trend should be paid attention when forecasting. In order to make the anticipation accurate, Zimmerer, Scarborough and Wilson (2008, 390) suggested entrepreneur to consult from owners of existing company in same business. Annual financial reports or statistics are other references.

Break-even point analysis is another key factor in pro forma statement. It means that at this point, company' revenue and costs are exactly equal which means company are not earning or losing money. By calculating break-even point, a company would have a clear vision on what is the minimum quantity of products that should be sold to make profit. There are three elements in break-even point: fixed costs, variable costs and total sale.

The mathematical formula is Break-even point (Sales) = Fixed costs + [(Variable costs/Revenue * Sales)], or simpler calculate by units: Break-even point (units) = Fixed costs / (Price per unit - Variable costs). It can also be showed as a graph:

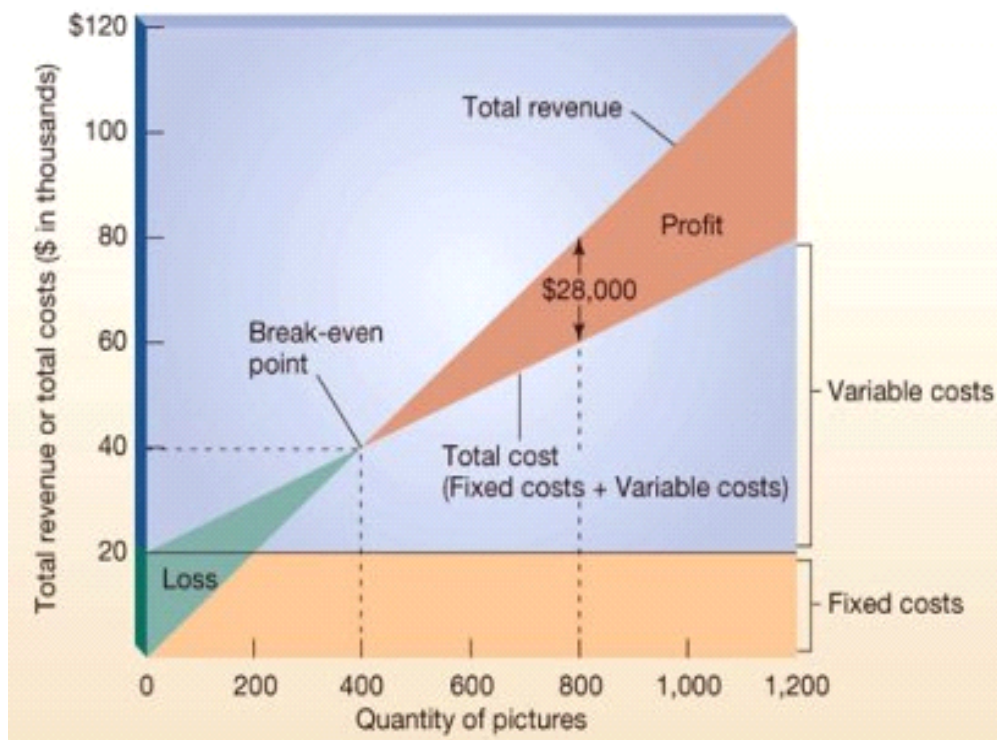


Figure 8: Breakeven point (Pak Agus Sudono, 2011)

Thirdly, a balance sheet is needed in financial statements. As Zimmerer, Scarborough and Wilson (2008, 384) and Pinson (2005, 95) defined balance sheet is a financial statement shows a company' financial position at a certain time. Usually it is done at one company' operating circle. Assets, liabilities and net worth (equity) form the balance sheet and relationship among them follows the mathematical formula:

$$\text{Assets} - \text{Liabilities} = \text{Net worth (Equity)}.$$

Figure 9 shows the detailed components of balance sheet and table 5 is an example of it.

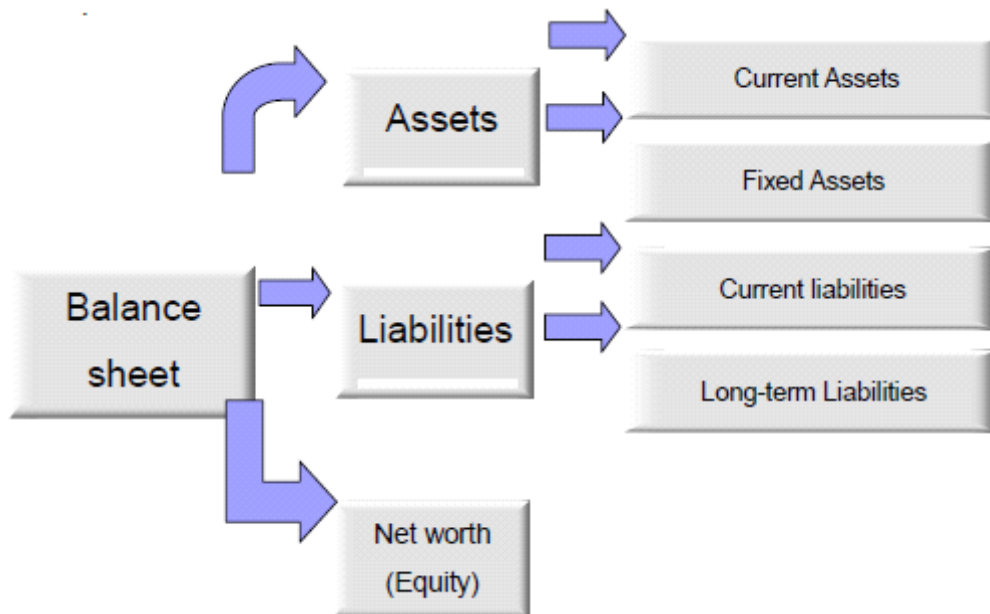


Figure 9: Components and their relationship of balance sheet

Current includes cash, accounts receivable and assets can be converted into cash (inventories); fixed assets are lands, buildings, equipment and vehicles which can be used for long time in business; current liabilities are payables that should be paid in short time period such as wages or taxes while long-term liabilities are mortgage, business loans and note payable.

