

A great opportunity, or just another idea?

Establishing of a restaurant

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| <p>Abstract:</p> <p>This thesis is written about establishing a restaurant, and consists of the steps that have to be taken when establishing one. The thesis concentrates on the processes which takes place before the actual running of the business. The steps are: inventing a good business idea, writing a business plan about it, deciding the form of business, computing the needed calculations and filling in the needed forms. The different regulations that affect the restaurant are taken in consideration. A third part, consisting of a banker and a venture capitalist, are interviewed and their reactions on the business plan are analyzed. The thesis uses literature, statistics and interviews. The thesis reason is to find out what should be done when establishing a restaurant, which parts are important and what are to avoid in developing a business plan. This is researched through the interviews. The important parts of the business plan in “the third part” point of view are the financial calculations, the risk analysis (SWOT) and the analysis of the competitors. The venture capitalists are also interested in the functionality of the idea, when the banks care more about the figures. The common mistakes are that the business plan lacks these important points. The business plan needs to be adapted to the interest to whom its developed for.</p> | |
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| <p>Sammandrag:</p> <p>Examensarbetet handlar om att grunda en restaurang, och innehåller de olika steg som måste tas då man startar en verksamhet. Arbetet koncentrerar sig på de händelser som ska ske före själva verksamheten startar. Stegen är att upptäcka en bra "business idé", skriva en "business plan" om idén, bestämma bolagsformen, räkna ut de kalkyler som krävs och fylla i de obligatoriska formulär. De olika lagar och regler som påverkar restaurangen tas i beaktande. En tredje part, som består av en bankir och en venture capitalist, intervjuas och deras reaktioner över "business planen" analyseras. I detta arbete används litteratur, statistik och intervjuer. Syftet med arbetet är att undersöka vad som krävs då man grundar en restaurang, vilka delar som är viktiga och vilka saker som man ska undvika då man skriver en "business plan". Detta undersöks bl.a. genom intervjuerna av tredje parter. Undersökningen visade att den tredje parten anser att de finansiella kalkylerna, risk analysen (SWOT) och analysen av konkurrenterna som de viktiga delarna i en "business plan". Venture kapitalisten är även intresserad av att idén är genomförbar, medan bankiren mera bryr sig om siffrorna. De vanligaste misstagen är att "business planen" saknar dessa faktorer. "Business planen" måste även anpassas till den intressenten som ska läsa den.</p> | |
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1 INTRODUCTION

It is said, that the pulling forces of the economy nowadays are the entrepreneurs. The innovative ideas are the ones that bring in money, from which taxes are paid to the government. The companies employ more people, and therefore make the unemployment rate will grow lower. Shortly said, the companies are the ones that affect the future for a country's economy.

In the last few years the tourist industry's importance has been pointed out. Both the global and the domestic part have grown and are profitable. When the VAT fell in 2010, to the same percentage on food in stores and in restaurants, it had a positive effect on the industry (Timo Lappi, 2013 p. 60). The Finnish hospitality associations paper Vitriini states that "the food and tourism industry has the prospect to create more jobs and stabile well-being in Finland". Since 2000 the industry's employment has grown with 9%, and the expected amount of new jobs is 40 000 till the year 2020.

A survey made by the Finnish hospitality association, states that the Finns eat more and more in the restaurants. The tourist amount coming from Russia has also grown, and the prospect is that the amount is expected to grow even more. Nowadays the EU and Russia are thinking about getting rid of the visa, and if this comes true (even if it happens in 10 years) it would lead to a positive effect in the Finnish tourism industry. These facts all point out that the restaurant industry have good prospect for the future (Vihmo, Jouni, 2013, p.30-31). In the food industry, the trends go towards healthier food. People are looking for food with less carbohydrates and more protein. The industry seems to have a bright healthy future.

1.1 Reason and problem area

This thesis is about establishing a restaurant, or how to start a start-up. It is processing the steps that have to be taken, from the moment you have the idea, until the moment you establish your company, and trying to avoid the mistakes. The thesis plays with the

idea of establishing a restaurant in Lauttasaari (Finland). This thesis is written to find out if this business idea is profitable enough to be established in the real world.

The problem area is developing a good business plan. The thesis investigates if the business idea has the potential to make it in the real world, based on the business plan. The thesis goes through which risks-analyses and which financial calculations that has to be made. To get a third party view on the business plan, interests are interviewed. Their interest, besides the pay back, is analyzed. Through the interviews the thesis investigates what an entrepreneur should avoid, and what should be remembered when writing a business plan. Key terms that will be gone through are business plan, financial calculations and financial institutes (third parties).

1.2 Methods and structure

This thesis is going to be formed as an investigation, or a case fall, with interviews. It is going to be written in a chronological order like this would be done in the real world. The unstructured interview method or the semi-structured interview method is going to be used. The unstructured interview can consist of a few questions and allows the interview person to answer and associate in a free manner. The interviewed persons own reactions and feelings are important, his or hers knowledge should be obtained. The semi-structured interview is when you go through some themes. The questions can come in the order that they want, and the interview person can answer them in their own way. These types of qualitative interviews give wide answers (Bryman, Allan & Bell, Emma. 2003, p. 362 – 364).

To get the right information statistics are used. The city of Helsinki gathers information, e.g. about the inhabitants, which is useful in this thesis. Statistics Finland gives different information about Finland, e.g. about registered companies in different fields of industries. These statistics are going to be used to get to know my customers and the restaurant field.

The thesis is looking for what mistakes are made, and how to avoid them. The thesis gives the reader some theory, and then the business plan. After every point in the busi-

ness plan, a third part reflects on it and his or hers thoughts are displayed. The third part is a venture capitalist, Mats Therman, and Nina Pitkälä, the director for the Corporate office at Ålandsbanken Ltd.

This thesis is going to be based on literature and on interviews. One of the books is “Entrepreneurship and New Venture Formation” and is written by Thomas W Zimmerer and Norman M. Scarborough. Other finance-books and books about the business’ location are going to be used.

2 THE FIELD OF BUSINESS

In Finland, the restaurant, the cafés and the hotels belong to the industry “hospitality”. This industry is a growing industry and employs over 11 percent of the inhabitants (*Ma-ra.fi*. Matkailu- ja ravintola-ala lyhyesti). We have nowadays 8886 registered businesses from the area of “restaurant and similar food services activities” (Tilastokeskus, 2008).

The 3,75 km² big island of Lauttasaari has 33 restaurant and similar food businesses. In all there are 17 restaurants, 15 cafés and one kiosk (Tilastokeskus, 2008). The people of Lauttasaari are active, and the island has many activities. Flea markets are held, sport activities and events are organized, and the floating boat fair is held here (Tapahtumat, *Lauttasaari.fi*). Lauttasaari has 20.066 inhabitants and employs 8.153 employees. The amount of inhabitants has been growing since 1998 and is expected to grow even more (*Helsinki Alueittain 2011*). In 2015 the subway will reach Lauttasaari, and makes it easier to get here. The nearest subway station is going to be located about 500 meters from the beach (*Lauttasaaren Aluesuunnitelma 2011-2020*, Hel.fi). The annual “Lauttasaaripäivät” are held on this beach. This is a summer day when a marathon run around the island is held, bands are playing, sport unions gather more members and companies market themselves (Tapahtumat, *Lauttasaari.fi*).

2.1 The limited liability company

In Finland there are five different types of companies. There are the sole trader, the general partnership, the limited partnership, the cooperative and the limited liability com-

pany. All these forms of companies have accounting obligations, but the risk divination is the differing factor. Since this thesis is about establishing a restaurant, there is going to be a lot of capital involved, and the need for financing exists. Therefore the limited liability company form is used, and explained here in the theory. The information in this chapter is taken from a paper produced by the The Centres for Economic Development, Transport and the Environment (Centralhandelskammaren World Trade Center Helsinki).

A limited liability company can be established by one or more physical or legal bodies. These can place capital (money or other assets) in it, and as a return they will get a proportionally big amount of shares. The minimum capital that must be placed are 2500 €, and there has to be at least one share. This amount of money must be paid before the registration. The public limited liability company has a minimum capital of 80 000 €.

The different bodies of the limited liability company are the “annual general meeting”, the board and the managing director. The “annual general meeting” is the meeting for the owners, and is therefore the highest governing body. The board is chosen by the “annual general meeting” and is responsible for the company’s operations and the other activities. The managing director is chosen by the board, and is responsible of running the business.

The shareholders are only responsible of their own shares. As in the cooperative, a shareholder shall in the beginning of the business provide a guarantee for the company’s debt in his/hers own name, and give his/hers wealth as a pledge. The board and the managing director are responsible for the harm they may cause the members, the creditors or others, if the harm comes from the business or from breaking the law or the by-law.

The shareholders can get their profit as dividend income, as an appropriate amount of salary or as a loan of the profits free capital. An appropriate amount of security for the loan must be given. The limited liability company must have an impartial auditor who is chosen by the “annual general meeting”. Companies that have maximum 10 shareholders have a continuous obligation to give information to the shareholders. The board

must give out information about the amount of shares and the shareholders to the public. They must also register the financial statements.

This form of company suits the ones that need capital, which means medium sized and big companies. This limited liability company gives an opportunity to divide the capital and the work in an appropriate manner. The forming of a limited liability company demands knowledge of the law, and a lot of administrative work. From all of these forms of companies, this is the one that is least risky, for the risk is spread over many owners.

2.2 The registration process

The company will be a limited liability company. This form is chosen because it is suitable for the companies that need more capital (see chapter 2.1). This company form allows the risk to be spread. By the other types companies the risk lies by the owners, or then the company has to provide a service to its members (cooperative). These parts do not suit this company, and therefore the limited liability company is chosen. The limited liability company allows there to be only one owner, but this company will have three. The information in this chapter is based on a document found on *Ytj.fi* under “Blanketter och etableringsanmälan”.

To establish a limited liability company the owners need to write a written formation agreement and sign it. When they sign this form, they write the amount of shares that they are having (see chapter 5.1.1). This form will then be attached to “the articles of association”. The future owners will register the beginning of a business to the tax authorities and the Finnish trades register (a part of the National Board of Patents and Registration of Finland) by filling in the Y1 form. The limited liability company will be formed when the registration is brought to the trade register. The registration must be brought to the trade register within three months, and if it is not, then the registration will expire (*Yrityksen perustaminen - osakeyhtiö ja osuuskunta*. Verohallinto).

At the registration, the company must have at least 2 500 € of capital (see chapter 2.1). The whole amount of capital must be paid before the registration to the trade register.

The National Board of Patents and Registration of Finland have developed an “establishing-kit” with all the forms that needs to be filled (see Appendix 1). In this kit there is the formation-agreement, the articles of association, the Y1 form (establishing form) and the trade registers form 1 (see chapter 5) (*Yrityksen perustaminen - osakeyhtiö ja osuuskunta*. Verohallinto).

Almost all the companies in Finland are VAT liable, and when the company is registered (meaning it is VAT liable) it will get a FO- number, which is the Business Identity code. This number must be given on all actions in the business. Most companies pay their taxes in advance (Centralhandelskammaren World Trade Center Helsinki, *Att bli egen företagare*, page 17). If the company wants to change the information later on, there is a fee for it (see Appendix 2).

