



**SAVONIA**

# **ESTABLISHING A TEA SHOP SUCCESSFULLY IN VARKAUS**

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## Abstract

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Abstract			
<p>The main purpose of this study was to clarify the tea drinking situation in Varkaus and to analyze the feasibility of the tea shop business plan by the surveys and statistics. We identified preferences and buying inclination of our target customer and also determining and pricing our products. In addition to developing marketing strategies based on the market analysis, also expanding market share in the real operation was considered.</p> <p>The data and related information of this study are mainly from questionnaires for local Varkaus residents and interview with tea shop owners. The goal of the questionnaire was to define the demand and purchase intent of Varkaus people for Chinese tea. Meanwhile, interviews with tea shop owners provided us some business operation and management information, including several kinds of supply channels, as well as some useful marketing methods. The research aim was to ensure the daily operation plan which involved the main products and services of a tea shop, management system, financial administration and risk management planning.</p> <p>Overall, the theoretical analysis and researching different tea cultures between China and Finland created a comprehensive Chinese tea shop business plan. The whole process of this business plan is intended to achieve the objective which is to establish and operate a Chinese tea shop successfully in Varkaus.</p>			
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# 1 INTRODUCTION

This thesis is going to tell about how to establish a tea shop successfully in Varkaus. The topic was chosen because both of the authors are interested in entrepreneurship and establishing a tea shop could be one of the choices to make a living after graduation if it can be figured out that it is possible to make the plan come true.

Time goes by, graduation period is coming soon. Many of students are worried about hunting jobs in the near future. While be employed is not the only way to make a living, why not try to be an owner and employ others? Nowadays the government also encourages and supports graduated students to be self-employed and start their own business in order to reduce the employment pressure.

It seems to be that Finnish people are always coffee drinkers, but actually Finnish coffee importation has decreased while the tea importation has a growth in recent years which probably means there is a trend that more and more Finnish people begin to accept drinking tea now. Tea, as a kind of healthy beverage, has the possibility to become the favorite drink for people who carried the faith of staying green and living healthy. Chinese tea is the original of tea history which also covered a lot Chinese culture. Therefore this could be a good opportunity to start the Chinese tea shop business in Finland. (Finnpartnership 2013)

This thesis would be the preparation work of establishing the Chinese Tea Shop in Varkaus. While it is a big challenge for a new business to be opened facing the unknown market. It needs to be found out the current market situation and how to attract more customers come and buy. Thus the research problem of this thesis is How to establish a Chinese Tea Shop successfully in Varkaus?

Both quantitative and qualitative methods were used in the research. The quantitative analysis from the questionnaire survey came from the random customers and the qualitative analysis' data came from the interviews with the existed tea shop owners both in Finland and China. The quantitative research was done in Varkaus by the local people which is precisely match the research problem.

The results which came from the research analysis could help optimize the marketing strategies and customer relationship management in order to enhance the strength of the Chinese Tea Shop and achieve maximum benefits.



This thesis is going to introduce the area of tea culture, the details of establishment process and the plan of the tea shop establishment. It contains six chapters including the introduction and conclusion.

Chapter two belongs to theoretical part which will introduce the process of starting a business. It will maintain the juridical process and tea shop operation process. To establish a tea shop in Varkaus, all the basic information about establishing a company is necessary to be clarified. The juridical process is going to tell about the details of each company properties, the registration process of general companies and the employer obligations. As for the tea shop operation process, it will cover the content of market analysis, marketing and sales, operation management and the financial management. All the theoretical content are the basis of the detail plan in chapter 5.

The next chapter is talking about tea shop business which contains the background information about tea's originals and the tea environment and culture in Finland. Also the tea shop products, services and operation details will be included inside of this chapter. It can make all the readers know more about tea business and meanwhile developing their interests on this topic.

The fourth chapter is the research implementation and result. The purpose is to figure out the target customers in Varkaus, and some ideas about operating and management of a tea shop business and suggestions for a new tea shop through the research. The quantitative research can be based on the questionnaire of 400 copies for Varkaus people and the qualitative method refers to the interviews for both Finnish and Chinese tea shop owners which may provide more comprehensive information for the research analysis. The analysis of quantitative research results will be presented with 10 figures.

The fifth chapter is going to tell the detail implementation plan of establishing the Chinese Tea Shop which are according to the content of theoretical part. Similarly, it will demonstrate the implementation plan which involves the SWOT analysis and the details of each step as well as the juridical process of establishing the tea shop. The plan would also be based on research results and suggestions which come from the research analysis. Meanwhile, the plan would be combined with the theoretic analysis to be more realistic and operable. It aims to be the preparation work of the eventually establishment of Chinese Tea Shop.

## **2 PROCESS OF STARTING A BUSINESS**

This chapter describes the general process of starting a business which includes two parts. First part is juridical process which involves the properties of a company, the registration process and the employment. Another part introduces the theoretic process for a new shop.

### **2.1 Juridical Process**

Recent years, Finnish business life is developing internationalization rapidly. Many individuals starts doing their own businesses and thus employ themselves and their families after moving to Finland. Also some international corporations expand their operations into Finland by establishing branches. The formalities of establishing a business are quite complicated in Finland. (Holopainen 2007, 5)

#### **2.1.1 Establishing a Business**

The most common forms of organization in Finland are private entrepreneur, partnership, limited company and co-operative.

##### **Private entrepreneur**

A private entrepreneur who is natural person resident in the European Economic Area (EEA) probably carry out a legal trade meeting with the practice in Finland properly. A person who residing outside the EEA requires a trade permit. It is not the nationality of the person but his permanent residence that is decisive. The residency requirement applies to Finnish citizens is the same with the citizens of other countries. (Holopainen 2007, 11-12.)

Due to its simplicity, easily setup process and nominal cost, private entrepreneur, this kind of business form has become very popular. Private entrepreneur is the simplest business form because one can own his own business operation and be responsible for the debts. Besides, private entrepreneur needs only carry little ongoing formalities. A private entrepreneur needs only register his or her name and secure local licenses, and he or she is ready for business. Also, the owner can freely mix business or personal

assets because the private entrepreneur is personally liable for all debts of a sole proprietorship business. When there is a financial trouble, the owner can use his or her own assets to pay for the loan. Another benefit which has to be mentioned is that a private entrepreneur can need not pay unemployment tax on himself or herself (although he or she must pay unemployment tax on employees).

The disadvantages of private entrepreneur is the owners are subject to unlimited personal liability for the debts, losses and liabilities of the business. And it is hard to survive from a financial trouble for a private entrepreneur so it's difficult to retain value.

The private entrepreneur's taxation is really simple because of the same identity of the owner and the private entrepreneur. The profit of the company regards as the owner's private income. According to the reports of profit and loss situation from the owner, the tax office calculates the taxable sales of the company. But if the private entrepreneur needs to pay the salary or other benefits then it is not include in the taxable amount, only consider as the expense of the company. (Entrepreneur 2014.)

The private entrepreneur doesn't need much business agreements or formal documents just a start-up notification form Y3 is needed for the establishment.

### **General partnership**

A general partnership has to contain two partners at least, who also can be its founders. In a general partnership, one partner at least shall be resident or has its registered office in EEA. The partners are liable for the commitments of the partnership with their entire property in a general partnership. (Holopainen 2007, 16)

A general partnership is easy to set up and easy to operate. The initial capital is also easy to achieve because there are several individuals can collect more funds no matter is their own assets or the borrowed money. And because of the combination of several people's skills and knowledge, the general partnership may have high possibilities to succeed. Only one person may not catch a good idea but if there are more than one person, it probably can create something new and different. When meeting the challenges or difficulties, people involved in can support each other and get over this together. As for the employees, perhaps the company is not able to hire staff due to the limited initial capital in the beginning period, a general partnership involves several people in it and the owners can work for themselves therefore it can save the labor cost and become cost-effective. (How to start a business guide 2014)

There are also some disadvantages existing in general partnership. A major disadvantage is unlimited liability. General partners are liable without limit for all debts contracted and errors made by the partnership. For example, if the business fails, the other partners can't afford the debt, you may have to sell out your own assets and pay all the debts even if you just own a little percent of the partnership. This situation is too risky for all partners. Another shortage of general partnership is that the owners have to share the decision making power in a long term since the company established. Within the long term alliance relationship, it is difficult to always make the agreements and unified opinions. On everything one cannot make decisions freely and has to negotiate and convince others which is not good for the company development. Besides, you have to share the profit with others. However, the time that each one spend on working is not equal and this may resulted in the unfair. (How to start a business guide 2014)