Table 5: Balance sheet (JNB Printman Publishers Private LTD)

Balance Sheet

For the Year End 2001 through 2005
(all numbers in 000s)

ASSETS	2001	2002	2003	2004	2005
Current Assets					
Cash and Equivalents	\$32,615	\$20,576	\$295,794	\$261,237	\$432,893
Net accounts receivable	563,995	361,644	376,110	391,154	469,385
Inventory	500,148	470,693	485,400	500,654	574,162
Other current assets	10,000	10,000	10,000	10,000	10,000
Total Current Assets	\$1,106,758	\$862,913	\$1,167,304	\$1,163,046	\$1,486,440
Fixed Assets					
Capital assets	\$100,000	\$600,000	\$600,000	\$1,100,000	\$1,600,000
Accumulated depreciation	84,000	172,200	264,810	362,051	464,153
Total Net Fixed Assets	\$16,000	\$427,800	\$335,190	\$737,950	\$1,135,847
TOTAL ASSETS	\$1,122,758	\$1,290,713	\$1,502,494	\$1,900,995	\$2,622,287
LIABILITIES					
Current Liabilities					
Accounts payable	\$263,520	\$224,895	\$233,712	\$242,896	\$280,910
Short-term notes	70,000	0	0	0	0
Other short-term liabilities	0	0	0	0	0
Total Current Liabilities	\$333,520	\$224,895	\$233,712	\$242,896	\$280,910
Long-term liabilities	\$225,000	\$195,000	\$45,000	\$45,000	\$45,000
Total Liabilities	\$558,520	\$419,895	\$278,712	\$287,896	\$325,910
Shareholders' Equity					
Capital stock	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Retained earnings	444,238	750,818	1,103,782	1,493,099	2,176,377
Total Shareholders' Equity	\$554,238	\$860,818	\$1,213,782	\$1,603,099	\$2,286,377
TOTAL LIABILITIES & EQUITY	\$1,112,758	\$1,280,713	\$1,492,494	\$1,890,995	\$2,612,287

Basically, financial statement is the most difficult part when making a business plan since there are plenty of numbers and calculations to deal with. Many of the owners of small businesses do not have a financial plan or use it as a tool in management. The importance of financial statement is ignored. It is suggested for entrepreneurs to ask help from an accountant or person from related field to do financial statement. However, in Finland, there is a simple vision of it which is easier for entrepreneurs to start with and it will be introduced in chapter 5.

3.3 Marketing plan

Marketing plan is most important part in business plan and marketing itself is crucial for any business, chapter four will expound more about marketing. Generally, a marketing plan should consist of goals and objectives of marketing strategy; market analysis; marketing strategy and customer relationship.

According to Pinson (2005, 69), in market analysis, the target market should be determined firstly, competitors and market trend must be analyzed and marketing research should also be conducted. While in marketing strategy part, product, price, place and promotion are key elements, SWOT analysis should be carried out against market, competitors or products. Besides, public relations and networking should also be considered.

4 MARKETING

4.1 Concept and scope of marketing

Kotler and Keller (2009, 45) define marketing simply is to locate and meet human and social needs profitably. Marketing can be defined socially or managerially. A social one defines the marketing as a tool to provide higher living standard while managerial one defines marketing is an art more than selling. The real goal of marketing is to understand customer and produce products or services to meet his/her needs. While Fahy and Jobber (2012, 5) define marketing the process to better meet and exceed customers' needs than competitors to achieve company goals. There are three conditions for the definition: firstly, company must pay attention on creating customer satisfaction instead of simply producing. Secondly, creating customer satisfaction should be conducted by all the departments in company rather than just marketing department. Thirdly, belief that company goals can be achieved by creating customer satisfaction is needed. After all, customers' value is emphasized for all marketing concepts. Marketing is the way to attract and retain customers by

creating customer value. Jobber (2007, 15) states an equation about it:

Customer value = perceived benefits - perceived sacrifice.

Perceived benefits are what customers can benefit from products or services, while perceived sacrifice is what customers have to pay for products or services, it could be money, time and energy.

Most of people consider the scope of marketing is products or service; actually, it is wider than that. Kotler and Keller (2009,46) categorized others that can be marketed: a show or performance, experiences such as Disney park, a person, a city or state, properties such as real estate or stock, organizations and ideas. Fahy and Jobber (2012, 17) also mentioned that an educational institution can also be marketed and intensive competition forces more and more universities or colleges are starting to marketing itself.

4.2 Market segmentation

Before the market segmentation was introduced, most of the company use mass marketing method which means one product for all kinds of customers, even though mass marketing can normally cover the greatest potential market and make the lowest costs and price, with the increasing of costs of raw material, transportation, labor force and advertisement, more and more companies seek to segment market by consumers' needs. Kotler and Keller (2009, 248) and Jobber (2007, 275) all pointed out that market segmentation is about to identify the similar needs of individuals or organizations in order to create a market mix especially for them. There are very few products or services that meet needs of all customers. Each of customers has his/her own requirements and some of them shares

same requires. When customers who have same needs are in relatively high number, it is a market segmentation to be identified. For example, airlines offer first class, business class and economy class to target on different customers. Normally, first and business class are in the front of aircraft where noises are minimum and most convents to broad and deplane. Some of aircrafts' first class is in second floor where other passengers are not allowed to go to. It is because that airline companies identify first and business class customers are seeking for not only comfortable and convince but also privilege and status.

Jobber (2007, 276) concluded four benefits of market segmentation as figure 10 shows.

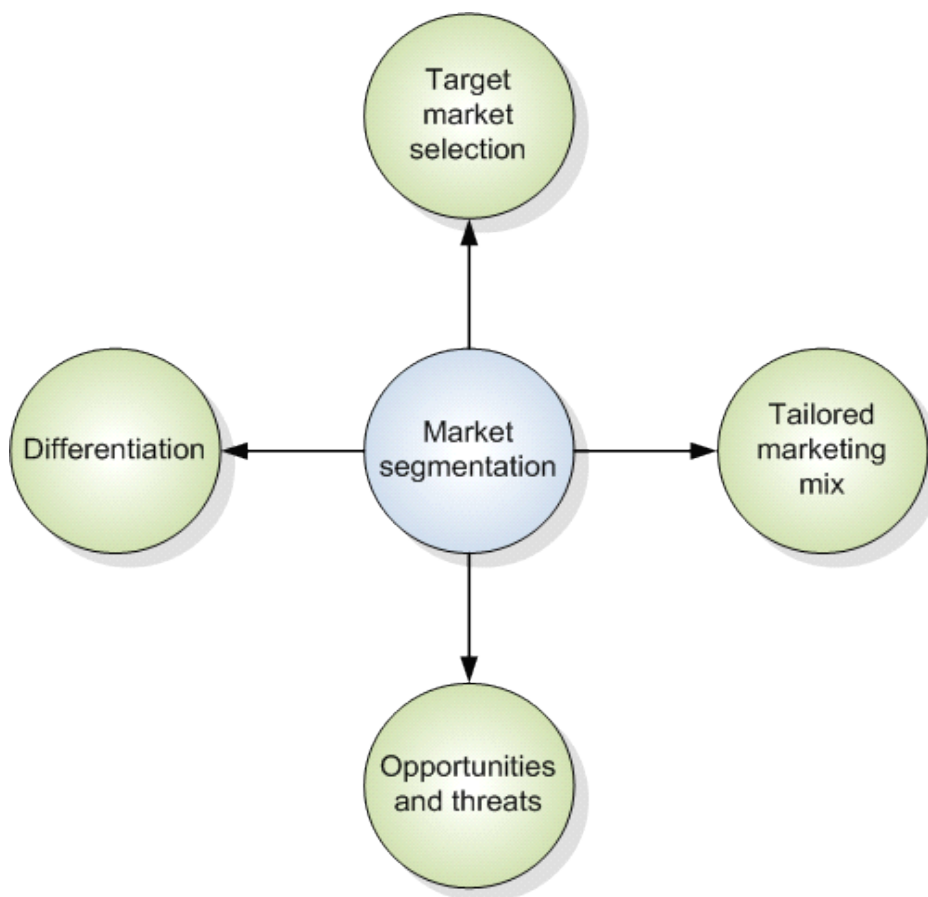


Figure 10: The advantages of market segmentation (Hake, 2012)