The company will register to the needed registers. The trade registers are compulsory, if you are to sell goods. The company is VAT liable if their turnover is over 8500 €, and if they mean to sell goods that are VAT liable (see chapter 2.3.2). If the company will have employees, it needs to register to “the employer register”. The prepayment register gives you the right to send invoices. A company can be thrown out from this register, which means that the company must get compensation through salary, and this includes all the social costs. The Tax Administration's register of insurance tax obligated companies is the last register. This register is for insurance companies (see appendix 1, Y1 and see chapter 5.1.3) (Rosenlew, Charlotta).

2.3 Regulations

2.3.1 Income tax

The limited liability company is obliged to pay taxes on the income. The only time the company doesn't have to pay taxes is if the company makes a loss. The corporate tax rate is 24,5% (see appendix 3, Profitability Calculation). The dividends are taxable differently depending on the amount of the dividend and if the company is listed or not (*Yrittajat.fi*).

2.3.2 Value added tax

“The value added tax is not a tax for the entrepreneur, it is a tax that is taken from the customers and is accounted for to the government” (Nieminen, Heimo. *Matkailu- ja Ravintolapalvelut MaRa r*, p. 22-24). The writers own translation.

This is written about the VAT on the Tax administrations webpage (*Value added tax*, Vero.fi).

VAT is a consumption tax that the seller of goods or services will add to the price. The seller thus collects this tax from customers to remit it to the state. Liability to pay VAT concerns anyone who sells goods and services, rents out goods, or is engaged in similar commercial operations on an ongoing basis.

Registration for VAT is mandatory

If a company operates a business for which VAT is payable, requesting for VAT registration will be mandatory. However, no registration is required if turn-over for the accounting period (12-month) stays below €8,500. The company with turn over below €8,500 can voluntarily be VAT registered if it operates its business commercially on an ongoing basis.

Rates of VAT

| | |
|--|-------------|
| General rate of VAT, effective for most goods and services | 24 % |
| Food, animal feed, restaurant services, meal catering services | 14 % |
| Books, medicine, services relating to physical exercise and sports, movies, entrance to cultural events and to entertainment events, transport of passengers, accommodation, and TV licenses. | 10 % |

Figure 1. The different VAT categories.

The VAT that concerns the restaurant industry is the percentage of 14% (for food) and 24% (for alcohol) (see Figure 1). When the entrepreneur registers its business to the “National Board of Patents and Registrations of Finland” it also applies for the being VAT liable.

2.3.3 Trademark

A company can protect its business idea by registering the logo as a trademark or brand mark at the National Board of Patents and Registration (NBPR). By registration it gives the company the exclusive right to use the mark or symbol in Finland. This means that only you, and companies with your permission, can use the trademark in business. The registration holder has the power to prohibit others from using it.

The trademark can be a word, figure, a combination of both, a slogan, a combination of letters, a sound or some other mark that can be represented graphically. This is the mark that sets the company apart from the competitors. There are a few requirements for registration of a trademark. First of all, it cannot be distinctive. This means that it cannot describe the service/good it's meant for. Otherwise it would limit the freedom of advertising for other companies. The second requirement is that the trademark cannot be confused with other trademarks. All trademarks can be found on databases given by the NBPR (*Trademarks in brief*, The National Board of Patents and Registration). There are further on 8 other smaller requirements. These concern that the law is followed, that the mark is logical and that it's not connected to another person or a company name (*Conditions of registration*, The National Board of Patents and Registration).

The cost of applying for the registration is 215 €, and it is done by a form. The accepted trademark is valid for 10 years from the date of the registration. After applying for the trademark, the logo cannot be changed. It is therefore wise to check that the trademark isn't similar to another (*Trademarks in brief*, The National Board of Patents and Registration).

2.3.4 Hygiene proficiency

The hygiene proficiency (the hygiene passport) was developed by the Finnish food safety Authority Evira, to promote food safety. Every person working with unpacking easily perishable foods, such as milk, meat and fish need to have this passport (*Hygiene profi-cienc*, Evira).

This passport needs to be applied for at least three months after that the employment has started, but if an employee has one from their former working place it is sufficient. It is applied for from a proficiency examiner, and the examiners arrange test everywhere in Finland. If the employer has written a suitable exam or if he/she has an appropriate education, then he/she doesn't have to take the test (*Hygiene proficiency*, Evira).

It is up to the employer to make sure that the employees are handling the foodstuff correctly, and the employer is responsible for training the employee and giving him/her instructions. The employer must make sure that the people working with easily perishable foods have the proficiency certificate. (*Hygiene proficiency*, Evira)

2.3.5 License to serve alcohol and opening hours

The restaurant will serve alcohol, and in order to sell alcohol that has over 4,7 % of alcohol, you have to get a license for it. The restaurant will sell wines and drinks, so we have to apply for the A-license. This permits the restaurant to serve all kinds of alcohol. The license is applied for from the regional state administrative agency, and can be applied for after the establishment. If you need the permission earlier, there is a way to get it. A person can apply for this license, and transfer it to the company (a limited liability company) when it has been established. To get the license to sell alcohol, there is a fee. Mara (the Finnish Hospitality Association) advises you to apply for the license 4-6 weeks before the opening of the restaurant, even if you have not established the company yet. You will then get the license when you have filled all the requirements. (*Annikkelulupa*. Matkailu- ja ravintolapalvelut, p. 22-24).

The requirements to get the license oblige the restaurant to fill the financial and professional requirements and the demanded liability. The location needs to be sufficient for a restaurant usage. The restaurant needs to be in the applicant's control, and the supervision will have to be organized easily. The applicant needs to be of legal age, not suffering of a bankruptcy and he can't be under a guardianship. The person is seen as trustworthy if he is not using drugs, if he can stand for his expenses, if he doesn't have a criminal background from the last 5 previous years, if he is not stopped from having this permission since the last 5 years, if he has paid his taxes, if he has not suffered bankruptcy in the last 5 years and if his previous businesses (or actions) shows that he is appropriate for not jeopardizing this license. (*Anniskelulupa. Matkailu- ja ravintolapalvelut*, p. 22-24).

The authorities makes a decision based of the total impression of all these points. The applicant also need to send the authorities a staff- plan, to show that he has taken the opening hours into consideration and that he has a business plan behind his thoughts. He also needs to present a plan of how he plans to limit the serving and how he controls the drinking. A responsible manager and an appropriate amount of suppliers need to be set. This person needs to have an appropriate education and skill, and the professional qualifications needs to be displayed. An appropriate education means that he has studied at least one year the hospitality industry training, or that he has over 2 years of work experience from working with serving of alcohol beverages and that you have the "licensed passport" ("anniskelupassi"), which you get from a school in the hospitality management. The responsible manager needs to be present before the serving begins, and he cannot be the chef, when he is bound to the kitchen. A responsible manager or his supplier need to present all the time when alcohol is served, and the serving of alcohol must end half an hour before the closing if the closing is after 24.00 o'clock. (*Anniskelulupa. Matkailu- ja ravintolapalvelut*, p. 22-24).

There are certain demands on the opening hours of the restaurant and the serving of alcohol. If the restaurant closes before 2 o'clock, the alcohol serving must stop at least a half an hour before that. Most of the restaurants have permission to serve alcohol from 9:00 – 1:30, which means that they will close at 2:00. If the restaurant closes at 24 or before, then the alcohol can be enjoyed until the closing. The restaurant can apply for

serving alcohol before 9:00 o'clock or after 2:30 or 3:30. This permission only holds for maximum two years. It is also possible to apply for a temporary permission, but it only holds for maximum a month . (*Anniskelulupa*. Matkailu- ja ravintolapalvelut, p. 22-24).

2.3.6 Outdoor serving

If a restaurant wants to serve its customers outdoors (on a terrace area), the restaurant needs to get a permission from the landowner and the authorities. There are certain demands on the restaurant and the terrace area. (*Yritystoiminnan aloittaminen*. Matkailu- ja ravintolapalvelut, p. 19-20)

The terrace area needs to be close to the actual restaurant establishment, and strollers and wheelchairs have to be able to move without a problem. The area of which is used must be clearly shown. The restaurant must be able to guard the in- and out- going of the area, and the area can only be left without guard if the customer seats are limited to the tables and the terrace has an own point of sales or table service. If the restaurant wants to mark the terrace area with a fence, it has to apply for a permission to do so from the public works department. Sometimes this is not necessary, when the area can be marked with a rope or some kind of light regime. If the restaurant want to serve alcohol in the terrace are, the license to serve alcohol must include this area too. The enlargement of the area can be applied for from the Regional State Administrative Agency. This can be done permanently, so that the restaurant doesn't have to apply for it every year. (*Yritystoiminnan aloittaminen*. Matkailu- ja ravintolapalvelut, p. 19-20)

If the terrace area is close to a street, the police can put further demands on the establishing. If the police feel that the safety of the people is threatened, they can even deny the restaurant the permission to have an outdoor area. (*Yritystoiminnan aloittaminen*. Matkailu- ja ravintolapalvelut, p. 19-20).

3 THE BUSINESS IDEA AND PLAN

This chapter is based on the pages 80- 91 from the book *Entrepreneurship and New Venture Formation* by Scarborough, Norman M. & Zimmerer, Thomas W.

3.1 The Business Idea

A business idea is your business in a nutcase, so compressed that you can explain it in one sentence. It is important that the entrepreneur can differ between an opportunity and an idea. Sometimes the entrepreneurs get lost in their ideas, and start thinking that every idea is a great one. Therefore it is important to be critical to one's own ideas. "Experience has shown that if a business is based on a solution without a problem, the business will soon have a problem with no solution" [Zimmerer & Scarborough 1996 p.80]. The important part is to be able to understand which ideas are opportunities, and which belong to the "just another idea" category.

A way to differ between the opportunities and the ideas is that an opportunity creates value to both the shareholders and the customers. The timing of the benefits is also an important factor, one need to be able to tell the investors when they will get their money back. The customers must have a clear view on why your product or service is better than the competitors. This means that the added value offered for the customer's money must show, and the customers need must be met. The entrepreneur must have innovative idea, or then do something in a different innovative way. But most important of all, it should satisfy a real need.

In all part of business, the risk must be taken in consideration. When evaluating a business opportunity, all relevant risks should be taken in consideration. Some risks can be eliminated by proactive strategies, some risks can be spread and some risks can be dealt with. There are many different risks, e.g. market-, competitive-, financial- and technical risk. If all these risks are high, then the idea might not be an opportunity. One thing to be careful about is to not get too emotionally attached to one's own idea. Just because it is your own idea and just because you believe it's great, it doesn't have to be that way.

To evaluate if a business idea is good, a screening process has been build up. The screening process is composed of critical questions which should give an answer to the potential of the idea, and involves a lot of research.

In the next chapter the screening process is going to be explained. After that the thesis writers' business idea is presented, and the screening steps are indirect taken in consideration.

3.2 Screening of the business idea

The screening process is divided into 5 steps, all concerning different parts of the idea.

Step 1 asks questions about the idea (see Figure 2). It controls that your idea is different from the other products or services that the market already have to offer, and that it actually creates value to the customer. It also investigates how the market behaves, the customer doesn't have to break his or hers own use patterns when he/she would start using the product or service.