### **Limited partnership**

A general partner in limited partnership is the same with it in the general partnership. Besides, a limited partner needs to invest cash or other capital into the partnership but he or she is not required to be resident in or have its registered office in the EEA. The general partner in the limited partnership is liable for the debts according to the rules in general partnership. But the liability of a limited partner for the commitments of a limited partnership is limited to the amount of his capital investment. (Holopainen 2007, 25)

Tax benefit is an obvious advantage of limited partnership. The profit and loss of a limited partnership is regarded as the income and loss of partners through the business which is similar with general partnership. They need to pay for the personal income tax according to the company income situation. The limited partners can still share the profit and loss of the company with the limited partnership and do not have to participate in the business. As for the limited partner, it is limited liable for the company's debts according to the amount of capital of individual investment. As for the general partner in the limited partnership who can operate the company freely and has not the responsibility to consult the limited partners when making the important decision with the company business. Compared with cooperation form, limited partnership only need to make a partnership agreement which is much simple. Besides, the limited partnership provide an investment opportunity to investors which can benefit from the profit without involving in the business. (Allbusiness 2014)

However the limited partnership is too risky for general partners inside. The general partners are responsible for the whole operation of the company and if the company goes bankrupt, the general partner is liable for all the debts. (Allbusiness 2014)

Establishing the partnership requires the documents of a partnership agreement and start-up notification form Y2.

### **Limited liability company**

A limited liability company is established by one or more founding subscriber of shares. Natural or legal people can all be the subscribers of shares. (Holopainen 2007, 31)

The limited liability for all shareholders and owners is the biggest advantage of limited company. Losing all the value of shares in the company is probably the worst situation even if the company is under financial crises. All the shareholders and owners is limited liable for the company which is quite different with the private entrepreneur and partnership. According to the principles of limited liability company, all the shareholders and owners are allowed to manage the business and company operation which can improve their positive towards company business. The profit can be considered as the income of the owners therefore the owners only need to pay the personal income tax and it avoid the double tax. (Referenceforbusiness 2014)

Due to this kind of business form was invented not long time ago, it is still in developing process and it is different in each state in European area because many companies are in internationalization process. Another disadvantage is setting up Board of Directors and arranging the meetings of shareholders with Board of Directors are obligation in limited liability company when making important decisions. Therefore it cost much more operating cost than other business forms. (Referenceforbusiness 2014)

In Finland, the limited liability company establish its own operational headquarter cannot be ignored.

The establishment documents of limited liability company in Finland requires a Memorandum of Association, Articles of Association and start-up notification form Y1 + appendix 1.

## **Co-operative**

A co-operative can be founded by at least three persons who is natural or legal persons. A foreigner can also be the founder of a co-operative. Place of residence or nationality are not regards so significant. (Holopainen 2007, 50)

Co-operative members can benefit from its shared ownership and also share its risks. In most cases, all the members of co-operative are limited liability as the amount capital which they contributed to the company. A co-operative company is established with democratic management which every member has equal right and a single vote to participate in the company's operation. (preservearticles 2014)

Co-operative requires at least three persons for the formation but it is not easy to find three people who have common interest and financial support. All the decisions must be made finally in general member meetings through voting which is inefficient and waste much time due to many disagreements and arguments.

### **2.1.2 Registration Process**

#### **Start-up notification to the taxation authorities**

When starting a business operation, it has to notify the tax authorities by Start-up Notification which is different for different business forms:

- Form Y1 is used to notify a limited company, co-operative and other organizations
- Form Y2 is used to notify two kinds of partnerships
- Form Y3 is used to notify a private entrepreneur or tradesman

Same Start-up Notification can also be used to notify the Trade Register maintained by the National Board of Patents and Registration and to the register of the tax administration. (Holopainen 2007, 79-83)

Once the Start-up Notification reaches the National Board of Patents and Registration, tax office, Local Register Office or TE-Centre, the company will be given a business ID which is always used for in the communication with tax authorities. (Holopainen 2007, 79-83)

### **Registration as value-added taxpayer**

The Regional Tax Office need to enter the company to check if the activity is aimed to value-added tax or the rate of the tax payable is 0 per cent. Usually the undertaking is entered in the register from the day that the taxable activity begin. (Holopainen 2007, 79-83)

The company will access a Business ID if it doesn't have one before when the company first comes to the Business Information System. (Holopainen 2007, 79-83)

### **Registration of an employer**

An employer who pays salaries and wages on a regular basis is liable to submit to the Regional Tax Office basic information on its operations therefore he or she can become a registered employer. (Holopainen 2007, 79-83)

An employer should be in the employer register when he or she employs at least two wage-earners continuously for at least one year. After that the Regional Tax Office will give the employer a Business ID which aims to connect with entering tax deduction cards and withholding tax certificates, social security and other payments by the employers. (Holopainen 2007, 79-83)

If an employer is occasionally paying salary or wages, it won't be entered in the employer register nor does the tax office send it payment instructions. Therefore, the undertaking pays the withdrawals it has made already and the employer's social-security payment to the account in the tax office and submit an annual notice. (Holopainen 2007, 79-83)

## **2.1.3 Employer Obligations**

### **Collective agreements and general validity**

Collective agreements make sure a minimum level of employment terms laid down for the employees. In addition, in the contract period the parties were stuck with the collective agreement may not take the responsibility to obey the agreement or to give pressure to the other party to amend the agreement. (Holopainen 2007, 107-123)

General validity means that even an unorganized employer must obey the provisional nationwide collective agreement in employment relations, which has considered representative in the branch on terms of employment as well as working conditions that is relevant to the work performance by the employees or to the similar work. (Holopainen 2007, 107-123)

More specific information about collective agreements can be found in the legislation register of the Ministry of Justice in the internet at [www.finlex.fi/fi/viranomaiset/tyoehto/](http://www.finlex.fi/fi/viranomaiset/tyoehto/). (Holopainen 2007, 107-123)

### **Employment contract**

An employment contract is an agreement between the employer and an employee. An employment contract can be in writing, orally or electronically but not be concluded fixed form. (Holopainen 2007, 107-123)

In Finland, at the beginning of the work both employer and employee probably agree on a trial period which lasts four months at most. But if there is an arrangement of training, the trial period can be lasting at most six months. (Holopainen 2007, 107-123)

### **Statutory insurance**

All private sector employees are insured under the Employee Pension Act TyEL in the beginning of 2007. The employer is liable to arrange a TyEL insurance for each of the employee who is paid minimum earnings a month in employment relationship. (Holopainen 2007, 107-123)

The employer is responsible for against accidents and occupational diseases for his or her employees. Corresponding insurance must also be taken for an executive employee who does not own more than 50 % share of the company no matter is by himself or together with his family members. The employer is charged the unemployment insurance premium in the connection with the accident insurance premium. (Holopainen 2007, 107-123)

### **Payment of the salary**

The minimum amount of salary payable to the employee is indicated by the collective agreement of general validity in the branch. The employer must pay the usual



considered the reasonable for the work if the employer is not a member of the employer association that has concluded the collective agreement. (Holopainen 2007, 107-123)

Monthly salary, hourly fee and piecework wages are the most common types of pay. The salary is supposed to be paid on the last payment day of the month. (Holopainen 2007, 107-123)

### **The tax withdrawals crediting and social security payments**

According to the information on the tax note of the employee, the employer makes a tax withdrawal from the salary of the employee. If there is no tax note be presented, the tax withdrawal is amount of the 60 %. (Holopainen 2007, 107-123)

Once the salary has been paid the amount of the social security charge can be determined on the basis of the time. An employer entered the employer register of the tax administration is usually received the prefilled payment forms by post. (Holopainen 2007, 107-123)

### **Arranging occupational healthcare**

An employer must arrange occupational healthcare for employees to prevent health dangers and harm resulting from the work or working conditions with his own cost, as well as to promote the safety, working ability and health. (Holopainen 2007, 107-123)

The employer has the right to obtain from Kela compensation for necessary and reasonable costs of occupational healthcare obey with the rules of good occupational healthcare practice. (Holopainen 2007, 107-123)

### **Regular working hours**

The maximum regular working hours are 8 hours per day and 40 hours per week under the Working Hours Act. (Holopainen 2007, 107-123)

### **Annual leave**

An employee has the right to enjoy two and a half weekdays of holiday for each full holiday credit month worked. While if an employee whose employment has lasted for less than a year without interruption by the end of the holiday credit year immediately

preceding the holiday season is entitled to two weekdays' holiday for each full holiday credit month worked. (Holopainen 2007, 107-123)

## **2.2 Shop Business Process**

This sector is going to describe the real practical process of establishing a shop. It is quite difficult because it will meet many unpredictable troubles which need to be solved immediately once it happens. Therefore, the preparation work including market analysis, the way of management and strategy making seems to be really important.