The first benefit of market segmentation is selection of target market. Customers in the target market have the same requirements toward a product or service. company can make one market mix strategy which is product, price, place and promotion to serve this group of customers. New segmentation may be found if decision-makers of company are creative. It is also possible to create more customer satisfaction than competitors by identifying customer needs that rivals failed to.

Tailed marketing mix is done by deep understanding of customers' needs. One marketing mix serve only one target market Company can offer better quality, price, environment and delivery than competitors.

Differentiation means to segment market into smaller sub-market where customers have distinct needs. Kotler and Keller (2009, 249) call it niche marketing. Niche market is relatively small but profitable and has a potential of growth. Differentiation can also be applied into competition which means to provide different products or services than competitors.

Customers' requirements are changing fast at the moment; they are open to new staffs and latest trend. It provides opportunities and threats at the same time. Companies who recognize new market segmentation or under-served market are one step further than competitor. If competitors find it first, it would be threat.

There are three steps in process of market segmentation and target marketing: first is to understand customers' needs and characteristics by marketing research. Second is to category customers into different groups by similar requirements, third is to choose one or more market segments as target market for company.

Fahy and Jobber (2012, 115) category consumer segmentation into

three groups: behavioral, psychographic and profile. Kotler and Keller (2009, 253) also think consumer segmentation criteria is in this way except they take geographic and demographic out of profile part. The variables and relationship between are showed in figure 11.

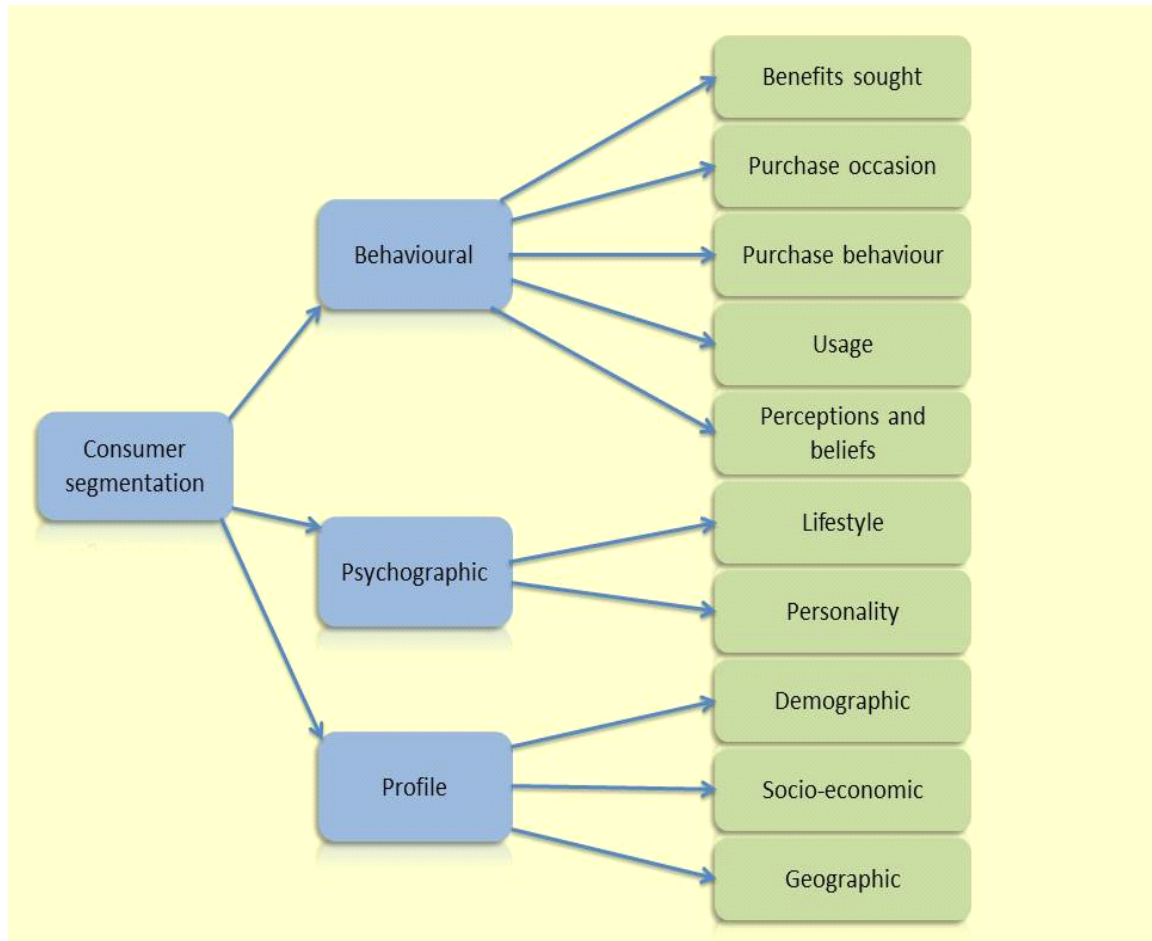


Figure 11: Segmenting consumer markets (Professional Academy)

It should be mentioned that segmentation in practice may not follow all the variables above; the combination of criteria can be changed and different for certain case. Besides, the consumers' behavior and psychographic patterns may change from time to time so stick to same old segmentation may not work out.