The first question is: How is the idea different from the products or services presently offered in the market? The idea should be very much different from the others, otherwise will be hard to convince the customers to use you product instead of the other. Then again, if the idea is extremely different from the others, the customers might feel some kind of resistance to it. The entrepreneur needs to find the middle line between these two exceptions.

When you understand the behavior of the wished market segment, it is easier to understand what is needed in your business idea. The demand on the product needs to be investigated, and the timing of the demand. What is the created value of the product, how does it create more value from what the customer already has, and how much value does it create. Is your idea to make something more efficient, at a lower cost, or to produce some other value? If this is the case, then how much will they save or gain? Can the customer see these advantages themselves?

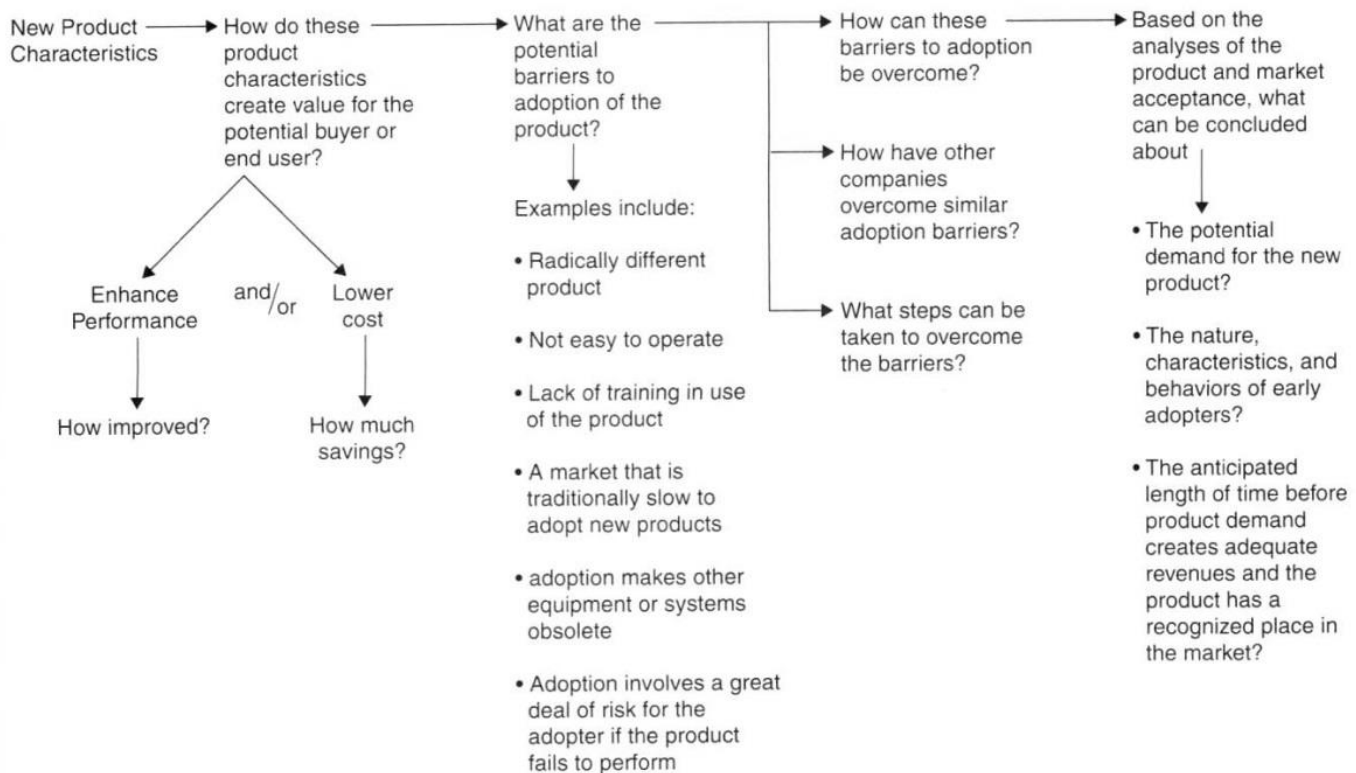


FIGURE 4-1. The Opportunity Evaluation Process: Step 1

The timing of the market evaluates how many clients you think that you will get. It is the percentage to which you believe that the chosen market segment will use your product. This is mostly important, because the customers bring in the revenues, and for new ventures it can be difficult to be accepted. The season of the year is also important to take into consideration, if you are producing something that is depending on the season of the year, it is very important that you launch your product at that time or a little bit before.

Figure2. The opportunity evaluation process step 1. (Zimmerer & Scarborough: Entrepreneurship and the New Venture Formation, Ch. 4, page 85).

After having gathered some base information about the adequate demand for the product or service, the time money and risk aspects needs to be investigated. Step 2 is about

the risks, competitive risk, technical risk and financial risks (see Figure 3). The entrepreneur must find out what they are competing with, they need to learn about the competitors. How are they developing their product? What is the historic rate of success and how much debt so they have? What are the advantages of the competitors?

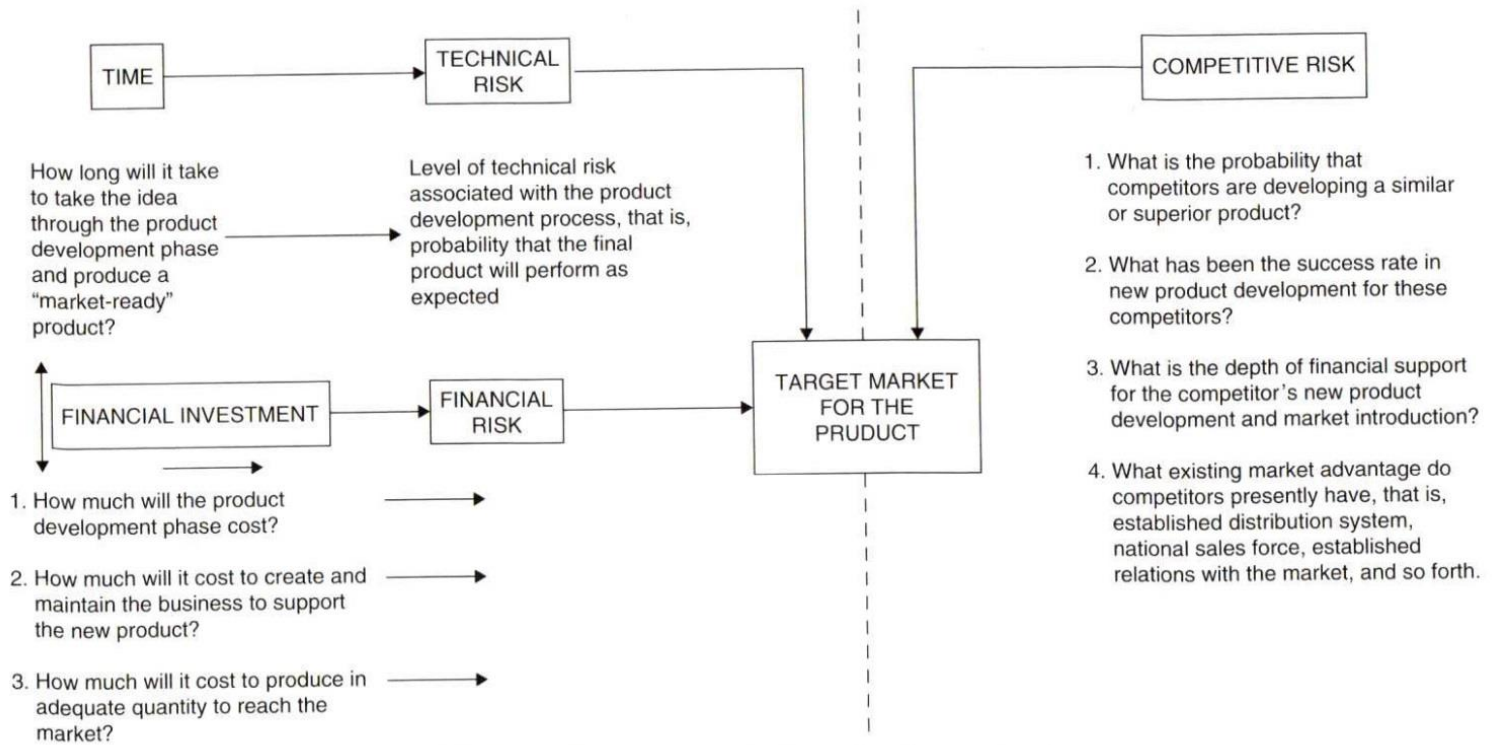


FIGURE 4-2. The Opportunity Evaluation Process: Step 2

The technical risk considers if the idea can be taken as a “market ready product”, or if it just is better on paper. The financial risk is the one that often brings the entrepreneur a sleepless nights. It is about the money situation and is there will be enough money to

support the venture. The entrepreneur must estimate if the product can enter the market successfully, regarding to the capabilities and the resources.

Figure3. The opportunity evaluation process step 2. (Zimmerer & Scarborough: Entrepreneurship and the New Venture Formation, Ch. 4, page 86).

A positive result of the second stage screening analysis is that the product can be brought to the market in a short time. The technological risk is small because of previ-

ous work or because of a prototype. The competitors are not aggressive and the own technique is superior the competitors. The competitors have not previously displayed an aggressive defense strategy. The new venture has the capabilities and resources needed to be a successful business, and they have implemented a strategy to introduce the product on the market.

For companies, the primary goal is to produce profit through goods and services. Every activity that the product or the service goes through is exposed to risk. These risks have to be taken, and the company needs to manage them in some way. This is called the risk management. The companies can for instance transfer its risk to special financial institutes, such as insurance companies (Bodie, Zvi. 2000, s 256-7 & 260).

Step 3 in the process is about the manufacturing (see Figure 4). The entrepreneur needs to investigate how he/she will get the materials and at the quantity needed. For new ventures the highest expense is the manufacturing equipment, and often startups contact experts to find the best technologies. Since the thesis is limited to the establishing of the business, this step is excluded from the investigation.

Another thing that brings credibility to the entrepreneur is to be able to compute the financial estimates. This is what the fourth stage is about. The entrepreneur has to be able to give out some estimates of the costs and the expenses. The estimates cannot be for sure, one cannot predict the future, but one can give a well explained suggestion. When investors see that there are thoughts behind the figures, it can give you credibility. The costs depend very much on the nature of the business, but there are always the same types of costs. There are fixed costs, variable costs and sunk costs, and some costs will even occur even if no products are ever sold. The timing of the costs and expenses is as well important, especially for new ventures, so a monthly budget has to be computed. The third party is interested in these numbers, and often some kind of capital has to be taken in. It is wise to take into consideration if one can get capital from somewhere, and how much is needed. The entrepreneur needs to count in the revenues and compute a price for the service, a price that the customer is willing to pay. This price must cover the costs, and fair wages to the entrepreneur.