### **2.2.1 Market Analysis**

A market analysis is usually used in a business plan which covered the content of lighting on a product or service total market size, market share, market growth rate and segmentation. The analysis can help to indicate how well a company is doing compared to its competitors. Especially new entrepreneurs do really need to research on market analysis before entering into business. (Ask 2014)

#### **Market Segmentation**

Market segmentation is the identification of portions of the market that are different from one another. Companies can better satisfy the potential customers' needs through making segmentation. (NetMBA 2002)

The marketing concept aims the understanding customers and satisfying their needs better than the competitors. It is really hard to satisfy all the customers due to their different needs. (NetMBA 2002)

Mass marketing refers to treatment of the market as a homogenous group and offering the same marketing mix to all customers. While different customers have different needs and the same offering seems not to satisfy all the customers. Then the company may lose the unsatisfied customers gradually. Target marketing recognizes the diversity of customers, identifies different market segments and their needs then offering different things to the target customers. (NetMBA 2002)

Therefore, in general, company usually offering a large variety of products in order to meet all customers in each segments even those products are in the same industry. It is similar with small shop business, providing different types of products according to the segmentation of market is a good way to maintain customers. (NetMBA 2002)

TABLE 1. Criteria of market segmentation.

Identifiable	Measuring different attributes of each segment
Accessible	The segments can be reached by distribution channels
Substantial	The segments should be large enough and worth the resources
Unique needs	Different needs can be used different market mixes
Durable	The segments should be stable to save the changes cost

Five criteria can make a good market segmentation which internally homogenous and externally heterogeneous.

TABLE 2. Basis for segmentation in consumer markets.

Geographic	Region, size of area, population, climate
Demographic	Age, gender, family size, family lifecycle, generation, income, occupation, education, nationality
Psychographic	Activities, interests, opinions, attitudes, values
Behavioralistic	Benefits sought, usage rate, brand loyalty, user status, occasions

TABLE 3. Basis for segmentation in industry markets.

Location	Distance, geographic situation
Company type	Company size, industry, decision making unit, purchase criteria
Behavioral characteristics	Usage rate, buying status, purchase procedure

Table 2 and Table 3 show the different criteria of segmentation between consumer market and industry market.

## **Competitors**

Competitor analysis has two primary activities. Firstly, company is obtaining information about important competitors. Secondly, company is using that information to predict competitors' behavior. As for small shop, controlling and prediction of its competitors is the key to win more customers and the access to success. (NetMBA 2002)

The goal of competitor analysis is to understand: with which competitors to compete, competitors' strategies and planned actions, how competitors may react to a company's actions, how to influence competitor behavior to the company's own advantage. On the other hand, competitors can also be the motivation for a company to become more competitive and make better development. (NetMBA 2002)

### **2.2.2 Marketing and Sales**

Companies have to market their products as well as services and set them apart from their competitors and appeal to the interest of potential customers. Marketing purpose is to generate sales result and make more profitability in the business operations. Identify potential customers is really essential for companies due to they need to focus marketing efforts on them later. (Enterprise Finland)

Sales work calls for the successful trade. In a sales situation, the entrepreneur or the sales person should help the customer to select the products or services which satisfy their needs. The entrepreneur must know that the development of pricing and logistics may affect the sales volume and the growth of the entire business operation by extension. (Enterprise Finland)

Marketing mix, which are commonly known as 4 Ps, are the controllable tools that the marketing manager must use to manipulate, hone and shape in order to meet the consumer needs that should have identified in marketing research. (Wright 1999, 131)

## **Product Decisions**

In the marketing mix, the product can count as a highly competitive tool. Product decisions answer the question of how many products do we want and of what quality. Product decisions can be divided into two parts: Quality-level decisions and product-line decisions. (Lahtinen & Isoviita 1994, 77)

Products decisions must be made to reach the sales, image and profitability targets which are the marketing objectives. Product decisions present the first practical considerations and are the first condition to other marketing decisions. (Lahtinen & Isoviita 1994, 77)

First, different classifications of goods have to be considered. The diversity of products is a very important reason for customers to make buying decisions when choose a shop or a brand. Then the contents of product decisions and their characteristics as competitive tools also should be considered carefully. The image of products are effective of brand building. Finally, the characteristics of production and the marketing of services are addressed as well. Nowadays good quality of services plays a significant role in marketing strategy as for a general company or a small shop. (Lahtinen & Isoviita 1994, 77)

### **Price Decisions**

A price is a product's value in monetary terms. For a company, the price is the value that a customer places on a product. From a customer's point of view, the price is easy to react due to its visible feature as a competition tool. (Lahtinen & Isoviita 1994, 119-146)

Price can directly produces sales revenue which is the only factor in the marketing mix. The content of price decisions includes price discounts and terms of payment which are usually used when selling products. These decisions are the elements which can effect a company to achieve success. Customers won't buy the products whose price is too high or too low. Therefore, the price decisions make an essential influence on profitability. (Lahtinen & Isoviita 1994, 119-146)

The objectives of pricing decisions are reflected on four parts: setting the basic price, considering the price change, determining discounts and terms of payment, paying attention to psychological factors. While there are many other factors affecting pricing decisions besides its cost and product characteristics. There are four alternatives price policies which are high-pricing policy, low-pricing policy, standard market price policy and price discrimination policy. The price setting should be based on costs, demand and competition and the price should suitable for both company and customers. (Lahtinen & Isoviita 1994, 119-146)

## **Place Decisions**

Same with product and price decision, place decisions are one of the basic competitive tools of marketing. The examination of place decision can be divided into two parts. An industry company's place decisions is mostly concerning about the determination of distribution channels, as well as the accessibility of service is the most important matter for a service company. (Lahtinen & Isoviita 1994, 147-167)

Distribution channel means the types of distribution channels and individual retailers which used in product distribution. The main tasks of a distribution channel are to create demand, to satisfy demand and to inform the consumers. The producer and importer have three alternatives to choose which are intensive distribution, selective distribution and exclusive distribution. Physical-distribution decisions are the accessibilities decisions for industrial-company. These decisions focus on accuracy, punctuality, reliability and appropriate frequency of deliveries. (Lahtinen & Isoviita 1994, 147-167)

There are two parts in place decisions for service companies, external accessibility decisions and internal accessibility decisions, which is based on the importance of accessibility to accommodation and facilities. The marketing tools of external accessibility are company's location, communication, opening hours, parking and the exterior. The internal accessibility decisions are concerned about service environment, a broad product range, product display, brochure and guidance material, personnel availability. (Lahtinen & Isoviita 1994, 147-167)

## **Promotion Decisions**

The purpose of promotion is to communicate product merits to lead customers to buy the product. Bring the product and the company to the public's attention, to influence attitudes as well as to improve company image and to make sales is the aim of promotion. Personal selling and sales support are two parts of promotion. While personal selling is supported by three factors of sales support which includes advertising, sales promotion and public relations. (Lahtinen & Isoviita 1994, 168-175)

Personal selling is communication based on personal contacts and verbal presentation skills which aim at making sales. The seller plays a very important role in personal selling. The seller needs to have the ability to create long-term customer relationships, especially on the international markets. Nowadays, the aim of selling is to help the customer select and to buy the most suitable product. Therefore, when the purchase

has been made, the seller should help customers solve the problem as soon as possible. (Lahtinen & Isoviita 1994, 221-231)

Advertising is a paid form of communicating information about products, services and ideas mainly through the mass media, undertaken by a recognized seller. Advertising aims to give information about the products, influence the customers' feeling and emotions, stimulate their willingness to buy and have a direct effect on the sales results to support customer-service staff. Creating an advertisement, media selection and campaign implementation are the main content of advertising. (Lahtinen & Isoviita 1994, 221-231)

The activities of sales promotion aims to sell the company's products more profitability by stimulating wholesalers and retailers. In addition, the activities also contribute to customer willingness to purchase. Three target groups of these activities: the company's own personnel, retailers and dealers, customers and end-users. Another effective tool in sales promotion is to participation in Trade Fairs which is suitable for new companies, new launched products and existing products. (Lahtinen & Isoviita 1994, 265-268)