Benefit segmentation is the foundation of consumer segmentation, it is about what benefits a product or service can provide to customers. Take earphone as an example, some of earphones pay attention to lightness and comfortability, some focus on tone quality, some are for sports which mean not easy to fall of ear. Different functions target on

different consumers. price of a product or service related closely with purchase occasion. Jobber (2007, 281) mentions that purchase occasion can be emergency or routine buy. For emergency buying, the price is not considered thoroughly when comparing with latter one. For special occasions such as Christmas and Easter, the price can rise a lot since it is gifts and eggs time. It also drops dramatically as soon as holiday passed. Purchase behavior is differing base on brand loyalty and time of purchase. Some customers are extremely loyal to one brand. They never switch to other brands. For example, some Finns fly only Finnair airline since they consider it is the safest airline. Most of consumers are not like this. They may have favor brand but feel OK to try something else. Some customers switch brand bases on campaign and promotion of each brand. Producers launch many ways to enhance customer retention and increase customer loyalty. In Finland, K-group and S-group has customer card that will accumulate points for every purchase and offer discount. All accumulate points can be changed into vouchers or cash return. Some of customers who pay less attention to price and pursue new things are likely to buy a product as soon as it is launched while some wait, observe and assess before they the buying decision. Customers can also be segmented by heavy users, light users and non-users. 80-20 rules are often applied at this point. It means 80 percent of sales come from 20 percent of customers. Those 20 percent of customers are heavy users. However, it is not a best way to focus only on heavy users since competitors may apply same strategy which brings intense competition. Find the potential development from light users and non-users are also important.

Life style segmentation category customers bases on their way of living. Fahy and Jobber (2012, 117) state life style is reflected from people's activities, interests and opinions. Take television channel as an example, there are movie channel for ones who love film, sports channel for sports enthusiasts, news channel for ones who follow latest news. Sometimes, customers choose a brand due to they consider the personality of brand matches their own personality. The

brand becomes a symbol or attitude. For example, people who buy Harley-Davidson motorcycles regard the brand can tell who they are and what they are like.

Jobber (2007, 287) considers profile segmentation is the way to reach the customers by media. By setting up and analyzing profile, one can find out what kind of newspaper, magazines and television channels customers' prefer in order to advertise on certain media. main aspects in demographic variables are age, gender, and lifecycle. Age is used most when segment consumer. For example, food, clothes and toys for children, extra-large meal in fast food for people who eats a lot, cloth brand targets on teenagers, cosmetics for different age groups of people and so on. Gender differences shows on products like magazines, cosmetics, clothes, jewelries, watches and so on. For the consumers in different life cycle stage, the income and purchase needs can be different. A young single one comparing with married couple with children for example. It helps to estimate and understand the purchase power and purchase requirements of target group by life cycle segmentation. Social-economic variables include social class, education level and income. Social class segmentation is normally based on consumers' occupation. It is not true that people under same social class have similar purchase pattern. However, Fahy and Jobber (2012, 119) find out that social class segmentation is useful to discriminate between having a dish washer, central heating and privatization share ownership. Geographic segmentation usually divides market into nations, states, cities, regions or neighborhood. It can be also combined with demographic segmentation called geodemographics to provide more detailed information of consumers and make more precise and suitable strategy.

4.3 Marketing mix

As mentioned before, marketing mix includes four elements: product, price, promotion and place. It is a marketing tool used by most of

marketers. According to Wikipedia (2013), there are seven Ps in which physical evidence, people and process are added.

4.3.1 Product

Jobber (2007, 326) states product is the core elements in marketing mix since it satisfy customers' needs. Product is tangible such as computer while service is intangible such as insurance. As a matter of fact, most of products are combination of products and services. For example, electronic products are always come with warranty, smart phone is a physical product but app store in smart phone is service. When talking about product differentiation, it is measured by different product's level as figure 12 shows.

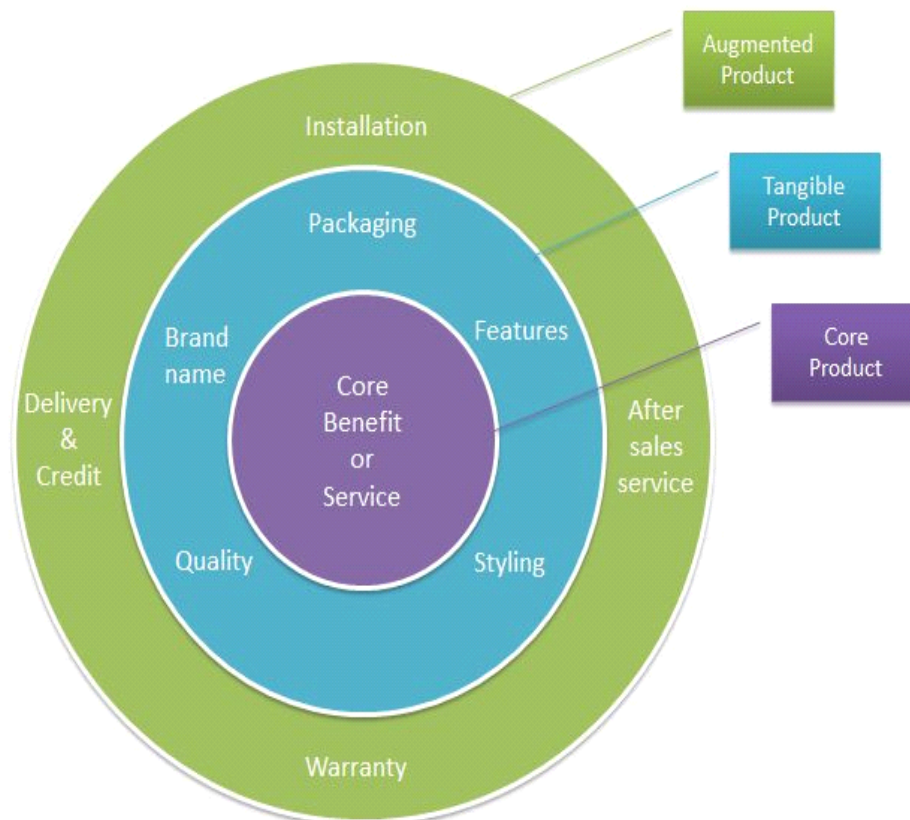


Figure 12: Three levels of product (Anand, 2012)

Core benefits are basic functions that a product can provide to customer. For example, mobile phone offers function of callings and sending messages. Core benefits can be changed due to the

development of technology. People used to purchase books and magazines from book store, nowadays more and more people use kindle or ipad to read. It can also be changed when a company's strategy shifts. Airlines such as Ryanair and Easy-jet compete with others by offering only core business which is fast and cheap transportation. Tangible product is actual product customer purchases, in which there are quality, name, features, styling and so on. Quality is key element of product. Customers consider quality of product very important. Loyalty customers of Volvo choose it because they think Volvo models are durable and safe. Defect of product can lead to serious problems which damage reputation and image of a company and drag a company into high compensation and legal action situation as break problem of Toyota cars. Fahy and Jobber (2012, 145) claims that packaging carries more function nowadays than protection of product. It is also a tool to attract attention, interpret information and show product's position. Some companies change package of product from time to time as a strategy, however, it is risky as well since lots of customers recognize a product simple by color or design instead of reading the brand name, changing package may make them have problem to find certain product. There is ethic issue in packaging. It is not ethic to package product with larger package to make consumer think it is greater in volume, to write false information such as 100 percent fresh or 3.5 percent of fat. third level of product is augmented product which means additional benefits of a product. It includes guarantees, after-sale services and so on. This is the level that most of companies are trying to compete each other. For example, most of car dealers in China provide 2 years \ 60,000 kilometer warranty while Lexus provides 4 years \ 100,000 kilometer or 6 years \ 150,000 kilometer warranty to attract customers. Normally, a product will pass through the process of introduction, growth, maturity and decline. No product will last forever; company should new product development to meet the changing of customers' tastes and requirements.