The fifth and final stage is about risks. Earlier in the screening process the competitive, the technical and the financial risks were identified, but now the investigation goes even further. In this stage all the parts that the entrepreneur doesn't know are pointed out, to find out where the risks might lay. It is not done to press down the idea; it is only done to understand the potential risks. When you know what risks you have, you can protect yourself from them and make risk analyses and risk reduction planning. Success has often come to the entrepreneurs that have done these analyses and planning.

The things that are unknown for the entrepreneur, are usually his or hers risks. The entrepreneurs need not underestimate these components only because it's hard to state all the things that one cannot do. It is often the ignorance of the unknown that leads to failure among new businesses.

3.3 The Business plan model by “Uusyrityskeskus”

The business plan model made by ”Uusyrityskeskus” is a model recommended by Finnvera. Finnvera is a specialized financing company, owned by the State of Finland. Finnvera gives financing for the start, growth and internationalization of businesses, and guarantees against risks arising from exports. They also provide the new businesses with support. “Uusyrityskeskus” provides start-ups with help and information. They have developed a business plan model, which consists of the following steps

- 1) Description of the business idea
- 2) Description of expertise:
- 3) Description of the product:
- 4) Customers and customer requirements:
- 5) Industry and competition:
- 6) Scope and development of the market:
- 7) Marketing and advertising:
- 8) Risks
- 9) Intellectual property rights:
- 10) Estimates: Funding, Profitability and Sales

- a. Investment calculation
- b. Profitability calculation
- c. Sales calculation

3.4 Calculations and Analyses

3.4.1 Investment calculation

The investment calculation is an assembly of the cash flows, which means the incoming and outgoing payments, during a certain time period. This type of calculation evaluates the company's ability to run the business, to pay its debt and other obligations, and to pay dividends to the shareholders. The limited liability company is obliged by law to compute an investment calculation to the annual financial statements (Ohlsson, Jan & Skärvad Per-Hugo, s. 407).

An investment calculation for a start-up shows the sources of funding and the expenditure requirements that have to be made to launch the business. These are costs that have to be paid even if the business does not generate sales. The working capital (wages, salaries, rental, insurance, bookkeeping, etc.) is added to this calculation, because a business needs to be able to pay its employees even without sales (*Guide – Becoming an Entrepreneur in Finland*, Estimates: Funding, profitability and sales, p. 12).

The sources of funding are included to show that all the costs that need to be paid are taken in consideration, and that they can be covered. This can be shareholders equity, loans, business subsidies and external equity investment (see chapter 4.12.1 and appendix 3). The amounts are VAT 0% (*Guide – Becoming an Entrepreneur in Finland*, Estimates: Funding, profitability and sales, p. 12).

3.4.2 Profitability calculation

The most usual target by companies, are that they are profitable. The companies try to reach a positive result. In this calculation the incomes and the costs are compared, and

for a company to prove it profitable the income should of course be greater than the costs. An important part of the profitability calculation is the break-even point, where the income covers the fixed costs. The fixed costs are the costs that are independent of the sales volume. The break-even point (also called critical point) shows the minimum accepted sales volume. If the sales go under this, the business will not be profitable (see chapter 4.12.2 and appendix 3) (Ohlsson, Jan & Skärvad Per-Hugo, s. 216-217, 235-236).

3.4.3 Sales calculation

In the sales calculation the minimum invoiced sales target, which has been set in the profitability calculation, can be portioned among the different customer groups. The amount can be analyzed, to see if it is possible (see chapter 4.12.3 and appendix 3) (*Guide – Becoming an Entrepreneur in Finland*, Estimates: Funding, profitability and sales, p. 13).

3.4.4 SWOT analysis

The SWOT analysis (see Figure 5) is a risk analysis and a strategic planning analysis that regards the company's interaction with its environment. This analysis regards both the risks in the company as well as risks outside the company. The word SWOT is build up from strengths, weaknesses, opportunities and threats. Strengths and weaknesses regard the company's strengths and weaknesses, when opportunities and threats regard the environments' opportunities and threats (Ohlsson, Jan & Skärvad Per-Hugo, s. 87). See chapter 4.10.

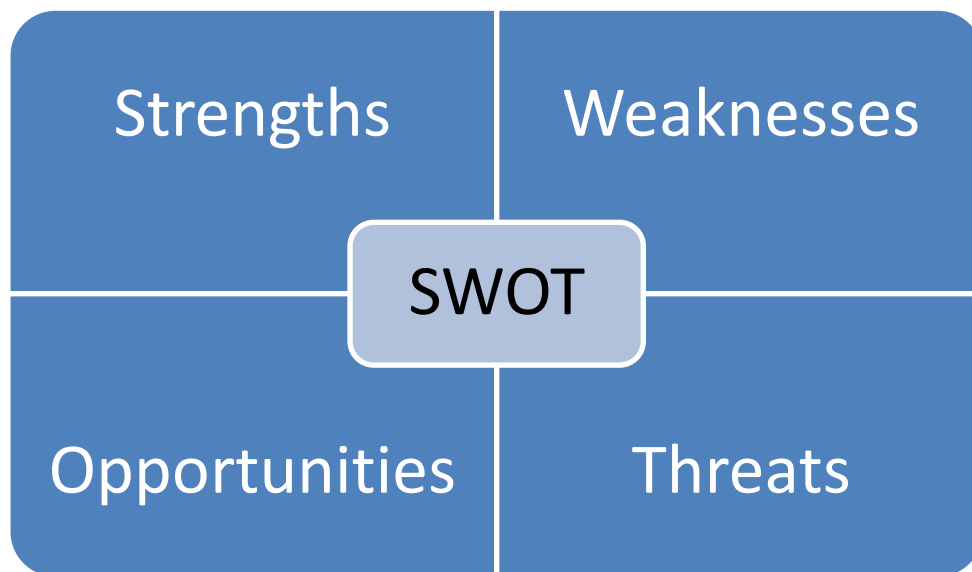


Figure 5. Picture displaying the SWOT- analysis. Model originally made by Albert Humphrey (Wikipedia, SWOT analysis).

3.5 Who should be considered?

When a business plan is written, you must keep the reader in mind. The entrepreneur must adjust his/hers writing so that the important parts for this specific reader is written and pointed out. Which these persons or interests are, is usually the same for every business. The interests that entrepreneurs have to take in consideration are the customers, the owners, the tax authorities, different financial institutes and the employees. The entrepreneur has obligations to every interest, and the following chapter takes up what these obligations are (*E2000 Classic Företagsekonomi 1*, 2011, s. 46).

The customers are seen as one of the most important interest. They can place demands on the products and on the quality, the price and the service on the product. They want value for their money. The second most important interests are the owners. They want a profit and the possibility to cooperate in the business. They are dependent on the company for their own living, such as the employees also are (*E2000 Classic Företagsekonomi 1*, 2011, s 46).

The employees get their profit in the form of salary or wages. They do not only need the money, but are also interested in the job as a workplace. By getting employed, the employees have the right to the social security. The employer must protect the employee

against any accidents and health risks, which means that the employer must insure the employee (*Arbetsavtalslag 26.1.2001/55*, Finlex). The company must make sure that a part of the salary goes to the employees' pension. The employer must in other words make sure that the law is being followed.

The suppliers are dependent on the company's success. They want to be able to sell their products, so that they can get a profit as well. The company is as well dependent on the suppliers, for they need to get the products they need. Therefore, a good relationship with the suppliers is important (*E2000 Classic Företagsekonomi 1*, 2011, s 46).

In most of the times, the companies need to get a loan. The creditors are therefore also an important interest. The creditors want the company to succeed in order to get their money back, and in order for the company to be able to pay its loan rates. The competitors can draw knowledge from you, and you can draw knowledge from them. They are seen as an interest when they "force" the companies to develop, which is a favor for all (*E2000 Classic Företagsekonomi 1*, 2011, s. 46).

The last interest is the government or the society. They want the company to succeed in order to bring jobs to the society. For when the companies get a profit, they have to pay taxes on it, which brings money to the government. When the companies employ people, the government gets tax income from the employees' salaries. Then when a profitable company gives money to its investors, the government gets a bit from taxes as well. Taxes bring a better public service, which benefits the citizens (*E2000 Classic Företagsekonomi 1*, 2011, s. 46).

These are all the interests that want the companies to succeed. They all need to be taken into consideration when the business plan is written. This business plan is going to be presented to two different parts of creditors, [a banker](#) and [a venture capitalist](#).

3.5.1 The importance of the employees

The employees' relationship to the employer is regulated with different acts and agreements. These regulations concern the contracts, the working times, the right to study leave or alternation, young employees and the protection of privacy in working life (*TE – palvelut*. Labour Legislation).

The employees are the ones that are in contact with the customers, and are therefore of high importance. They should be able to enjoy their work, for when they do, the customers can tell. To keep the employees motivated, the work needs to demand something from the employee, and it has to be a continuous learning process. The employers should be provided opportunities to make decisions, and the works should give them reputation and hopes for the future (Olsson, Jan & Skärvad Per-Hugo, 1993, p.185). For the business to be growth promoting, the labor organization must make sure that “the right person is on the right place” and that no discrimination in any form can be allowed. There should also be something that pushes the employer further, against better result (Eklund, Klas, 2007, p 219-220).

3.6 What should be done?

For the entrepreneur's idea to become a business, there are certain things that need to be done (see Figure 6). First of all, the entrepreneur must collect all his/hers thoughts and write down a business plan. This step is of course not a compulsory step, but it needs to be done if the entrepreneur needs finance or partners. It is also a good way to see if the business actually is going to be profitable.

To be able to form the company, the entrepreneur must know which form of business the company will be. This form decides how costly the establishing will be, and what documents needs to be filled. Most of the times, the entrepreneur need some external financing, and this is where the business plan comes in. When you apply for finance, the creditor wants to know about your business, and that you actually have thought about it. By looking at the business plan, the creditor (and the entrepreneur) gets an idea about your business and the capital required. When the entrepreneur has the capital needed for

his business, it can be registered. In Finland, the entrepreneur fills in a “establishing – kit” made by the “ytj” (the Finnish Business Information System), including all the documents that needs to be filled. After the company is established, it is wise for the entrepreneur to find out how he/she can protect the idea.



Figure 6. Figure displaying what should be done to register/establish a company.

4 THE BUSINESS PLAN

The model of this business plan is taken from the “Uusyrityskeskus.fi” webpage (see appendix 4), and written to a creditor. This model is chosen because of its logical order. As previously stated, the “Uusyrityskeskus” business plan model is recommended by Finnvera (see chapter 3.3). The screening steps are more an analysis of a business idea. They are useful to analyze, but to make a business plan in their order wouldn’t be suitable.

ble. The screening steps (see chapter 3.2) will be taken in consideration in the business plan, but the plan will not follow the order of the screening steps.

The content headings are the same as in the “Uusyrityskeskus” model. A company can choose different headings, but in this thesis the given headings are used. After every chapter in the business plan, the interviewed persons’ comments are given. In each sub-heading, only the interests’ voice is heard. Some chapters do not have a comment, which means that the interests’ did not react on the chapter. The interviews should not be seen as a part of the actual business plan, only as a support for the reader to understand which parts are important.