Continuous and systematic are the two main features of public relation activity, which purpose is to set up and develop the co-operation between the company and its interest groups. Public relation can be divided into internal and external public relations. It aims to build and maintain a good company image. Financial results are not always the goal. Every employee needs to participate in the implementation of public relation activities. (Lahtinen & Isoviita 1994, 265-268)

### **2.2.3 Operations Management**

Operations management is the business function responsible for managing the process of creation of goods and services which involves planning, organizing, coordinating, and controlling all the resources needed. It deals with the design and management of products, processes, services and supply chains. Every business is managed through multiple business functions each responsible for managing certain aspects of the business. For general big companies, each department has its own responsibility for work. It has to consider the acquisition, development, and utilization of resources that companies need to deliver the goods and services their customers want. (FT Press 2014)

Operations management ranges from strategic to tactical and operational levels. Representative strategic issues contain determination of the size and location of manufacturing plants, and the structure of service or telecommunications networks, and designing technology supply chains. And tactical issues mean that plant layout and structure, project management methods, equipment selection and replacement. Operational issues include production scheduling and control, inventory management, quality control and inspection, traffic and materials handling, and equipment maintenance policies. (Mitsloan.mit 2014)

However, for a small business shop, all the things can be simplified which all can be done by several people or even only the owner himself. The shop owner is the boss who need to make everything in control including purchasing, operations, finance and information. Figure 1 shows the main things which a boss or an owner needs to do in operation.

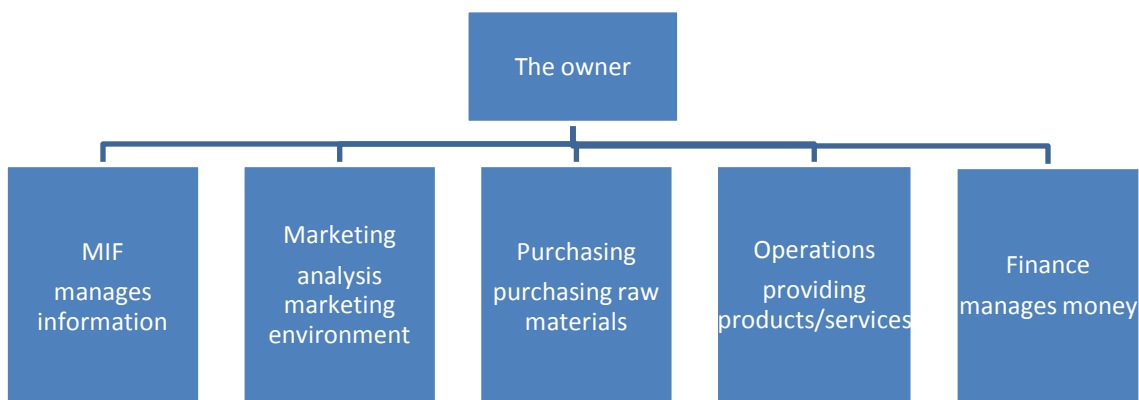


FIGURE 1. Organizational chart of a small business shop.

The owner needs to get the information about the marketing which involves market segmentation, customer needs, competition situation and other resources and information. Besides, the owner needs to analyze the marketing environment and prepare to launch the new business. According to the information and analysis, purchasing materials from suppliers can be done later. As for small business, the main operation is providing products and services which can satisfy customers. In this part, the sales person is a very important link between products and customers. And the result of profit or loss is very essential to shop owners. Actually, the owner can employ some professional staff and each of them take the responsible for a task. The owner can be regard as the controlling center and give the tasks to employees.



## **2.2.4 Financial and Risk Management**

Financial Management is defined as the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization. (Business dictionary 2014)

Taking a commercial business as the most common organizational structure, the main objectives of financial management can be concluded to:

- Create more value for the enterprise
- Earn more money
- Improve enough return on investment and avoid the potential risk.

There are three key factors of the process in financial management: Financial planning, financial control and financial decision-making. Financial planning management needs to make sure that funding is enough when meeting the needs of the business. (Smallbusiness 2014)

A good financial forecast is rather helpful for the next three or even five years business operation. The first year forecast should have the most details associated with them such as the assumptions behind projection with figures, both in terms of costs and revenues therefore the investors can clearly see the thinking through the numbers. It should also include the sales forecast which is the amount of sales volume objectives, cash flow statements which aim to show that your business will have enough working capital to survive, profit and loss forecast of showing the trade position. (Business link 2011)

Risk management occurs anytime an investor or fund manager analyzes and attempts to quantify the potential for losses in an investment and then takes the appropriate action given their investment objectives and risk tolerance. There are some risks should be considered: Competitor actions, commercial issues like sales, prices or deliveries, operations such as IT, technology or production failure, natural disaster like fire or flood. (Investopedia 2014)

### **3 TEA SHOP BUSINESS**

The world exports of tea in 2008 was 1.64 million ton. It was the first time beyond 1.6 million ton in record. UK, Russia, Pakistan, USA and Egypt are the top five countries of tea importation which occupied over 60% of the world. British ranks the top resulted from the fact that 77 % of British drinks tea but UK is not the tea production country. The consumption of tea in Germany, France, Pakistan and Egypt are in an increasing line these years. America and Russia has become the consumers of tea for a long time. There are around 95 % of Russians who drink tea. (Baidu 2014)

China is the world largest green tea exporter country. The export volume of Chinese tea has soared from 10,000 ton to 300,000 ton since the establishment of People's Republic of China. (Baidu 2014)

#### **3.1 Background of Tea Culture**

Tea refers the leaves of a kind of evergreen shrubs tea tree which is used for making tea. With the development of tea culture, the beverage which made of all plants flowers, leaves, seed or even root can also called tea. Tea, cocoa and coffee are the world three non-alcoholic beverages today and tea ranks the top. China is the origin place of tea which first found was almost five thousand years ago. Chinese tea becomes famous and popular gradually and has spread all over the world. It is beneficial for people's health and make tea culture become more attractive. (Baidu 2014)

According to historical records, Turkish businessman came to China and took something exchanged for some tea and Chinese silk in 5<sup>th</sup> century. They brought tea to Afghanistan, Iran and some west and central countries through the Silk Road. Later tea spread to Rome and this was the first time and beginning that Chinese tea spread overseas. (163Blog 2011)

Russia was the first European country which got Chinese tea. Two Cossacks brought tea back to Russia from China in 1567 and Russia dispatched messengers to China and bought some tea seeds to plant in 1833. Since tea tree has been introduced as a very precious plant and it can cure the fever and headache in books by a European author in 1559, many European businessmen came up with the idea of doing tea business between China and European countries. The marine from Netherland transited Chinese

tea to Europe in 1610 and it made people pay more attention on tea with the legend of curing all kinds of diseases. (163Blog 2011)

Chinese tea has spread to every continent gradually and it has become a trend to drink tea. Chinese tea culture makes a great influence to other countries although people living in different culture environment. (163Blog 2011)

### **3.1.1 History and Culture of Chinese Tea**

#### **History of Chinese Tea**

There is a legend in ancient China which is about Shennong who is one of the ancient emperors called Yandi. He is the first one in the history record who discovered tea around 2700 years ago. At that time he usually walk far away to the deep forest to taste and collect herbs for curing sick people. One day he felt dizzy and uncomfortable, lying under a tree after tasting an herb with little poison. He found there was some leaves with a faint fragrance and he ate it. It was really miraculous that the bad feeling before has all gone. He collected that kind of leaves and brought back for research and study. From then on people know that tea can be a kind of medicine and cure the diseases. (360doc 2013)

During Yin and Zhou dynasty, tea was used for not only the medical purpose but also a kind of beverage. People began to drink tea in daily life. Drinking tea becomes popular not only among royal family but also in citizens in Tang dynasty (618 - 907). Some varieties of tea are really precious because of low production. The price grew a lot after it has been used in state banquet. Government started to grow tea trees since then which means tea trees belong to agriculture plants but no longer be the wild trees. A people named Lu Yu in Tang dynasty has wide range of knowledge on tea and he published a book *Cha Jing* about the comprehensive introduction of tea and the special ways to boil and drink. This book was the earliest book of tea ceremony in China which has been the basic stone of tea guideline. Other books in the following dynasty are all based on its content and rules. (360doc 2013)

Tea has been promoted to neighbour countries is the most contribution in Yuan dynasty (1271 - 1368). During Ming dynasty (1368 – 1644), the procedure of drinking tea was simplified a lot. People put the tea into the hot water directly instead of boiling tea. Another progress of tea is that black tea has been produced through fermentation. In

spare time people usually hold competitions of making tea which drive the development of tea set. In the end of Qing dynasty (1644 – 1911), people no longer interested in drinking tea because of the Opium War. China was in a rush at that time. (360doc 2013)

After the Republic of China was born in 1912, all kinds of teahouses established in many areas. It provided a special place of entertainment for people to drink tea and watch funny performance. Tea was been popular again in China and people paid more attention on tea from then on. (360doc 2013)

### **Culture of Chinese Tea**

Tea culture in China is quite different with western countries' and Japanese tea culture like in the methods of preparation, tasting methods and the occasions for which it is consumed. Chinese tea culture has been developed for thousands years and now in both causal and formal occasions, tea is consumed regularly in China.