Branding connects tightly with product; it is the way that a company distinguishes its product from competitors'. Brand is created by given a distinctive name, logo, image, package or design to a product. Fahy and Jobber (2012, 146) think it is difficult to develop a brand since it takes time, money and energy. The process of branding starts from naming it, it could be family brand name such as Ford and Philips or be an individual name such as Selected and Jim & Jill. Sometimes brand name could be combination of company name and product series like Nokia Lumia. A brand name can coincide with the image and targeted position of a product, for example Toyota Crown model gives consumers luxury and executive image. Normally, a brand name is short which is easy to pronounce and remember. Legal consulting is need when naming a brand to avoid infringement, trademark need to be claimed to protect a brand name. Developing a brand takes time and money, most of the world-famous brands have over 100 year's history, it is a long-term investment. Fast arising brands such as Amazon or Samsung are the ones that are doing extraordinary jobs in their business field or invest a lot in advertising and sponsorship. However, benefits come with long-term investments and efforts. Brand equity is used to measure the power of a brand. It creates tangible value for a company. Customer loyalty is built through brand as well, for example people queuing all night for new iPhone model in China is an action that shows loyal and passion towards a brand. A strong brand can reduce competition since competitor's new brand may not attract customers and may cause minimum threats to a strong brand. High profits is another benefit of branding, products of strong brands are usually not the cheapest ones in the market, strong brand equity brings high price of products and create higher profits.

A company often owns more than one product, products that functional similarly and can provide same benefits to customers are called product line. products of a company need to be managed and categories well to create better value and development. Figure 13 is famous Boston matrix that helps to make decision on product line.

Cash cows are products in mature market with high market share; they should be kept feeding and can generate high profits for company. Stars are products in high-growth market with high market share. They are future cash cows and should be invested and protected. Question marks are difficult to deal with since they are in high growth market but do not create many profits. Right strategy should be made towards them. While dogs do not need to be fed very much and they do not generate much.

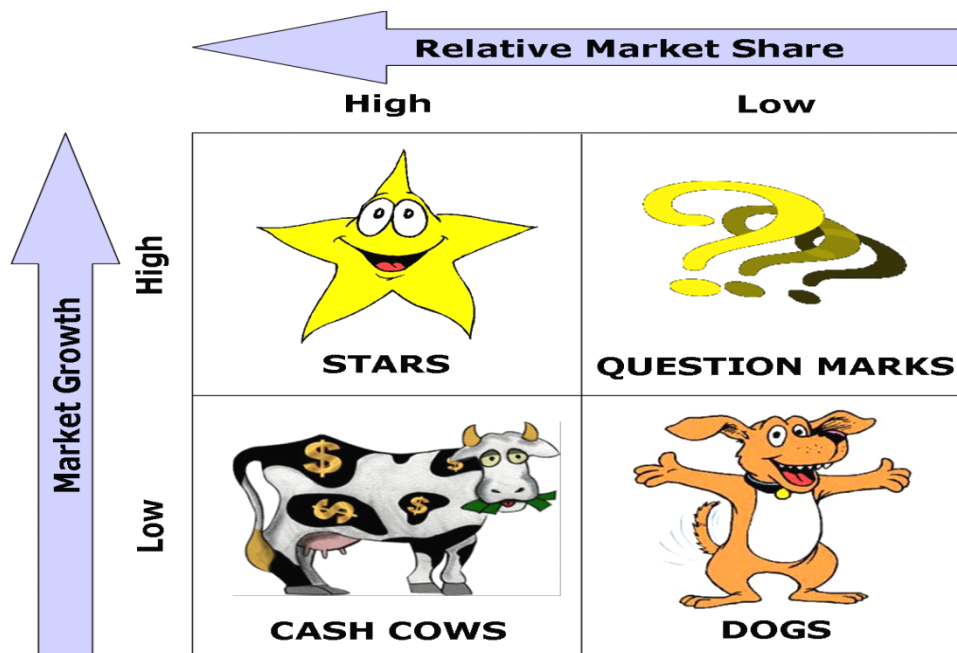


Figure 13: Boston Matrix (Cowan, 2012)

4.3.2 Price

Setting prices is a very important step in managing a company. Shapiro and Jackson (1978, 119 quoted in Fahy and Jobber 2012, 198) state three basic method of setting prices: cost-based, competitor-based and market-led pricing.

Cost-based pricing is most used method. It relates to break-even point mentioned in chapter 3.2. Variable and fixed costs need to be took account and sales need to be estimated to calculate a price that

make profit. Even though there are drawbacks of this method such as estimated sales may be faulty and how much customers are willing to pay is not considered, the greatest contribution of cost-based pricing is to give an organization a clue of what price of a product can cover all the costs. Competitor-based pricing is the easiest method since it is just simply benchmarking the price of main competitor's products, setting a price lower or higher than it or even exactly the same. The disadvantage is that it ignores the costs of a product when comparing with competitor's costs. Market-led pricing needs to evaluate a product's value towards customers. If the value is higher than competitor's, the price could be higher as well and vice versa. Nowadays, most companies apply psychological pricing which means setting a price such as 29,99 euros. It makes customers think the product costs over 20 euros but actually it costs 30 euros. Pricing a product also needs to consider the position of the product, promotion investment, marketing strategy and so on.

Prices are changed sometimes due to changes in costs, changes in customer value to a product, excess supply or demand, shifts of company's tactics and changes of competitors' prices. Changes of prices need to be evaluated carefully, for example, if costs of raw materials or labor forces are increasing, the price should be increased since it is an overall result in the same business field. Table 6 demonstrates clearly when to increase or decrease prices.

Table 6: Prices changes (Fahy and Jobber 2012, 210)

Increases	Cuts
rising costs, excess demand, brand image increases, price-insensitive customers	falling costs, excess supply, brand image falls, price-sensitive customers

Nowadays, plenty of companies concentrate their core business on providing cheap products or services to customers and many of them are successful, one example is Ryanair. According to Fahy and Jobber (2012, 211), cost management, dynamic pricing and yield management are three requirements to offer price-competitive products to customers. Ryanair uses hand writing boarding card to save costs, they purchase old but safe aircrafts which are eliminated by big airline companies to operate, they used secondary airport in some cities to save landing costs and all the services in the air are not free. However, these actions works so well that Ryanair is most profitable airline company in Europe. Ryanair also uses dynamic pricing strategy very well. During the peak of holiday or for popular destinations, prices are increasing. For winter time and week days, prices are low. Yield management means to monitor demand or potential demand patterns. It is widely used in businesses such as hotel or traveling. Company will record daily demand, analysis it at the end of year and use the result to set prices for next year.