When the financial plans are made for the business, it is wise to include a cash flow analysis. The business plan made by “Uusyrityskeskus” does not include this kind of calculation. Since the thesis follows their plan, it does not include the cash flow analysis either. To be sure that there is enough money to pay even the first costs, a different analysis is made (see appendix 3, Profitability Analysis, Money adequacy analysis).

The filled establishing-kit (see chapter 2.2) can be found in appendix 1. The appendix goes through some of the more important parts that need an explanation. There is no English version of this document, so the Swedish one is used.

4.1.1 The Venture Capitalist’s comments

The Venture Capitalist found that the Finnvera model’s structure and the headings were logical and usable. He said that he has not seen this model of a business plan, and that the business plans that he reads are all different. “There are as many business plan models as business ideas” (Mats Therman, writers own translation). He is though not interested in where the model comes from, so this chapter is useless for him.

4.1.2 The banks' point of view

Nina Pitkäljärvi, working at the bank Ålandsbanken Ltd, said that she is used to reading business plans using Finnvera's model. They even urge the companies to use it. Although, she states the same as the venture capitalist, the companies' business plans are all different. The bank wants the business plan to have a logic order, and Pitkäljärvi feels that the model by Finnvera is good.

4.2 Executive summary

Business idea: A family oriented beach restaurant that aims for the comfortable home feeling.

Even in the history, Lauttasaari has been the island where the city people come to relax to. Nowadays small children are seen playing in the green parks, while the parents enjoy the weather and the company of others. In the winter people are seen skiing and skating, and all sorts of winter activities are practiced on the ice. Here one can find the popular "kasinoranta" beach, with its beautiful sea view over the archipelago, where the eye can see far in the horizon. And one day, you might even be able to eat a delicious meal on the beach, with your family.

The target group for the restaurant "Merikylpylä" are the families with small children in Helsinki and especially in Lauttasaari. The families are the biggest group of people in Lauttasaari. The restaurant will be like a second home for the visitors, so that the both parents and children feel welcome. To differentiate from the other restaurants and to reduce the risks, take away food is also included in the business. There are some competitors on the island, but this business idea differentiates from them on several points. The most important part for a restaurant is the location, and this location is better than the other restaurants. To reach the customers the business is going to use social media, newspapers and direct marketing.

From you this business needs expertise, help, counseling and financing. The needed capital is 101 400 €. The business calculates that it will take 4 years to get back your money.

The restaurant industry has increased the amount of employed in the last few years. The Finnish hospitality association has made a survey saying that the Finns eat more in restaurants than before. In the Finnish culture, the children are welcomed in restaurants. Still, the parents often feel uncomfortable bringing their children to a restaurant, with all the trouble that they might make. This new business gives the families a home-like place to come to, where the parents feel welcomed too.

4.2.1 The Venture Capitalist's comments

The Venture Capitalist needs to understand the business idea and the concept as fast as possible. He gets 350 – 400 business plans a year, and it takes him about ten minutes to decide if the plan is good or not. If the concept is unclear or taken up later in the business plan, he will not read it. He said that the entrepreneur under no circumstances should write that he needs financing from the venture capitalist. The entrepreneur should write that he needs expertise, help, counseling and a little bit of money. The money part should not be presented as the driving part, more like the side purpose.

4.2.2 The banks' point of view

The bank wants to know how much money they are asked of. For them it is important to know what the entrepreneur can achieve with their financial contribute. They cannot contribute with expertise, help and counseling. In this chapter the financing need should be stated.

4.3 The business idea

Business idea: A family oriented beach restaurant that aims for the comfortable home feeling.

The Merikylpylä restaurant is a family-spirited beach restaurant. It is going to be located on the “Kasinoranta” on Lauttasaari, a suburb of Helsinki situated 6 km from the center of Helsinki. The restaurant will supply lunch, and dinner. The interior design will be home - oriented, so that the guest feels welcome and at home.

The Merikylpylä restaurant is going to serve delicious and healthy dishes for both parent and child. The child dishes will be colorful and interesting, to appeal to the children. The parents have their own, a bit more sophisticated menu. To differentiate from the other restaurants in the area, the restaurant is also going to provide the customers with a possibility to take away food. By doing this, the Merikylpylä restaurant will reach the customers in another level, even the busy parents, and the restaurant can get more customers. With the concept of healthy food, other visitors and not only families will visit us. The restaurant -space is therefore divided into two separate departments.

Lauttasaari is known for having a lot of elderly people and families. In Lauttasaari there are three nursing homes and 1991 companies. The Kasinoranta is visited by a lot of people during the summer, but also in the winter. The beach has a playground for kids and outside fitness equipment. A basketball ground, a cycling park and a beach volleyball all within a radius of one kilometer (*Lauttasaaren kasinonrannan uimarannan lähiliikuntapaikka*. Helsingin kaupunki liikuntavirasto. During the winter people walk on the ice, and play winter sports. The restaurant would be for all the visitors of the beach and the island.

4.3.1 The Venture Capitalist's comments

The first thing the Venture Capitalist looks for in the business plan is what problem or what challenge the entrepreneur is trying to solve. If the venture capitalist feels that this problem is worth a solution, he will continue on reading. This solution that the entrepreneur finds will have to be worth paying for. If either the problem or the solution is bad or not understandable, he will not continue reading. Another point that he takes into consideration, is how the location supports the case.

4.4 Description of expertise

The Merikylpylä restaurant will have an advisory board of experts. They all have a long experience in the field of business, and with their help the restaurant to find the right employees.

The advisory board consists of owners of professional chefs and different kinds of restaurants. These restaurants are in the center of Helsinki and in Lapland. One of their owned restaurants won the price for the best restaurant in the year 2013 by “Suomen gastronomiaseura”. Another advisor is a partner in the company “Vanajanlinna Group” which owns the “Levi Ravintolakatu”, other restaurants, hotels, caterings and golf centers in Lapland. “Levin Ravintolakatu” owns five restaurants in the ski center city Levi. These people are experienced with starting and running a restaurant and they can help our business have a successful start and a successful future. Together with the advisory board the business can develop a successful strategy.

4.4.1 The Venture Capitalist’s comments

This is where the entrepreneur should present that he actually knows what he is doing, and that he does have experience. The venture capitalist needs to know that this person is trustworthy. Throughout the whole business plan, the entrepreneur should give why especially he will succeed. The entrepreneur needs to show that he does know what he is doing.

4.5 Description of the product

The restaurant, called “Ravintola Merikylpylä” after the beach original name (*Merikylpylänpuisto (Kasinonranta) Vihreät Syli*), is a home-feeling restaurant that wants to make the customer feel as comfortable as they are at home. This feeling is going to attract the children to the restaurant. When the children enjoy the restaurant, the parents will follow. The whole business, with the interior and employees, is built around

the concept that going to the restaurant should feel like stepping in to a home. It will be an experience to visit the restaurant, something different than the rest of the others. The restaurant is for 100 guests.

In 1913 the original "Drumsö Casino" was built. The Tallberg family moved in the island, and saw a potential in it. The city people from Helsinki could come to the island to swim, relax and do recreational sports. Therefore Julius Tallberg built the "Drumsö Casino". In this time the outdoor sports and sunbathing was a totally new idea, and the café was actively visited. Unfortunately you could not get there by car, and the café had to end its business. After that the house was used for other purposes, it finally burned down in 1947 (Stenius, Sigurd. 1947, p. 28 – 29, 107).

The restaurant is made home-like, with the interior and the service genuinely friendly and used to children. In the winter there is a fire burning and in the summer people can eat their food like a picnic on a blanket on the lawn outside. The dog owners that walk their dogs outside can get a "dog owners take-away coffee", whilst they walk their dogs along the shore.

On the side of the business the restaurant rents out game equipment, such as Frisbees, balls, "cricket" and the traditional Finnish game called "mölkky". The beach has many sport fields, which are free for everyone to use. The café is also equipped with a cabinet that you can rent for meetings. The created value for the customers is the experience they get.

The year is, in the restaurants point of view, going to be built up in two seasons. In the summer we are opened café hours and restaurant hours, which means that we would serve both lunch and dinner. In the winter, when the beach is not equally visited, we are opened in the evening as a restaurant.

4.5.1 The banks' point of view

The banks are not so interested in if the idea is good and functional. In the bank point of view, it can even have a negative effect if the business plan is written with too much small and complicated information. Simple is beautiful, they feel.

4.6 Customers and customer requirements

The customers for the business are the families of Lauttasaari and Helsinki with small children. Lauttasaari is a suburb of Helsinki known for the pensioners, the families and the younger adults. The island has 12 kindergartens, two primary schools, one high school, one youth center, one library and one health station (see Figure 7).

105 Lauttasaaren peruspiiri

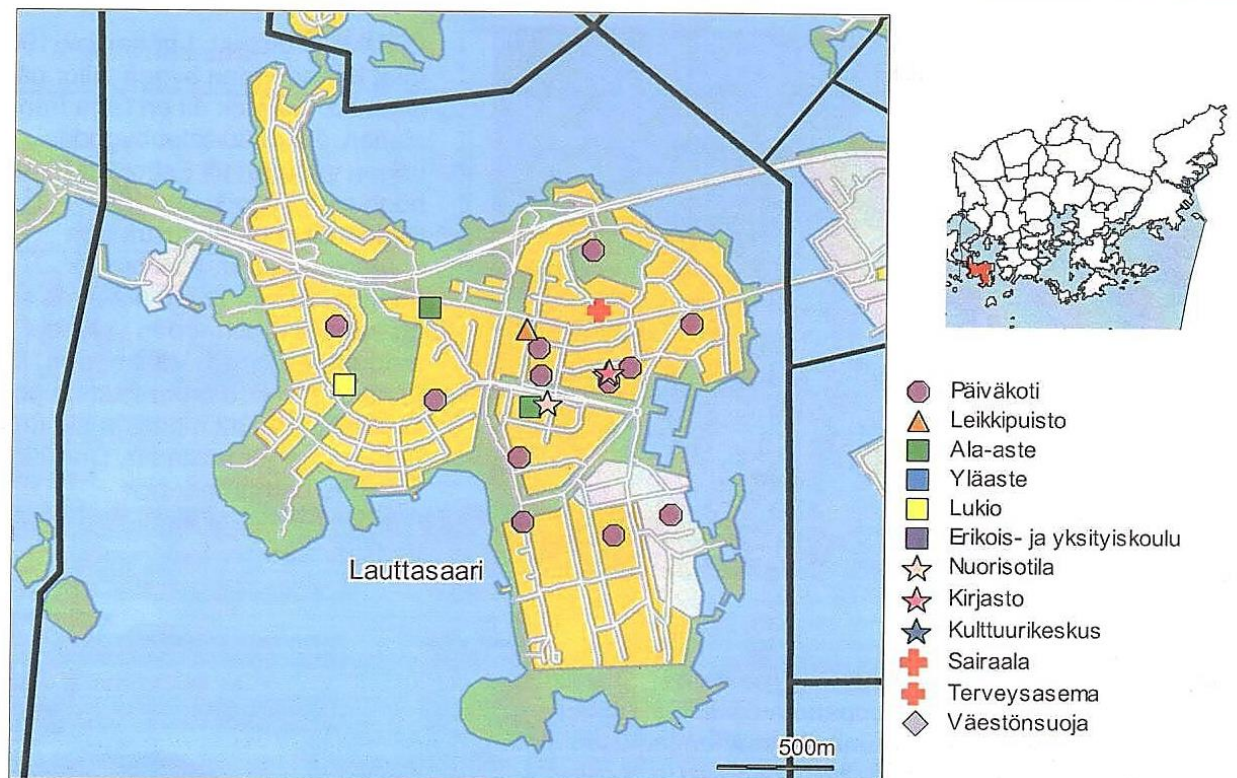


Figure 7. Picture of Lauttasaari, explaining the amount of institutions for children.