A plenty of literatures, calligraphies and paintings in history with the topic of tea is one part of Chinese tea culture. According to the statistics, the amount of classical Chinese poetry about tea reached 2000. The earliest literature about tea can be searched now in Chinese history is *Chuan Fu* by Du Yu who is a writer in Western Jin dynasty (266 – 316). The content of his book contains the detail process from the growth of tea trees to tasting tea comprehensively. There are also many other famous articles, calligraphies and paintings about tea which make Chinese literature and art more abundant. (Baidu 2014)

It seems to be another part of Chinese tea culture that people are more particular about each detail factor which may affect the taste of tea including tea itself, water, tea set and so on. The main taste comes from the tea leaves therefore the quality of tea leaves is most important. There are six basic types of tea and other processed tea. The six basic tea types are Green tea, Yellow tea, White tea, Oolong tea, Black tea and Dark tea. Green tea is non-fermented tea and the time of fermented of the following tea is longer in order. The processed tea include flower tea, compassed tea, extracted tea, fruit tea, medicinal tea and tea containing drinks. (360doc 2011) The quality of water also plays a significant role in boiling tea. There are four kinds of water of fountain: Rain water, snow water, dew and spring. The ancients said, the autumn rain is the best water for boiling tea. People used to collect rain with a piece of white clean cloth for filtration in the central courtyard. Rain from the eaves is dirty so it cannot be used. As the saying goes, a fall of seasonable snow gives promise of a fruitful year. That's the reason why ancient

Chinese people prefer the snow water for boiling tea. Dew was the favourite water for making tea of Qianlong Emperor. He always sent someone to collect the dew from lotus leaf in the early morning. The quality of spring based on the local climate and environment in each area is different. Besides of tea and water, tea set cannot be ignored during the process. In the beginning, tea set were almost made by gold, silver and jade. Due to the invention of pottery it is popular among civilian to use tea set made by copper and pottery because they are cheaper than gold and silver. In addition, copper tea set can be easily heated and pottery tea set can maintain the fragrance of tea. Golden tea set and Yixing purple clay teapot which symbolised dignity and powerful are beloved by royal family. (Baidu 2014)

It is well known that drinking tea is beneficial for people's health. According to the analysis and evaluation from experts, tea leaves contain more than 500 types of compounds which are necessary for human body every day, for instance, vitamin, protein, amino acid, carbohydrate, lipids and mineral elements. What's more, tea leaves also contain tea polyphenols, caffeine and lipopolysaccharides which have highly medicinal value and benefit for health care. Tea polyphenols is a kind of antioxidant which helps of slowing down aging. In addition, it could be the inhibition of some diseases and cancer prevention due to the antibacterial effect of antivirus. For ladies, drinking tea can beauty the skin and reduce radiation from daily sunshine. The caffeine in tea can stimulate human central nervous excitement to refresh oneself. Promoting digestion and reducing fat contain is another contribution of tea. Therefore, it is helpful to lose weight. Besides, drinking tea can protect tooth and eyes to some extent because of the highly fluoride content in tea leaves. (360doc 2007)

During the thousands years development of human society, tea culture has been associated closely with people's life. Some of the tea culture is existed in the forms of substance, such as literatures, paintings, teapot and tea table. But some of it belongs to Chinese intangible cultural heritage. Chinese people used to making a pot of hot tea as the warm welcome when friends being together. It is very popular to drink tea with many friends sitting asides and chatting the whole afternoon. This is a great way to bond with friends. Nowadays, family gathering becomes an important activity during the whole busy year. Relatives who were been apart for a long time come together and drinking tea and express the missing words. Tea also plays an essential role in Chinese traditional wedding. The newlyweds supposed to serve tea to both parents and other elders which is an important part during the wedding. Parents accept the tea means they agree the marriage and bless the new couple as well. Tea can be used for the worship of ancestors which is a custom especially in ancient China. In modern times, there is a

trend to experience country life for people who live in city. Tourism to Tea Mountain and experience picking tea leaves and the process of tea production is really popular currently. (Baidu 2014)

The land of China is wide and large that resulted in the different tea culture and tea custom in different area and minority. Tea culture is also different in every country in spite of the origin place is in China. We need to respect the difference and communicate more with each other to make progress.

### **3.1.2 Tea Environment and Culture in Finland**

The amount of tea consumption in Finland is quite small during a long period since Chinese tea has entered Finnish market through Russia in the middle of 18<sup>th</sup> century. In the middle of 20<sup>th</sup> century, the import volume of tea in Finland was only around 500 tons. In 1996, the tea import volume of Finland reached 1206 tons. (Tea Economical Information 2004) However the people of Finland are among the biggest coffee consumers in the world. Therefore, the tea market is rather underdeveloped, compared with other European countries such as the UK. Although currently the tea consumption is much less than coffee consumption and far away behind the other three Nordic countries, we still believe that there is potential tea market existing in Finland because in the latest 30 thirty years the coffee import volume has decreased 8 % and the tea import volume has increased about 25 % in Finland. Imports of tea in Finland have risen by 7.6 % each year on the average since 2008. Black tea which is fermented and partly fermented tea in packages not exceeding 3 kg is mostly imported that means the tea is always imported as a ready-for-retail consumer packages. Actually 70 % of package tea is imported to Finland, in which only 19 % of total import is green tea. However, a larger amount of importing tea in Finland is re-exported by European countries for instance Poland and Sweden. Poland has increased their tea supply to Finland recently. What's more, Sri Lanka and India also increased their supply of tea to Finland as 14 % and 20 % respectively in 2012. (Finnpartnership 2013)

Currently there is great varieties of tea in Finnish market. Mostly it is Black Tea, Green Tea occupied approximately 10 %, the others are fruity tea, which are produced from the same species, but different in processing. The price of organic tea is much higher than the normal tea, but there is an increasing trend of drinking organic tea. Similar with other tea consumer western countries, tea bags takes over 70 % of the total amount sales which main brands are Lipton and Twinings. Twining & Co leads tea sales as 31 % of

the value and Unilever Finland Oy ranks second with a value of 29 % in 2012 in Finland. The other types of tea are almost loose-leaf tea such as Assam Tea and Darjeeling Tea from India, Dian Red Tea from Yunnan Province, China, Ma Lining Tea from Kenya. Finnish people used to drink tea bags which are the standard mix tea blending from India and Sri Lanka. Consumer packages seem to rise at the cost of the import of bulk packaging. Drinking habits of Finnish people has changed a lot.

Finnish people drinking tea have their own habits. Until now there are still someone who boiling tea with Russian heated metal container called samovars. Winter in Finland is really cold so people love to drink hot tea in winter to feel better. It could feel warm when families sitting around in the evening, drinking hot tea and chatting with each other. Therefore, the tea consumption concentrates on winter and much less in summer. Many Finnish people used to drink tea at home in the morning and evening. When it comes to outside, they used to drink coffee. It is similar with drinking coffee, Finnish people likes to add some milk and sugar into tea. Fruity tea and green tea become popular especially among young people since 1970s. Fruity tea is so attractive due to its good flavor. While there is increasingly amount of people try to drink green tea for the reason that people believe green tea is a kind of healthy beverage. There are not many advertisements about green tea in Finland but people know that green tea has the benefits of anti-cancer and postpone senility though newspapers. Besides, the efficacy of preventing inflammation of the tooth, lowering blood pressure and reducing cholesterol are the reason of people's choice as well. (Tea Economical Information 2004)

In October 2008, there was an exhibition about Chinese tea culture hold by China and Finland in Espoo museum. It is said that Finnish people showed great interest in tea and tea art after a preliminary understanding of Chinese tea through the exhibition. Finnish representative said Chinese tea culture has become popular among Finnish people and Espoo would introduce more Chinese tea culture to other areas of Finland. Through the reaction from Finnish people in the exhibition we can see that Chinese tea is attractive to Finnish people while they are not familiar with it due to there is no production of tea in Finland since the climate constraints. However, there are increasingly Finnish consumers willing to try new species and flavors of tea. (Hangzhou Government 2008)

The main distribution channel of tea in Finland is through supermarkets, not much professional tea shops. In addition to that, the tea consumption in Finland is supposed to be increased although the amount of total consumption is not very high. We think it is an opportunity for us to establish the professional tea shop. Contrast to other European

countries, tea consumption in Finland has not been saturated which is still growing and be expected to increase in popularity.