4.3.3 Promotion

The term integrated marketing communications is used a lot in promotion, Fahy and Jobber (2012, 222-223) summarize: it means to make all the departments of organization to co-ordinate with marketing department, by using multiple ways of promotion to deliver a clear, credible and competitive message about company or products to customers. Integrated marketing communications are categorized by mass communication techniques which include advertising, sales promotion, publicity and sponsorship and direct

communication techniques which include direct marketing, digital marketing and personal selling. It should be point out that chosen tools of promotion should consistent with branding, pricing and market positioning of a product or company.

There are several issues needs to be take into account before make promotional decision. Resources and costs should be considered. Normally, advertising on television or large published newspaper is extremely expensive, while direct marketing such as social media is much cheaper. It is also decided by targeted market size of a product, advertising, publicity, sponsorship and direct marketing can cover greater size of market. It depends on what kind of information customer's need, if customers need complex technical promotion then personal selling maybe the best choice. Product characteristics decide way of promotion as well, for example, customers of industrial products prefer personal selling while customers of consumer products prefer advertising

Table 7: Functions and choices of mass communication techniques (Fahy and Jobber 2012, 225-241)

	Functions	Choices
Advertising	Create awareness, Stimulate trial(Car test drive), Build brand personality, Position product in consumer's mind	Television Radio Newspaper Magazine Outdoor Internet Cinema Exhibition
Sales promotion	Incentive consumers. Stimulate purchase. Increase impulse purchasing, Measure sales impact directly, Boost sales in short-term, Encourage repeat purchase	Money off Premiums Coupons Loyalty cards Prize promotion Free sample Bonus packs
Public relation	Build reputation, Incentive sales, Employees retention, Improve relations with community and government, Create awareness and interest, Overcome misconceptions	Publicity Corporate advertising Seminars Publications Donations
Sponsorship	Gain publicity, Entertain best clients, Create favorable associations for brand and company, Improve community relations, Gain promotional opportunities	Sports Arts Activities Events Teams Individual Competitions Fairs Shows Tournaments

The table above summarizes functions and choices of mass communication techniques. Among them, advertising is the most frequently used one. Advertising is an effective way to communicate with customers but costs a lot. Normally, there are four methods to set the budget for advertising. First is based on percentage of current or estimated sales which means high budget comes with higher sales. This method could be faulty since it ignores opportunities. Second is to follow competitor's budget on advertising, it is weak because it misses market communication objectives. For small companies with limited budget, simply use affordable method is OK. Last one is most effective method and bases on communication objectives and costs to achieve them. The key thing of advertising is to identify what customers need and the deliver the message that one's product or service can fulfill that need. However, different media channel works

differently, for example, most people read only headline of press advertisement which suggests companies to make press ads short and simple, properly contains brand name and benefits of it in one sentence. While in order to make television advertisements impressive, it should be creative with elements such as lifestyle, humor, shock, sexual imagery or comparative information in.

With the development of latest technology, major promotion tools such as advertising and sale promotion can reach less customers but still costs a lot. At the same time, cheaper and more effective direct marketing communication tools such as digital marketing are more and more popular. Database is the foundation of direct marketing communication. It is like an inventory of a list of customers with names, addresses, lifestyle and contact information. Database allows companies to use direct mail, telemarketing and direct response advertising to communicate with customers. It can be collected in many ways such as company records, membership cards, warranty cards, website registrations, and responses to sales promotion and so on. However, information in customers' data could be enormous, but there are computer technology and applications such as EPR or SPSS to manage and analyze it. Nowadays, database developed into CRM (Customer Relations Management). It is a software that can help a company to better interact with it customers or potential customers.

Direct marketing relied solely on direct mail in the old days; today it includes a wide range of media such as telemarketing, direct response advertising, catalogue marketing, digital media and leaflets. Table 8 shows characteristics of each of them.

Table 8: Features of direct marketing communications (Fahy and Jobber 2012, 258-270)

	Channels	Purposes	Features
Direct mail	Postal	Promote products, Maintain	Cost little, Rely on quality of mail list,

	service	relationship	Rent mail lists from list house, Considered as junk mail
Telemarketing	Telephone	Direct selling Establish contact and visit, Support field sales forces	Flexible(two way communication), Cost-efficient Can be out bounded, Less time consuming, Highly developed
Direct response advertising	Television, Newspapers, Radios, Magazines	Elicit a direct response	Free phone telephone number, Product demonstration, Loyal customer base, Wide range of product
Catalogue marketing	Mail, In store	Reach new target market, Reach remote rural locations	Mail order, Offer convenience, Centralized distribution, Expensive to produce,
Digital marketing	Internet, Search advertising Email, Social media, Viral marketing, Mobile marketing	Increase customer engagement, Reach greater audience, Save budget on promotion, Create convenience	Fast growth internet users and on-line time globally, Ideal social networking platform (Facebook, Twitter), Users are identifiable, Instant communication, Create interactivity (Discussion on Twitter), Control and co-creation

Among all the direct marketing tools, digital marketing has become more and more important due to the fact it is cost-efficient and has larger coverage of customers. Main webpage of a company is no longer company introduction or contact information but full of

promotional and latest product or design information. Telecommunication companies such as DNA or TeleFinland uses mobile marketing to send short message of promotional information to customers. Some brands such as H&M create applications for smart mobile phone to communicate with customers. Facebook or Twitter has enormous users base and is perfect tool for small company who is in shortage of budge to do marketing.

4.3.4 Place

According to Fahy and Jobber (2012, 284), place in marketing mix means the way to make products or services are available to customers, includes adequate quantities, convenient location and suitable time. An important term in place aspect is channel of distribution, it is a supply chain meets customer's requirements and is vital in marketing field.

There are four different distribution channels for consumer goods. first channel is producer direct to consumer; it exists highly in business such as fruit or meat sell in open markets. Internet transactions such as books and music apply producer to customer channel as well. Then it is the producer to retailer to consumer mode which used by supermarkets and shopping malls. As matter of fact, due to huge purchase of supermarket, it is becoming more and more powerful then manufactures and expend its business into other field such as used car business of S-group in Finland. third channel is producer to wholesaler to retail to consumer. It is used by small retailers such as groceries shop, wholesaler purchase large quantity of products from producer and distribute to small retailers. However, large and powerful retailers have ability to cut out wholesales and purchase direct from producer which brings lower costs and lower price for consumers. Some wholesalers provide services such as customer data analysis for retailers. Last is producer to agent to wholesaler to retailer to consumer channel, it is a long one and used by companies who enters into foreign market. The choosing of

distribution channel, level of intensity and degree of channel integration is complicated and needs to be evaluated and analyzed from many aspects. However, the main focuses of this work in on retail.