As previously stated, the two biggest groups of inhabitants are the families and the pensioners. The biggest group are the 40 – 64 year olds (30,7%) and the second largest are the 25 – 39 year olds (30,5%). These are the people the restaurant is build for (Appendix 5).

The beach “Kasinoranta” or “Merikylpylän puisto” is listed as a swimming beach by the city of Helsinki, and it is set with beach guards from 4.6 to 12.8. The official name of the beach is “Merikylpylän puisto”, but generally the inhabitants know it as “Kasinoranta”. In the summer, people from the city, and of course the island itself, come to the long beach to swim and take sun. The park “Lahnalahden leikkipuisto” is one of the bigger parks in Lauttasaari, and it is located about 500 meters from the beach. The usual pattern for the families is that they spend their forenoon in the park, and after that they move to the beach.

In the summer the beach doesn’t have a place where you can get a proper lunch. The beach gives a lot of opportunities to serve the visitors. With the restaurant Merikylpylä, the people can get food whilst spending time with the family. At the restaurant the visitors can play games, enjoy the beach and get something to eat. They will choose Ravintola Merikylpylä, because visiting this restaurant is an experience, and it makes you feel like you are home.

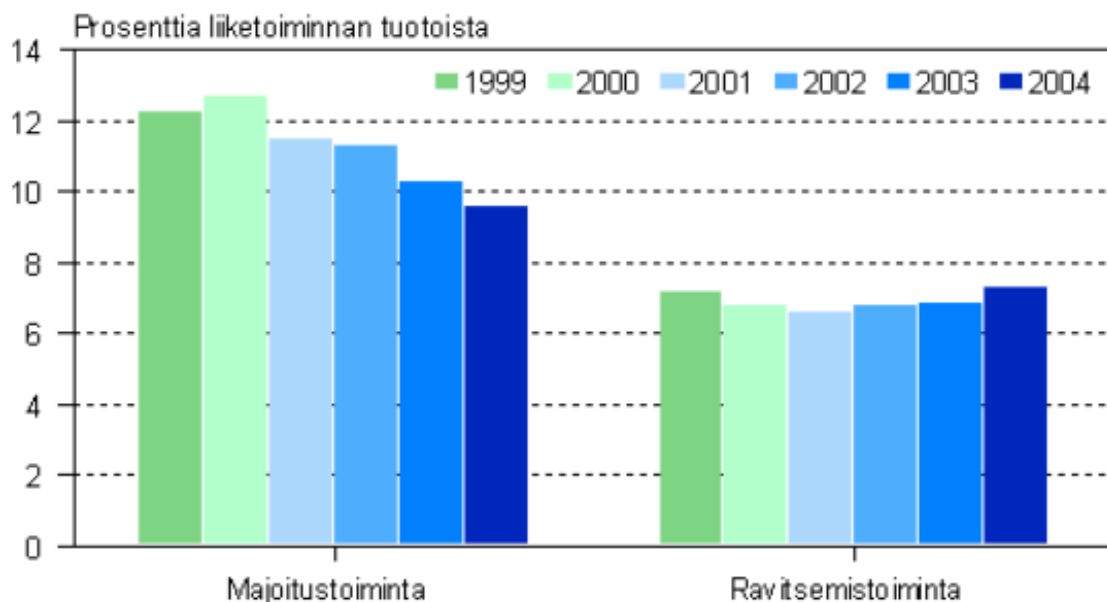
The types of customers that visit the restaurant are more analyzed in the financial calculations (see Appendix 3, sales calculation).

4.7 Industry and competition

The business area that this company is a part of is 56101 Restaurants, which belongs to the business area “Restaurants and similar food businesses” (nr 561). In Finland there are 8886 registered businesses from the area of “restaurant and similar food services activities” (Tilastokeskus, 2008). From 1999 the restaurant activities’ EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) have suffered a small fall till the year 2001 (see Figure 8), and after that it has started to grow (*Majoitus- ja rav-*

itsemistoiminnan käyttökate 1999-2004, Statistics Finland). Together the hotels and restaurant activities' EBITDA has grown from 2009 till 2011. In 2009 the overall result was negative, but since then the line has pointed up, reaching for a positive overall result in 2011 (see Figure 9). The small and medium sized businesses represent 87 % of the growth. Do note that this regards both the restaurant and the hotel activities. The restaurant activities year of 2011 was good. The turnover was 4,3 billion €, which means a growth of 7,6 % (*Pk-yritykset kasvattivat toimialan liikevaihtoa vuonna 2011*, Statistics Finland).

Majoitus- ja ravitsemistoiminnan käyttökate 1999-2004



Päivitetty 3.3.2006

Figure 8. The EBITDA for the hotel and food service activities 1999 - 2004. The development of EBITDA, years 1999 - 2004. In percentage of the operating income.

Majoitus- ja ravitsemistoiminnan kannattavuus 2009–2011

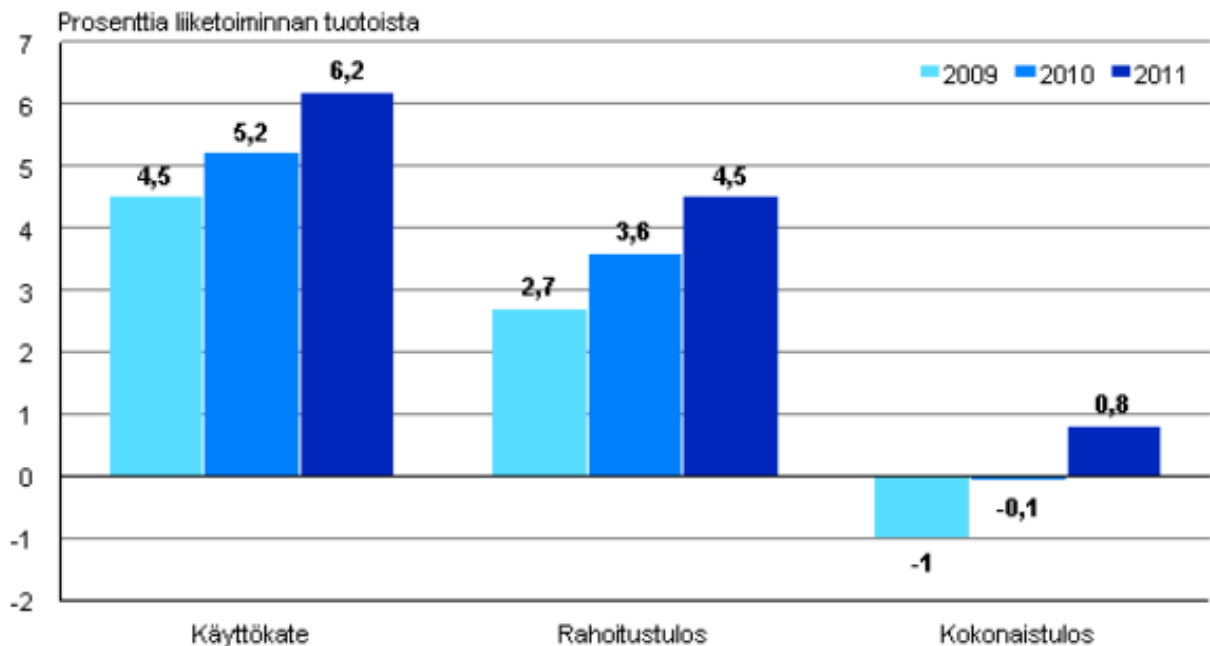


Figure 9. The profitability of the hotel and restaurant activities 2009 – 2011. The development of EBITDA, financial result and the overall result, years 2009 – 2011. In percentage of the operating income.

This business has a few competitors. The café part of our business competes with a small café-kiosk that is located on the beach, and the restaurant part of the business competes with a few restaurants located on the island. Lauttasaari has different kinds of restaurant, in all 33 registered businesses in the field of restaurant and food services (Tilastokeskus, 2008). Lauttasaari is divided into two post areas, from which the statistic is taken from.

The one direct competitor that the “Merikylpylä” restaurant has is located on the beach. The café “Kahvila Kasinonranta” is small and it doesn’t serve lunch, it is more like a cake/coffee café. Their webpages doesn’t tell the viewer much, but it has a very active Facebook- page (*Kahvila Kasinonranta*). In the winter they use Facebook to tell the customers when they are open. For instance they have written on their page that “We are updating the opening days a day at a time. We follow the wind- and weather situation

earliest in the mornings. So if the weather lets us, we are open on Sunday as well.”
(*Kahvila Kasinonranta*, Facebook).

“Kahvila Kasinonranta” is a company owned by “Mercarto”. The owner, with his family, owns a couple of cafes in Helsinki. He is connected to the “Kahvila Kompassitori” in Kaivopuisto, Helsinki, and the café “Mutteri” in Lauttasaari. Apart from his activity in the café-industry, he is also active in the Peuramaa Horse riding centre. Peuramaa horse is located in Kirkkonummi, not far from Helsinki. The owner is an active Lauttasaari citizen, and helped to build the outside gym that is located on the beach, right outside “Kahvila Kasinonranta”. This person should not be underestimated (*Kahvila Kasinonranta*, Fonecta) (*Yhteystiedot*, Peuramaa horse) (*Mercarto*, Yritys ja yhteisötietojärjestelmä).

All three of the cafes that the company Mercarto owns, are small kiosks. They are friendly and welcoming, but they are all small. In these cafes you can enjoy a cup of coffee and a bun or a croissant. “Kahvila Kasinonranta” works best in the summer when the guests can eat outside. The cafe organizes events, like coffee training by the coffee producer Paulig (*Kahvila Kasinonranta*).

Since the Restaurant Merikylpylä will be a restaurant, “Kahvila Kasinonranta” is only competing with it on certain points. The customers searching for a coffee and a sweet bread are the ones that might choose them instead of us. Their weakness is their small size, which can only allow a certain amount of customers, especially in the winter. They do not have running water in the café, so they have to carry the water. The capacity is small, and the queues long.

One of the most visited restaurants in Lauttasaari is “Casa Mare”. It is a restaurant that serves a broad selection of food, and has expanded a lot these last few years. Today the restaurant can serve 240 guests. They serve both lunch and dinner, and they have a bar. They have certain food- theme weeks, and they can rent out cabinets to people that wants to eat more private. (*Esittely*. Ravintola Casa Mare)

Casa Mare is owned by Ravintolakolmio Oy. Ravintolakolmio Oy consists of 17 restaurants located in Helsinki. All the restaurants are different and they all have an own business idea. Cantina West, Ravintola Lasipalatsi, Café Lasipalatsi, Tony's Deli and Kokkokoulu Espa are some of the restaurants in the group. Ravintolakolmio Oy is a family owned company (*Ravintolat. Ravintola kolmio ryhmä*).