### **3.2 Products and Services of Tea Shop**

Tea was originally Kerry Wood in southern China, it is a well-known health drinks. Gone through thousands of years of history, it has developed a unique tea culture. With the improvement of people's living standards of China, the survival awareness and expectations of health needs have strongly increased, the demand of tea (the natural health supplement) is also increasing. Therefore, tea business has been gradually produced in China. Browsing history, it is not difficult to find some history records about the tea business. In Ming Dynasty, the government established a tea market in the northwest frontier in order to sell tea then get horse in return with the Tibetan tribes. As of today, the Chinese tea industry is developing rapidly, there is the fierce competition in the industry of tea shop. (Baidu 2014)

In China, the main products of tea shops are various types of tea which cater to different tastes of consumers, including green tea, black tea, oolong tea, white tea, yellow tea, dark tea and reprocessing tea. (Baidu 2014)

#### **Green tea**

Green tea is the most yield of Chinese tea which is not fermented any more, just airing fresh leaves then direct fried in the hot wok, in order to maintain its green features. Green tea has a very strong fragrance, mellow taste and perfect shape. There are the ten famous Chinese tea: Dragon Well, Spring Snail, Yellow Mountain Fur Peak, Mount Jun Silver Needle, Qi Men Red, Big Red Robe, Melon Seed, Iron Goddess, Houkui tea, Maojian tea. (Wikipedia 2014) In the international market, China's Green tea accounted for more than 70 % of international trade. Marketing areas throughout North Africa, West Africa and France, the U.S., Afghanistan and other more than 50 countries and regions. Green tea in the international market total domestic sales accounted for 1/3 or more. (China 2007)

#### **Black tea**

On the contrary of green tea, the black tea uses the suitable new shoots of the tea tree as the raw material, which refined through the withering, rolling (cut), fermentation,



drying and other typical process. It was named by the color of the try tea and after brewed. For example, Keemun black tea and Anxi Tie Guan Yin. The export of black tea accounted 50 % of Chinese tea production, customers in more than 60 countries and regions, for example Egypt, Sudan and some European countries. (China 2007)

### **Oolong tea**

Oolong tea is a kind of semi-fermented tea, it has both fresh cool of green tea and mellow of black tea. The making process of the excellent quality Oolong tea is through fixing, withering, shake green, semi-fermented and baking. Oolong tea have functions of slimming and anti-aging, so it is popular with young people, like Wuyi Rock tea, northern Fujian narcissus, Da Hong Pao and so on. (China 2007)

### **White tea**

White tea, as the name suggests, it is white. After picking, the white tea making process is without fixing or rolling, just through the sun or simmer dried processed, it belongs to the slightly fermented tea. White tea is a Chinese specialty, produced in Fuding, Zhenghe, Jianyang songxi and other areas in Fujian Province, Taiwan Province also has a small amount of production. White tea has many functions about hangover, heat lungs, eliminate fatigue and so on, particularly against excessive smoking and drinking, physical discomfort caused by excessive anger, digestive dysfunction. (China 2007)

### **Yellow tea**

There are many varieties of yellow tea in China, Huoshan Huang Ya, Silver Needle Tea, Ilex Tea and so on. The production process of yellow tea is similar to green tea production, however the most important step is the boring yellow, which is the key characteristic of the formation of yellow tea, the main approach is to crank up and rolled after tea wrapped in paper, covered with a damp cloth or after the accumulation of several minutes or several hours, prompting tea billet non-enzymatic auto-oxidation under hydrothermal. According to the China Tea Marketing Association survey results show that in 2013 the total output of about 6,980 tons of yellow tea, accounting for tea production (1.79 million tons) of 0.39 %. The average price of yellow tea is about 67.8 yuan/kg. (Chinabgao 2013)

## **Dark tea**

Black tea is through the fermentation of microorganisms and using the action of damp. It is fully fermented tea. It has more than 400 years' history. Due to the rough old raw materials of black tea, the manufacturing process of fermentation tend to accumulate a long time, so most of the leaves showing the dark brown, it was known as black tea. 2008, the origin of dark tea Anhua tea base area are about 11.69 hectares, producing 10,980 tons of tea, a value of 170 million yuan; among dark tea 9870 tons, the output value of 156 million yuan, an increase of 11.8 % and 23.8 %. According to the different quality of dark tea, the prices are quite different, ranging from 100 yuan to 400 yuan per kg. (Guokr 2012)

## **Reprocessing tea**

The reprocessing tea is processed from green tea, black tea, oolong tea, white tea, yellow tea, dark tea as the main materials, which containing flower tea, brick tea, extract tea, fruit tea, medicinal health tea and so on.

For most tea shops, they are not only selling all kinds of tea, but also sell tea sets, teaching customer the tea ceremony more or less. As we know, the tea ceremony originated in China, for a long time been ignored, due to the carrying forward of traditional culture, more and more people begin to pay attention to it. There is a growing emphasis on using of tea sets, they think good tea sets play an important role in one pot of good tea. Therefore, tea sets also have well sales prospects in the whole market.

From ancient to modern, all reputations of products are coming from their qualities. Actually, for a tea shop, the good service is a key factor in attracting customers. For the fierce competition in China's tea industry, tea shop through distinctive services to consolidate the market reputation. There are some tea shops which have long development history even have their own tea plantations. They can fry and produce tea meticulously according to the customized by customers. For most tea shops in China, they are willing to provide the packaging service according to the customer's intentions. In addition, some tea shop have the tea table and staff with professional tea ceremony skills. They offer free tasting tea before purchasing, in order to identify which taste of tea is the most suitable one for themselves. Otherwise, for those tea shops which have a certain size and sales network, the telephone ordering is an efficient and applicable service as well. For loyal customers, they accept telephone orders, then make arrangements for picking, final for home delivery. Generally, they can visit old customers frequently, getting their

views on the product, as well as what new varieties of tea they prefer. Moreover, to inform them about new varieties of tea, product features and prices of new varieties as well.

### **3.3 Operation of Teashop**

Aimed at this particular product- tea, the operation of tea shop cannot simply equate to the general merchandise operations. For operating the tea shop, various shops are similar in the tea shop industry.

#### **Location**

Previously, commercial operations should pay attention to the popularity, which refers to the shop location. There are several considerations about the location of tea shop: the bustling commercial center, Entertainment Street, the traffic arteries, the vicinity of hotel and restaurant and the residential areas. According to different customers in different area, the business varieties have been distinguished.

For example, the bustling commercial center requires the higher-grade tea, customers pay more attention to brand, so there is the advantage of high-grade tea. These areas have concentrated business atmosphere, large customer groups, complex shopping-level and high frequency of purchase. But housing prices or rental cost is quite high, competition is particularly fierce. So investors should carefully consider their strength before entering, analyzing of their human resources, financial and material resources. Hotel is the place for traveler to live, a tea shop where visitors can purchase as gifts conveniently, visiting friends and relatives, looks elegant and polite. It is more worthwhile that opening tea shops in the vicinity of the hotel, the rent is not too high, while the hotel brought a stable customer flow. However, in a residential area, the consumer might consider the tea as a life necessity. Choosing the residential area to open the tea shop has a small risk, but aimed at the different levels of residents, they need take the different operation style of tea shops. (Qncye 2012)

#### **Renovation**

The renovation of the tea shop should let customers feel fresh and elegant, preferably to display some attractive calligraphy and tea sets. The tea shop decoration is mainly to highlight the characteristics of tea business, allowing customers to produce a

harmonious psychological. Tea shop decoration can be divided into exterior decoration and interior decoration, the exterior decoration can attract customers going into the store to browse, interior decoration main inspire the buying motivation of customers.