Most of retailers that people involved with are supermarkets, department stores, discount stores and convenience stores, anyway, online shopping, mail-orders and vender machines accounts as well. They are called non-store types.

In order to open a retail shop, a brand is needed firstly, and then it is the positioning of retail to locate target market and consider market mix for it. Location is extremely crucial. A convenient location can usually bring more sales. Selection of location starts from cities or towns; it is based on target market of retailer with consideration of level of income, level of competition, demographic issues and availability of sites. When selecting specific site for a retail shop, one should consider traffic amount, competitors around, parking space and transportation connections. Product assortment is another element in retail marketing decisions; it means the width and depth of product line of retailers. Some retailers start from one product and make product line wider after a while. For example, gas station also sells food, drinks and newspapers, Starbucks sells also coffee cups. Usually, wider range of products brings more sales since customers may purchase something else when they buy one product. Pricing is also important and the nature of it is introduced in last chapter. However, there is a new pricing strategy which are called everyday low price. For example, Subway launches different low price meal from Monday to Friday to attract customer. The atmosphere of retail store should be coinciding with target market and market fix strategy. It is a combination of color, design, light, decoration and layout of a store. Fahy and Jobber (2012, 300) category it into external factors and interior factors as table 9 shows.

Table 9: External factors and interior factors of store atmosphere

(Fahy and Jobber 2012, 300)

External factors	Interior factors
Architectural design, Signs, Window displays, Color	Lighting, Fixtures, Layout, Color, sound and smell

5 OUR STEPS OF ESTABLISHING AN ENTERPRISE IN FINLAND

As mentioned before, starting a business is difficult; it is advised to ask helps from resources that one can access to, could be from friends or family members who had experience on entrepreneurship and preferably from a person who is in same business field. Another way to set up a company in Finland is to ask help from local innovation company and it is our choice. Kouvola Innovation Oy is founded in 2009 and owned by city of Kouvola. Its aims are to provide support and help for business operation in Kouvola region and it covers four areas: business, tourism and development and relocation. It locates on Paraatikenttä 4 and its website is www.kinno.fi. On the website, there are all kinds of information and news on entrepreneurship, contact information is also listed on webpage. After made appointment with business advisor Timo Lehmusmetsä, we took our ideas to there. At the beginning, there were three ideas: silk shop, importing blue berry to China or opening a Chinese restaurant. However, these ideas were eliminated after the meeting with Timo because of differences in customer consuming behavior, strong competitors or complex procedures. Luckily, a new idea came up which is to open a milk tea shop. Three of us like this idea since it is a new product in Finland and two existing competitors who locate in Helsinki area is doing very well which encourage us to stick with this idea.

Requirements of business plan in Finland are much less than introduced in chapter 2; one can create a business plan through www.business-plan.fi. Once registered, one need to write step by step about products and services, customers and markets, competitions, company introduction and summary of business plan. There are three tables to fill in which are capital requirements, profitability calculation and sales projection. In the end it can be created into a PDF file to save. Figure 14 is a print screen of sales projection.

Sales projection

Date 07.04.2013

Calculation version: xiaochunjie

Name: xiaochunjie

Product / product group s name	Product 1/ group		Product 2/ group		Product 3/ group		Product 4/ group		Product 5/ group		Product 6/ group		EUR/month
	unit price	0.00	unit price	0.00	unit price	0.00	unit price	0.00	unit price	0.00	unit price	0.00	Excluding VAT
	costs	0.00	costs	0.00	costs	0.00	costs	0.00	costs	0.00	costs	0.00	
	margin	0.00	margin	0.00	margin	0.00	margin	0.00	margin	0.00	margin	0.00	
Customer /customer group	pcs	Total	pcs	Total	pcs	Total	pcs	Total	pcs	Total	pcs	Total	Total
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
B	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
E	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
F	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
Sales margin total		0.00		0.00		0.00		0.00		0.00		0.00	0

	month	per year
Net revenue (excluding VAT):	0	0
Total costs:	0	0
Sales margin total:	0	0
Sales margin requirement from the profitability calculation	mon 0	0
Difference (possible need of additional sales)	0	0

Figure 14: Sales projection (Uusyrityskeskus, 2012)

From website www.uusyrityskeskus.fi one can download a guide with title of becoming an entrepreneur in Finland. There are 11 languages versions of it and it contains very detailed information and instruction

for entrepreneurs, such as insurance, incomes and business culture in Finland. More helps can get from www.yritystulkki.fi where one need to fill in city name that business is going to start in and it will lead one to a world of files related to entrepreneur and business plan. We get these websites and information from the meeting with business advisor of Kouvola Innovation Oy and it is highly recommended to consult from them as first step.

5.1 Case company introduction and personnel

As introduced before, my friend and I would like to open a milk tea shop in Finland. Products includes non-alcohol drinks and Chinese and western desserts. Targeted customers are teenagers and people from 18-30 years old.

Personnel are three of us at the beginning and we will work on shifts. Trainings are needed such as how to use a cashier and POS machine. Finnish language skill should be improved and practiced. It is an option to employ a Fin for the purpose to communicate more efficient with customers. Once we decide to bake dessert by ourselves, a bakery lesson should be taken as well. Three of us are all students of business administration program and I am specialized in international marketing while others are specialized in international trade which means we all have professional knowledge on business-related fields. Some of our Finnish friend would offer help on the process of establishing our shop. It is also possible to work in a similar shop to gain experience for our business.

5.2 Competitors

There are only 2 bubble milk tea shops in Finland and both of them locate in Helsinki, so we do not have direct competition with them. However, some of our products may be similar with the products of local competitors such as Coffee House. Coffee House is one of the strongest competitors for us. It opened for years and possesses large quantity of regular customers. We will try to differentiate ourselves

from them in product line and atmosphere of shop. Moreover, our unique bubble milk tea will be a significant competitive advantage since none of our competitors in Tampere region has the similar product.

5.3 Production and Purchasing

First of all, about the equipment for drinks, we need to purchase an ice shaving machine from China and the supplier has already been chosen. Coffee machine as well as a hot chocolate machine is going to be purchased in Finland. A kettle for tea and bubble milk tea is also needed.

Secondly, about the equipment for desserts, if we are going to bake desserts by ourselves we will need an oven, all kinds of bakery utensils, all of which will be purchased in Finland. If we decide to make Chinese dessert as well, some of the utensils need to be bought from China online.