Casa Mare is popular because of the fact that they have always been there. The inhabitants of Lauttasaari know them, and use them because of the lack of other restaurants. The quality and price relationship is not good, and the restaurant is not an experience anymore. The restaurant forms anyhow a big threat. The fact that it well known and well used, makes is a serious opponent. A comparison matrix with all the analyzed competitors is computed (see Table 1).

Table 1. A comparison Matrix between the competitors.

| Comparison Matrix | | | |
|-------------------------------|-----------------------|---------------------|----------------------|
| Features | Ravintola Merikylpylä | Ravintola Casa Mare | Kahvila Kasinonranta |
| Sells lunch | Yes | Yes | No |
| Sells dinner | Yes | Yes | No |
| Sells coffee treats | Yes | Yes | Yes |
| Licence to serve alcohol | Yes | Yes | No |
| Healthy food | Yes | No | No |
| Take away | Yes | No, only the pizzas | No |
| Green surrounding | Yes | No | Yes |
| Sea view | Yes | No | Yes |
| Possibility to rent a cabinet | Yes | Yes | No |

4.7.1 The Venture Capitalists' comments

The venture capitalist looks for trends that support the business concept. Here the entrepreneur should give statistics showing that it is a good idea to invest in this business.

4.7.2 The banks' point of view

This chapter is important for the banks. They want to know what kind of industry the company is going into, and they want to know that the startup knows it too. The bank also uses different information services, to gather information about the field of business. It is important for the bank to know that the field of business is profitable.

The competitors are an important fact for the banks. Often the banks have to ask the start-up about its competitors, and the banks want to know that the company understands the risk with them. Underestimating, or disregarding the competitors is a common mistake.

4.8 Scope and development of the market

In the beginning the business is targeting the market in Lauttasaari, and later on the business wants to compete with the rest of Helsinki by attracting customers from the city. To compete with the rest of Finland, the business can extend its concept to other restaurants with the same home feeling and healthy food. The concept could also be franchised, with a royalty profit for the original restaurant.

4.8.1 The venture capitalists comments

The venture capitalist wants to know if the business is scalable. He wants to know if this business is suitable to duplicate in other parts of the country, and in other countries as well. Is the idea good enough that his money input can make it grow even internationally?

4.9 Marketing and advertising

The Restaurant Merikylpylä will use the word of mouth marketing tactics. A facebook page will be published, where updates and info can be written. Facebook is a great tool to reach your customers in a few hours' notice, to almost no cost. Through Facebook competitions can be organized, news can be told and most important of all you can market yourself and reach new customers. This Facebook page will be established before the business will start. This supports the word of mouth tactic.

To reach my customers the business is going to place an ad in the local newspaper "Lauttasaarilehti. This newspaper is free, and given to all inhabitants that allows free distribution. This way, almost all the inhabitants will be reached. This paper also writes about everything that happens on the island, so the business believes in some publicity. A webpage will of course be built. The families can be reached through the kindergartens info walls and the schools. They can also be met in different happenings on the island, and the business can be marketed directly to the customers.

The city of Helsinki organizes a happening called "Ravintolapäivät" where whoever can cook food and sell it. This happening takes place 4 times a year (*Ravintlapäivä*). This restaurant will attend this happening before the actual start, and try to market the business. The stand is going to be located on the beach, where the restaurant will be later on. Lauttasaari organizes many other happenings, and by attending to these, the restaurant will let the people know about my business. The business is going to be launched in the spring, right before the summer season, when the beach is mostly visited.

4.10 Risks

Earlier in this thesis (see chapter 3.2) the importance of identifying the risks were set. The competitive, technical and financial risks are the ones that bring difficulties to the companies. The risks should never be underestimated.

Competitive risks

A risk that the restaurant faces is that the customers choose other restaurants instead of Ravintola Merikylpylä, since all restaurants are quite similar. This risk the business has reduced by giving the customer the home feeling with the healthy food, and by differentiating the company with take away. The business has studied the competitors (see chapter 5.6) to know who it is competing with. The restaurant that is my restaurants biggest competitor has the age advantage. It has always been there and people are familiar with it.

Technical risks

There is a risk that the equipment will fail and that something will happen to the actual building. You cannot prevent these things to happen, but you can get an insurance to cover the costs. A risk also lies in the suppliers. One should be able to trust that the goods they deliver are on time and in order. This especially goes for the food. The media has taken up situations where the food does not content what it displays. The relationship to the suppliers are therefore of high importance.

One risk is that the business will not get the right employees. The whole business concept is build up on friendly service and the family-home- feeling. If the business cannot find employees who can act on this concept and who respects it, the whole idea will fail. The employees need to be trustworthy. The employees also need to be qualified, meaning they need to have the right education and the hygiene pass (see chapter 2.3.4).

Financial risk

The major risk in my opinion is the financial risk. Without customers, there won't be any money either. There is a risk that the demand goes down, and then the income will as well. If for instance, it suddenly becomes more popular to cook at home. There lies a risk in the suppliers too. If the suppliers will raise the price on their products, our prices have to go up as well. There is also a risk that the banks do not believe in my idea, and that they will not give me a loan. The banks might raise the interest rates on the loans, with means more expenses for us.

The business is strongly sensitive to the government tax policy. If the government decides to raise the taxes, the common behavior for the inhabitant would be to turn to a cheaper alternative. When people have tight with money, they prefer to eat at home instead of going out. This effect was seen when the government lowered the tax rates in 2010, and the industry felt the positive effect (see chapter 1). It also affects the business if e.g. the government sets an extra law on the outdoor serving (see chapter 2.3.6), the license to serve alcohol or the opening hours (see chapter 2.3.5).

A SWOT analysis is made (see Figure 10), where both the positive parts and the negative parts are taken in consideration (see chapter 3.4.4).

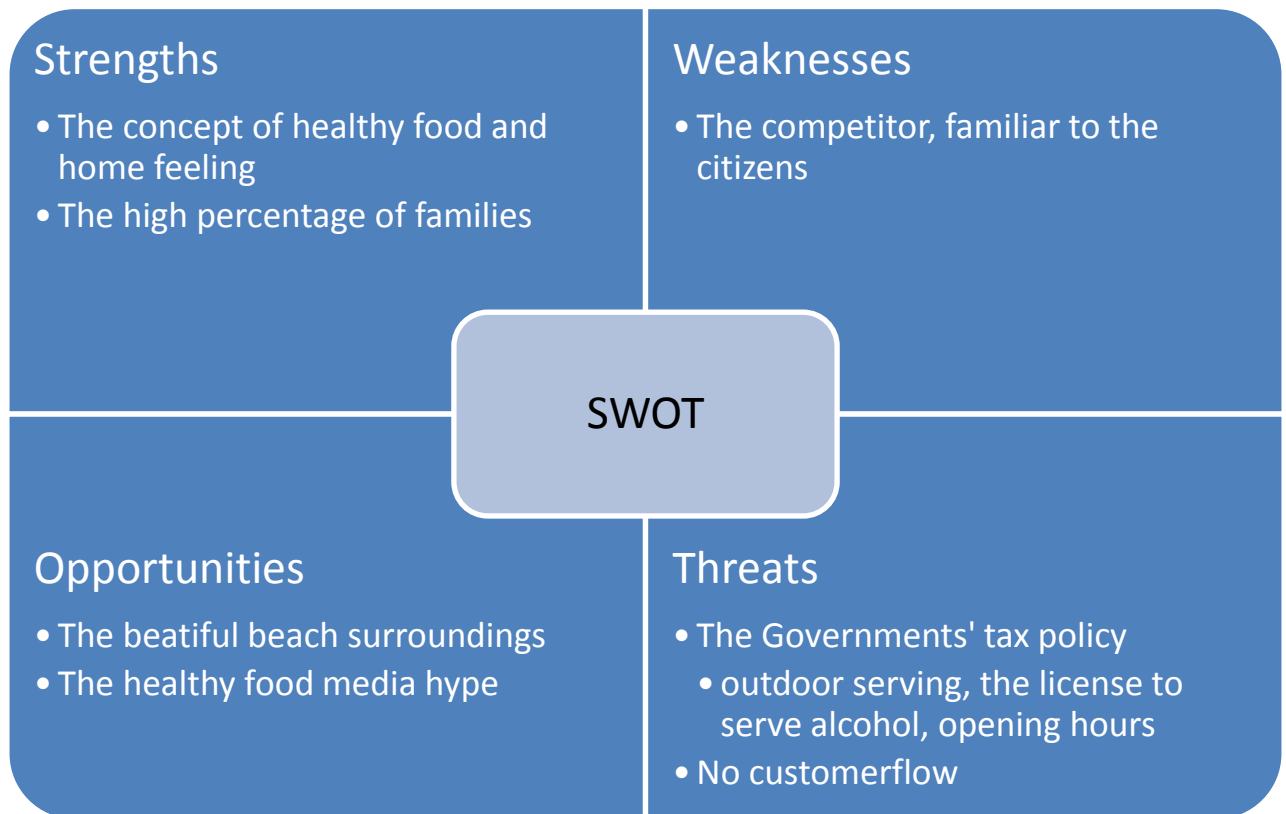


Figure 10. SWOT analysis of Ravintola Merikylpylä.

4.10.1 The Venture Capitalists comments

For an investor, all risks are financial risks. He felt that this chapter was like “stating the obvious”. He pointed out that a SWOT analysis is important, and should be included in the plan. The venture capitalist found the some of the risks as stating the obvious.

4.10.2 The banks' point of view

For the banks the risks are important, and with that the SWOT analysis. The first thing Pitkääjärvi did when she got this business plan was to look for the SWOT analysis. The banks want to know that the companies understand the amount of risks, and they want to know which these risks are. Pitkääjärvi did not feel that these risks were as “stating the obvious”, she wanted them there.

4.11 Intellectual property rights

This business idea is not a new technical innovation; I cannot protect the idea by patent. The logo and the interior can be trademarked (see chapter 2.3.3).

4.11.1 The venture capitalists comments

By the venture capitalists meaning the protection, in form of e.g. trademarking, is compulsory. Although, he also states that there are ways to get past the trademarking. The easiest way to protect the business is by establishing it and being better than the others. This is something that shouldn't be written in the business plan, the venture capitalist just needs to understand that this business idea is better than the others.

4.12 Estimates: Funding, Profitability and Sales

As previously stated (see chapter 3.2) the numbers are only estimates. The numbers are given an explanation in the comment field, so that one understands why they are used. The calculations are computed together with the bookkeeper Charlotta Rosenlew. Read this chapter together with the appendix 3.

In the calculation the restaurant space and the kitchen is rented. The restaurant itself will buy some kitchen stuff, but the biggest kitchen machines are included in the rent.

4.12.1 Investment calculation

The total capital needed is 202 787 €. The company has decided that the owners will stand for 50% of the amount, and 50% will be financed with external capital. The amount that will be financed through external capital is 101 394 €.

The owners will finance their part with both share capital and through loans from shareholders (see chapter 3.4.1). This is also split by 50 %. The loans represents 50 697 €, and the share capital with the same amount. One of the owners contributes with a piano (4 000€), which means that his share capital part is a bit smaller (see Figure 11).