Exterior style must highlight the characteristics of "tea", for example, classical, cultural taste and so on. Signboard is a permanent advertising to stimulate consumer curiosity, arousing the attention of consumers, and easy for consumers to remember while reflecting the style of tea shops. Couplets on both sides of door is better to reflect the cultural and artistic of tea shops. Interior decoration must be coordinated with the external environment, giving customers an elegant and comfortable feeling. Wooden shelf counters generally reflect the unity and harmony with tea, in some shops, there are also display a square table or tea table for tasting tea, even tea sets and tea book on the table. Tea shops walls should be simple and elegant, usually use wood trim panels, painted in primary colors as well, while tea paintings with reasonable promotional materials or introduce knowledge about tea. The floor need to kept clean and tidy, usually using marble, terrazzo, or floor paper, even the carpet, but it is better to choose the green or gray as the main color instead of using harsh tones. Light must be bright, generally with electronic fluorescent lamps, the brighter the better. Counters and shelves preferably coupled with a green lamp, cannot use red lights. The embellishment is very important for a tea shop, depending on the characteristics of tea shop to take different ideas, they can put some flowers, bonsai, large purple or porcelain. (Baidu 2012)

### **Human resource organization and management**

Tea shops are small businesses in China, so the staff may not exceed 10 people in general. Each staff carry out their duties and are responsible for their own work, also actively cooperate with the team work. The manager plays a pivotal role in the management of the whole staff, he is primarily responsible for setting objectives, subdividing work, sales analysis, and performance evaluation of employees. In order to create better benefits for the tea shop, all staff must obey the administration of manager and work hard. (Sogou 2014)

The following block diagram is showing the mainly personnel management structure of tea shop in China. (Baidu 2012)

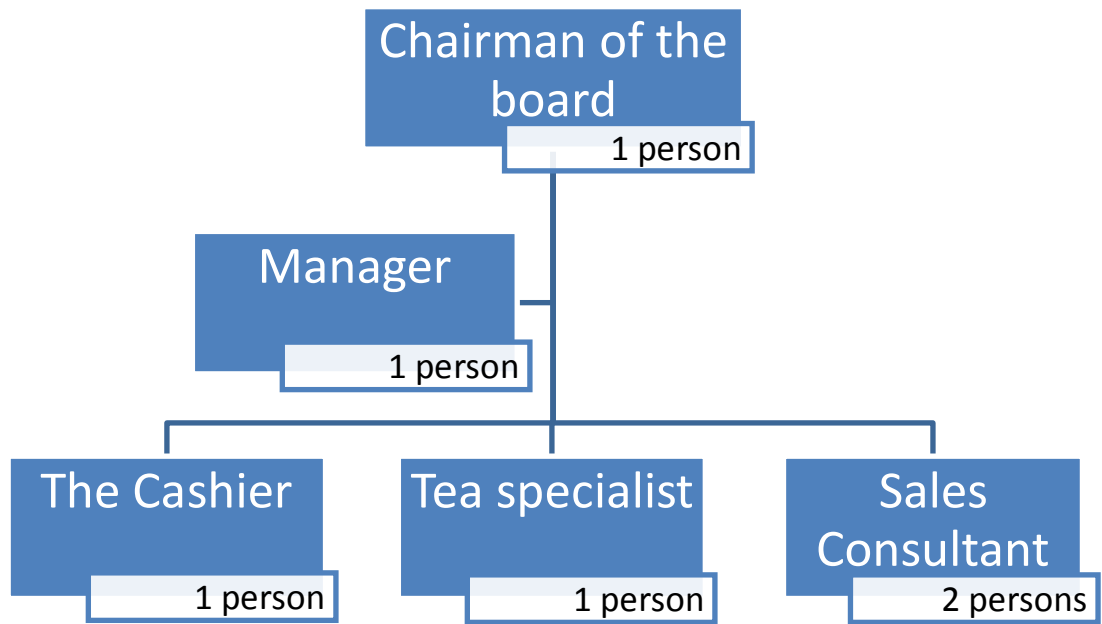


FIGURE 2. Personnel management structure.

For a Chinese tea shop, the chairman of the board is the investor of the tea shop. He will based on market conditions, to make tea shop development goals, making long-term development plan for the tea shop and marketing strategy, making decisions about the introduction of new products and slow-moving goods, monitoring and reviewing the financial position of whole tea shop.

Manager is the central figure of a tea shop, the manager must obey the command of chairman of the board, and actively cooperate with the chairman about the marketing strategy to achieve business indicators of tea shop:

- Implementation of marketing plans and promotional activities
- Supervision and checking the work of staff
- Responsible for implementation management of attendance, appearance and service standards
- Responsible for personnel assessment, staff promotion, demotion and mobilization
- Responsible for staff training and education
- Properly handle customer complaints and service work conflicts
- Coordination with surrounding communities.

Manager should not only have the work skills, but also the overall management and organizational skills. (Wenku 2012)

The cashier's duty is to provide excellent service to the customers in needs, reminding guests count the giving change clearly after payment, saying goodbye to guests after accurately delivery to satisfied guests. Making sure the price, receiving money and giving change. After that, they need to make some appropriate records. In addition, the cashier need to keep the checkout counter clean and organized, comply with the financial rules with a good work sense of responsibility.

As mentioned before, most of Chinese tea shops are willing to provide the free taste service for customers, especially for some big brand tea shops. In order to improve the service quality, they try to employ the tea specialist who has the professional knowledge about Chinese tea, which is more helpful to increase the sales. The tea specialist is mainly responsible for introducing some professional knowledge about the drinking method and benefits of different tea. They might play roles of purchasing guide in tea shop somehow. Sometimes, they do the tea ceremony in shop to show their professional skills that will attract the attention of customers. (Baidu 2011)

During the daily operation, sales consultants execute their sales work to maintain normal operation. They need also analyze customer needs to change the merchandising way of products in-store, according to the market trend. They sell tea with a professional manner, providing high quality service for customer and handling customer complaints and reasonable request. Meanwhile, counting stock to ensure adequate of shelves shipments and performing a variety of operational data entry work are also duties of sales consultant in a Chinese tea shop. (Baidu 2011)

### **Supply channels**

Purchasing is a very important part of the tea business operation, which requires operators have a clear mind at the time of purchasing. It must be based on the size of your business scale, sales volume of previous year and market dynamics. Forecasting sales volume of next year, making a purchasing plan of the whole year. Aimed at the purchasing ways, they need to pay more attention to the supply channels. Good location can bring a large customer flow, good service can make customers feel comfortable in the shopping process and a good quality of product is the real factors grab the heart of guests, because ultimate purpose of all guests is purchasing a good quality product. Obviously, choosing a good supply channel to get high quality tea is very important to a tea shop.

There are some main supply channels for a tea shop:

- Wholesale markets: the most common way is wholesale purchase, it is often used for medium and large size tea shops. Depending on the size of the tea shop, the volume of goods are also different. Generally, the disposable purchasing of large tea shops are relatively in large number, so it can bargain with wholesalers, getting quite lower price. Choosing a reliable and cheap tea wholesaler and developing as their long-term purchasing option. Establishing a good relationship with wholesalers, in order to ensure supply is relatively stable with reasonable price.
- Online purchase: the network is so advanced nowadays, operators of tea shops can also search their supply channel through the internet. You can search tea manufacturers with high reputation, large-scale, good quality of tea in Alibaba, contacting and cooperating with them. There is a big advantage of online purchase, which is able to be competitive with other online shop around online purchase. This is also a very convenient purchase method, saving time and effort, but it is not convenient to check the quality of tea.
- Place of origin: if the tea shop developed to a certain size, you can buy directly from tea farmers that can reduce the purchase cost, and ensure the quality of tea, so that the profit will be more significant. (Chamei 2014)
- Franchisors rationing: if the tea shop is franchising tea shop, you can ask for franchisors rationing directly. All brands of tea have stable quality, unified price and reputation and brand assurance. (Taixing 2012)

Supply channels of tea shops are far more than that, but the principle of purchasing is same between each other, which is the good quality of tea must be ensure that will win hearts and minds of customers.

Finland is not the original area of tea, focusing on the tea shop situation in Finland, due to the long distance between Finland and tea original area, it will cause high purchasing costs for tea shop owners, including traveling, accommodation and transportation problems. The owner of tea shop buys tea from the wholesales in Finland and Europe. There are several suppliers and each products supplier is chosen based on the quality and price.

## Sales channels

There are many types of sales channels of Chinese tea, such as fair trade, wholesale markets, tea house sales, specialty stores, supermarket shelves, online transactions and etc. However, there are some simple sales channels of tea in Finland, which maintains the supermarket shelves, tea house sales, and a handful of tea shops. There are some introductions about several typical sales channels of Chinese tea.