For the raw materials, most of them can be accessed in Finland, however, for Chinese tea, bubble milk tea and Chinese desserts, some of the raw materials need to be purchased in China. We managed to find the supplier who sells Chinese food both online and in store which locates in Germany. It has almost all needed raw materials and we plan to contact them to ask whether they can import specific raw material that they do not have right now from China. The advantage is that products circulate inside Europe is easier and cheaper comparing with purchasing and delivering them from China.

For the take away customers, we prepare the cups like Hesburger ones with a cover. Supplier of it locates in China and can provide different sizes of cups and printed logo on it.

5.4 4Ps

Our products includes: Chinese traditional dessert and other dessert such as croissant, cheese cake, doughnuts, sandwich, egg tart, all kinds of coffees and Chinese tea (green tea, black tea). Main products are bubble milk tea, shaving ice with fruit or red bean and fruit salad with yogurt. They are considered as main products because they are different from competitor's products and completely new for customers. Targeted customers for business are teenagers and people from 18 to 30 years old who are usually creative and like to try new stuffs. Tasteful and healthy are core benefits of our products. Besides, appearance of products will also be paid attention to. It should be looks colorful, healthy, cheerful and delicious. Desserts and coffees are accessories of main products. We expect customer would buy dessert when purchase a cup of milk tea for example. We do not have a logo or brand name yet but generally it should be something looks colorful, cheerful and easy to remember.

We will use cost-based and competitor-based methods to price our products. It means to benchmark competitors' prices on similar products and do break-even point calculation. Generally, it should be 10% less than major competitors such as Coffee House since from our point of view; product price in Coffee house is a little bit high.

About promotions, due to limited budget we will use local free newspaper to advertise products and shop such as PK and Varrati in Kymenlaakson area. The location of shop is in Pedestrian Street in Tampere city center which means heavy traffic and big amount of passersby, so we will apply outdoor advertising method as well. We would like to color print products advertisement and put it on windows of shop to attract customers.

In Kyamk, there is local magazine called Insider and as we researched, there are two universities and 1 polytechnic in Tampere region. Students are one of our targeted customers. We will contact these colleges to find out the possibility to introduce our shop on their

school magazines. We can provide student discount for students of these three colleges like ice-cream shop Caminito did in Kyamk. We also plan to print some brochures about products and promotional information to hand them out on street. We plans to customize working clothes with our logo and staff name on. Business card with beautiful image and shop name, address, telephone number on is also needed. Print our logo on cups is another idea.

We will use social media such as Facebook to promote our brands. In the future, we would like introduce member cards to provide discount for customers and collect customer data for ourselves. Customer data are going be analyzed and categorized by age, frequently purchased products, peak time of sales and fwe will try to find correlations between them. It is also possible to develop smart mobile phone applications for our shop to demonstrate promotional information and new products. Since customers can freely comment and discuss about our products and services, it becomes a platform for us to communicate with customers and to make improvements.

For price-related promotion, we are going to offer meals, for example, one cup of milk tea with one doughnuts cost one euro less than purchase separately. Everyday low price strategy can also be applied, for example Monday is shaving ice day with 1 euro off, and Tuesday is fruit salad with yogurt day with 20 percent discount for membership.

Our shop is going to locate in Tampere region. It is the second largest city in Finland after the great Helsinki area. It locates in southern Finland and has a population of over 340,000. The reason to choose Tempere rather than Kouvola is that firstly, Tempere has more population and owned biggest amusement park in Finland which attracts lots of people from domestic and oversea in summer time. Secondly, there are already several coffee shops in city center of Kouvola and they own regular customers. The competition is intensive. We plan to locate our shop on the pedestrian street of Tampere. It is in the city center of Tempere where department

shopping mall and all kinds of shops in. Pedestrian Street is in walking distance from railway station. Shop area would be 50~60 square meters with the capacity of around 30 customers. Kitchen is a special requirement of us. We tried to contact Tempere Innovation Oy to consult but there was no response so far. However, shop rental price of Kouvola region can be used as a reference. In city center of Kouvola, it is around 20 euros per square meter per month and in other unpopular area it is 10 to 15 euros per square meter per month.

We will pay attention to atmosphere of shop from both external and interior. Window displays, color, lighting, layout and music should all be cheerful and vivid. For decorations, we are considering to combine Chinese elements with simples to demonstrate exotic and healthy image.

6 CONCLUSION

In this chapter, major findings of work are summarized, elements that would benefit case company are evaluated and future study is suggested.

6.1 Major Findings

The objective of study is to offer detailed suggestion for whoever would like to start a business in Finland by our process of establishes a company. It is difficult and risky to be an entrepreneur, the study aims at reducing hardness for new enters, minimizing risks, offering essential analyzing method and providing useful information.

In the study, the trend and current situation of worldwide entrepreneurship activities in demonstrated and situation is Finland is introduced, all the essential elements in a business plan is listed and interpreted, examples of financial calculation is given. The study extents into further content of marketing aspects. Methods of targeting a market and segmentation of customers are introduced. In market mix chapter, product and promotion are the most important

factors and are explained thoroughly. Categories of promotion tools are listed as well. The study pays more attention on consumer products market rather than business product market depend on case company' situation. Several useful websites are given for new enters to offer aids.

According to the study, in order to establish a company, there are many issues to consider, data to analyze and critical decisions to make. However, there are also tools, theories, websites that offers great helps.

6.2 Evaluation of the study

The research method used in the study is mainly action research. It is a process of form plan, carry out plan, identify problem and modify plan. From the research process, plenty of professional knowledge, principle theories and important analyzing tools are found. Essential elements and key factors about business plan are learned. With the help of business advisor Timo Lehmusmetsä from Kouvola Innovation Oy and Taimela Sini, lecturer from Kymenlaakson Ammattikorkeakoulu and Peltola Satu, principle lecturer from Kymenlaakson Ammattikorkeakoulu, the study is more detailed and extents further.

For case company, research works as a supplementation to make a better and detailed business plan. All the theories and imperial findings are crucial for the process to build our company. Sometimes it is a brainstorm to realize that certain purpose can be done in so many methods.

6.3 Suggestions for further study

Due to facts that economic situation is not optimistic and one of our members left off to China, our business is temporally stopped. However, findings during the process of study are valuable all the time.

The study does not introduce financial support in Finland. Even though we managed to have a meeting with employee of Nordea bank in Kouvola region but she could not offer much information on business loan since she works at customer service department. It is complicated and difficult to receive loans from a bank and there are many forms of financial supports which can be researched in future study. Besides, ground research for Tampere region is not done since we did not receive responds from business advisor of Tampere Innovation Oy. It is highly suggested to visit the city where business is going to start and meet with local business advisor in the region as a reference of future study.

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