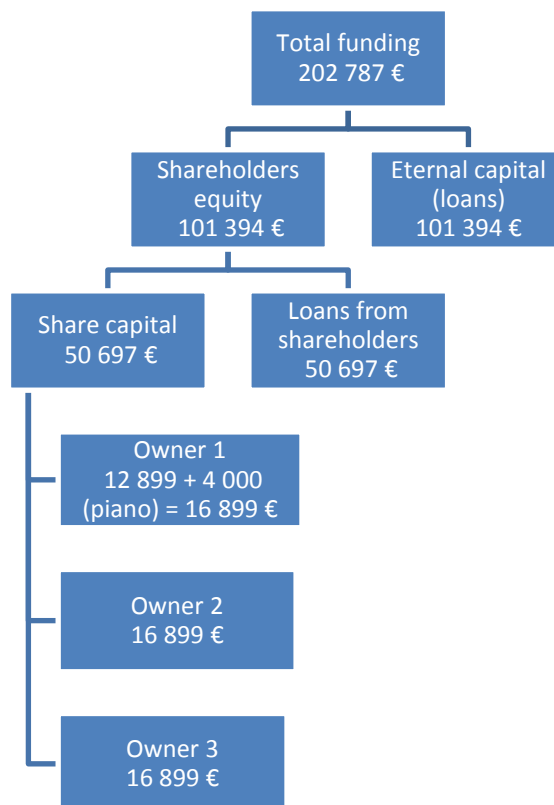


Figure 11. Figure explaining the Sources of Funding.

4.12.2 Profitability calculation

The profitability calculation is calculated backwards, explaining which amount of money you need first (see chapter 3.4.2).

The loan repayment is calculated on the “loan repayment” sheet. It is simply computed with the time expected the restaurant has the loan. The depreciation is calculated on the “depreciation” sheet. The company decided that their plan is to pay the total amount divided into the investments life years, for eight years the life time). The depreciation concerns the kitchen equipment and the furniture. The loan interest is computed with the Euribor 12 + 2% rate.

The “money adequacy analysis” is computed to make sure that there is enough money to pay the costs that occur before the first sales income has arrived. In the investment calculation there is a post called “cash reserve”. This amount is sufficient to cover these costs, and it leaves a reserve for other possible costs. The “cash reserve” is calculated in the loan amount.

4.12.3 Sales calculations

The sales are calculated with the types of customers the company expects to get (see chapter 3.4.3). The prices of the courses are computed as the average costs by Casa Mare, and the amount of customers is also set with regards to Casa Mare. The prices are net of VAT.

4.12.4 The venture capitalists comments

The venture capitalist wants to see that the finances works, and that the entrepreneur is able to argue with them. A venture capitalist goes in to the company for 5-10 years, so he wants to know when he will get his money back (the payback time).

The venture capitalist might not know the field of business so well. The only thing he can hold on to and argument with are the numbers. The numbers should therefore be well assembled, and should be on the same page as the case.

4.12.5 The banks' point of view

The banks find the financial statements of great importance. The numbers can prove on black and white if the idea is good or not. These calculations are the ones that the banks can challenge the entrepreneurs about. They can ask questions to see that the numbers are really thought about. Although, they do not need to see in the business plan how the entrepreneur got to the different results. This is important for the thesis, and therefore they are left in the appendix 3.

The banks usually expect a cash flow analysis. The bigger companies usually provide a cash flow analysis on a monthly basis, but that is not necessary for smaller ones. They also want to see a budget planned three years in advance, regardless of the company's size. In this business plan, Pitkäjärvi found that the calculations were sufficient. The same principle stays in the calculations as with the business idea, "simple is beautiful". The banks do not want too many calculations. They want to look at them in a big perspective.

4.13 The venture capitalists overall comments

In a business plan, the entrepreneur needs to get the venture capitalist interested. Therman computes his own screening process, so that he can get a feeling about the business idea. The company must also be formed as a limited liability company, otherwise he will not get engaged in the project. This Venture Capitalist, Mats Therman, uses the business canvas model (see appendix 6). He said that he prints out this model on a big paper, and hangs it on his wall. When he reads the business plan, he writes in the boxes how he feels about the company. Even when he is doing something else and he suddenly remembers something to write about the business plan, he writes it on the big paper on his wall. This business model canvas can also be used when computing a business plan. Mr Therman once wrote a business plan template, but he found out that he kept rewriting it for every idea. In his opinion the business canvas model has a logical order.

Mr Therman stated that the biggest mistake a business plan can suffer from is that he does not understand it after reading the whole plan. The business idea should be the

same throughout the whole story, and the logic shall not change. There are of course some ideas that are hard to understand, e.g. technical innovations, but the entrepreneur should be able to explain them. The business plan can be longer (not a novel though), and the content is the most important part. Good looks might give it an edge, but it doesn't help if the idea or the text is bad. In a business plan there is no need for references. In a thesis these are of importance, and they are therefore kept in the business plan.

4.13.1 Contacting a venture capitalist

In the real world your network and the people you know can help you come higher in the venture capitalists pile of business plans. Mats Therman pointed out four different ways he usually gets contacted by.

If you contact a venture capitalist by sending an email to an info-address, you will get to the bottom of his pile. By his opinion it means that the entrepreneurs has a list of many venture capitalists', and send them all an email. This is not a good way to contact.

The second types are the entrepreneurs that call Mats Therman, and ask if he is interested in reading their business plan. This is better, and you will get a bit higher in the pile, but it is not the best way. The third way is if an entrepreneur is coming to Mats Therman via a tip from a brokerage firm. This way the entrepreneur can get even higher in the pile.

The best way to approach a venture capitalist is if someone in his networks recommends the entrepreneur. If this is someone the venture capitalist knows, he can have trust in this person. And trust is what it is all about. If the venture capitalist can trust you, and if he can believe in you, then you get on top of his pile of business plans.

4.14 The banks overall point of view

The banks don't have a modeled screening process. Instead they look at the business plan on the big picture. Banks does analyzes of the field themselves, or then they buy the analyzes. These analyzes help them understand which fields are profitable and which are not.

The common mistakes in the banks point of view, is that the business plan lacks a SWOT analysis, that the budget is too optimistic and that the competitors are not taken in consideration. The business plan should also have proper and realistic calculations, which can tell the reader about how the entrepreneur plans for the future. One thing that the banks do not like, is if an entrepreneur comes to the bank and asks how much loan he can get, without an own suggestion. The banks wants to know that the entrepreneur have a plan for the money he asks for.

Usually when an entrepreneur comes to a bank, their first visit is more a research on what their opportunities are. When they come a second time, they ask for a loan. Pitkäljärvi said that many entrepreneurs does even write three different kinds of business plans, a best, a normal and a worst case scenario. Pitkäljärvi did feel that this business plan was a bit too long, and she said that she doesn't have time to read this much. She didn't comment on this business plans' amount of pictures, but she said that the business plans shouldn't have too many of them. They take up place, and make the business plan even longer.

4.14.1 Contacting a bank

There are two ways to contact a bank for financing. These two ways are equally good and equally treated as well. The banks get contacted by email or by phone. It might even happen that an entrepreneur gets a hint from the bank's customer about the bank, and contacts the bank with regards to his/hers name. When a customer recommends an entrepreneur, it can give the bank a feeling about this potential customer, which can be positive effect.

A bank read all business plans, and gives an answer to them all. They are obliged to treat all customers equally, but they are not required to give a loan to every entrepreneur.

The bank usually gives out financing for 5 years, with a maximum 10 years contract. This means that the company can get a loan for 5 years, and after that the bank and the company negotiates about a continuation on the loan. Pitkäjärvi said that no bank wants to bind itself to a company longer than 10 years.

5 CONCLUSIONS

When an entrepreneur has a business idea, and when this person wants to establish this business, he needs to go through certain steps. First of all he needs to have business idea. With this business idea, he needs to make out a business plan, which explains the different parts of the business. He then needs to ponder which business form he wants to form his company in, regarding the amount of risk and the amount of funding he needs. If he decides that he needs a venture capitalists founding, he has to establish a limited liability company, for the venture capitalist will not work with other companies. This step goes together with deciding the amount of capital. When this all is decided, the entrepreneur fills in the establishing kit and forms his own company. He should protect his idea by e.g. patent, but most of all by doing a better job than the competitors.

The thesis has proved that the financial calculations are the most important part in the business plan. The entrepreneur must calculate how much money is needed to launch the business and how much money is needed to keep it rolling. He therefore needs to make an investment calculation, a profitability calculation, a sales calculation, and many other calculations that are needed for the chosen kind of business. The interests are mostly interested in these calculations, because they give the third party on black and white the prospect for the company. They are though interested in different parts of the business plan, but the financial calculations were important for both the bank and the venture capitalist.

The thesis has found out that the part that differs between a bank and a venture capitalist is how interested they are in the business idea. The venture capitalist finds the business idea of great importance; it needs to be a good and functional idea. The venture capitalist is an investor, which comes to the business with expertise, help and money. He needs to know that the idea is good enough to spread even internationally, and he has his own screening process to make sure that the idea is sufficient. This screening process, computed by Zimmerer & Scarborough, correlates with the venture capitalists own screening process on many points. The bank on the other hand is a creditor and not interested in the idea. They find the risk-analysis of importance, but they do not have a screening process for the idea. The risks should be emphasized, when the bank, the venture capitalist and the screening process points out its importance. For them it is not so important that the idea is functional and profitable, they want to see proof of it in the financial calculations. The banks are more interested in the risks and the entrepreneur's own analysis of the competitors. Although, the idea of establishing a restaurant that is adapted to families' well-being was seen as a unique idea by both the venture capitalist and the bank.

The investigation has proved that the important part in writing a business plan is to observe the reader. The biggest mistake, in the venture capitalist's point of view, is that he does not understand the idea even after reading the whole plan. The banks feel that the business plan is bad if they lack a SWOT-analysis or an analysis of the competitors, and if the financial calculations are too optimistic. This proves that the venture capitalists have interest in the idea, but the banks do not. The parts that are important, is the SWOT analysis and the financial calculations (both venture capitalist and bank agrees). In the different interest's eyes, this business plan was profitable and good enough to make it in the real world.

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APPENDICES

Appendix 1

An enclosed document containing the establishing-kit

Appendix 2

The enclosed word document of the Establishing fees

Appendix 3

The enclosed excel-document of the Financial Calculations

Appendix 4

The business plan model made by Finnvera

Appendix 5

The enclosed scanned picture of statistics of Lauttasaari

Helsinki Alueittain 2011. Helsinki:Helsingin Kaupungin tietokeskus, 200 p.

Appendix 6

The enclosed picture of the Business canvas model

Appendix 7

Enclosed word- document "Interview with Mats Therman" (Venture capitlist)

Appendix 8

Enclosed word- document "Interview with Nina Pitkälä" (Banker)

Appendix 9

The enclosed excel-document amount of registered businesses in the restaurant and cafe field

Appendix 10

The enclosed excel-document amount of businesses in Lauttasaari

Appendix 11

The enclosed excel-document amount of restaurants and cafés in Lauttasaari