Fair trade is an original sales channel. Primarily in tea producing area, the tea producers set up a stall at the market to sell the tea, the main features of this kind of transaction is new and single products, mostly for bulk tea, primary producing, inexpensive and strongly influenced by season. This sales model can be seen occasionally in Finland, there is usually some of the merchants selling a variety of tea bags in the summer fair. (Baidu 2010)

In the wholesale market, various kinds of tea products can be provided to customers. In addition, customers have large demand of different kinds of tea. So that wholesale market is equivalent to a middleman between tea producers and retailers. The whole-sale market just can be seen in China, it is a very important supply channel for retailers. (Baidu 2010)

Tea house sales is a great potential sales model in China. Tea house is an entertainment place, which is suitable for charting and negotiating. Nowadays, in the quickly rhythm of life and work, many people are willing to relax themselves and taste tea in their busy schedule in order to participate in work and life better. Of course in Finland, under the influence of the coffee culture, more and more people are willing to drinking tea instead of coffee. Therefore, the demand of tea for tea house is also growing in China even in Finland. (Baidu 2010)

The specialty stores of tea refers to the tea shop that specializing in many different types of tea, such as mall packaged tea, brand tea, tea gifts, especially in bulk tea. All most of the tea shops sell bulk tea as their main business, while providing a series of services, including packaging, free tasting and delivery. As far as I know, there is a typical tea shop in Finland, which also has similar business operation with the tea shop in China. (Baidu 2010)



Supermarket shelves are the best sales channel for reprocessing tea, like Lipton tea bags. Consumers choosing those kind of tea might lack of awareness on the tea qualities, just due to its convenient to drink. In China, there are many young office workers are willing to buy those kind of tea. On the contrary, most of Finnish are prefer to buy tea in supermarkets, they have no idea about choosing tea in the tea shop by themselves. (Baidu 2010)

With the rapid development of e-commerce, online tea shop has become the focus of consumer concern, buying their preferred tea online, it is really convenient, time-saving, and even have discounts. Aimed at the online tea shop, it requires all products must be standardized, stable quality, good reputation, timely delivery and billing efficiency. (Baidu 2010)

### **After-sales Service**

Nowadays it is a trend of being a service oriented market and after-sales service seems to be much more important than before.

First of all, the good quality of tea is the basic factor of establishing a tea shop. The tea shop should refuse defective tea in the process of purchasing from wholesalers. Then the shop should always meet the customers' needs. Some of the customers may not be familiar with tea and there exist high possibilities to change the tea after sales. At this time a good tea shop should provide good attitudes towards customers who need help. In addition of being polite and serve good attitudes, the shop can make a customer information files. When there is new products arriving or festivals are coming, customers receiving the greeting messages or e-mails will improve the impression towards the shop which also can be a way of strengthening customers' loyalty. Besides, the tea shop can send some gifts to customers. This behavior can not only keep good relationship with customers but also advertise tea shop products to public. (T0001 2013)

After-sales service focuses on keeping a good relationship with customers. The shop should always stand by customers and consider their benefits. Customer follow ups is an essential part of after-sales service. Calling to clients to ask if they are satisfied with the products and any advice or suggestions is really important to the future development of tea shop. The calls should focus on products using situation but not personal selling other products.

## **4 RESEARCH APPROACHES AND RESULTS ANALYSIS**

We used both quantitative and qualitative methods to do the research. The quantitative research refers to the questionnaire survey to the Varkaus residents, which is a random sampling investigation about customers' attitudes and expectation towards a new Chinese tea shop in Varkaus. To get the main idea of local Finns about our new business, we chose the quantitative research approach. We try to identify our target customers in Varkaus and clarify the customer needs and drinking preferences in their daily life, in order to make sure our main products and their price. Considering about the limitations of online questionnaire by Webropol, we send the paper questionnaire to residents around Varkaus, including commercial streets, supermarkets, fast food restaurant and the church in Varkaus. Then we received the paper from most respondents, however some of the participants require to give the paper back later which caused a part of questionnaire cannot be returned.

The qualitative research means the interviews both for tea shop in China and tea shop in Finland, in order to get some ideas about operating and management of a tea shop business and suggestions for a new tea shop. The interview for tea shop in Tampere Finland was done by e-mail. After several times questioning by e-mail, we concluded key information for establishing a tea shop. Separately, the interview for tea shop in China has done during the summer holiday, we did the interview face to face with the tea shop owner in their tea shop, so that we could clearly see the tea shop decoration and atmosphere, feel tea culture.

### **4.1 Tea Shop Quantitative Research**

The results of quantitative research analysis about opening a Chinese Tea Shop in Varkaus shows the key information of a new business, including the potential target customers, the preferences of different kinds of tea, as well as the willingness to buy of local Finns.

We have delivered 400 copies of questionnaires throughout August in Varkaus, but just get 316 copies back. We chose the participants in the shopping center, supermarket, restaurant and church. We designed 11 questions of this questionnaire, including 3 questions about the personal information of participants, 2 questions to identify our target customers, 5 questions about preference of different kinds of tea and purchasing

power of local Varkaus Finns and an open question to get some suggestions about a Chinese tea shop business.

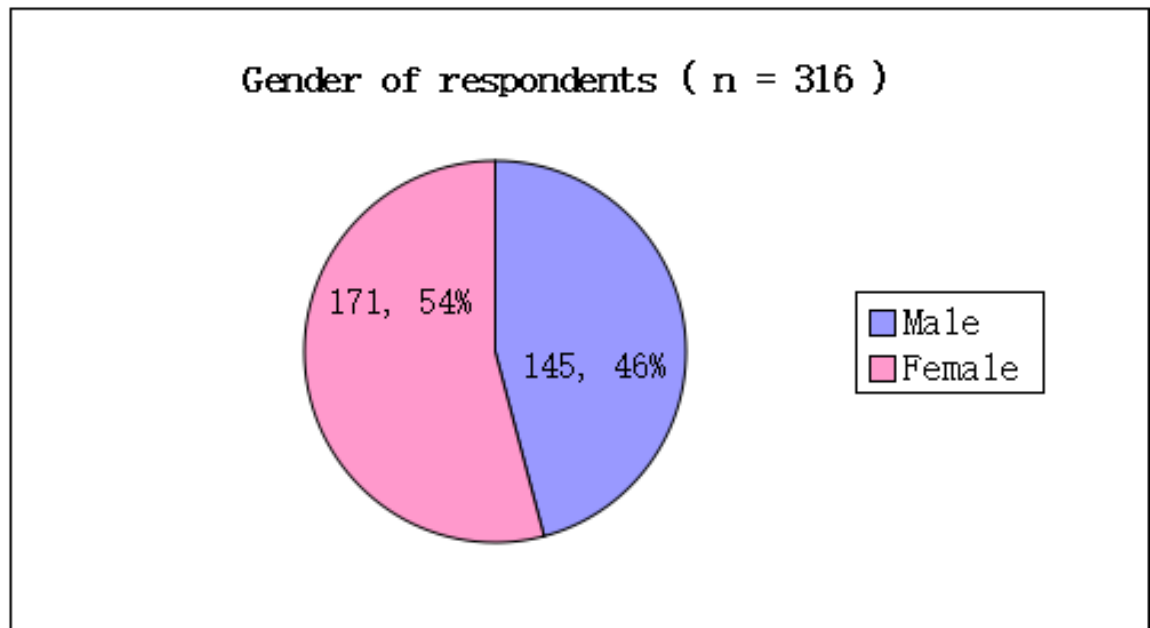


FIGURE 3. Gender of respondents (n=316)

The first question of the questionnaire was focal out the gender of participants. We try to ensure the balanced proportion of male and female samples, which can reduce the error of survey results. As we can see, there are 316 respondents, of which 46 % is male and 54 % is female. The result shows that there is a relatively fair situation of sample conditions.

As Figure 4 shows, there are varieties of occupations of our respondents. There are a big part of uncertain job ranked first (chef, auto-mechanic and other freelancers) and sales person accounted for a quite large part of proportion, about 21 % of all participants. The office staff and students occupy 16 % and 11 %. In addition, teacher, housewife, missionary, doctor and nurse are accounted by a small part in the total participants.

From the analysis of statistics, we know the occupation of participants are random, which affected by the sites of survey. Most of the survey was delivered in the shopping center, especially to the shop assistant that's why the sales person observed a considerable percentage.

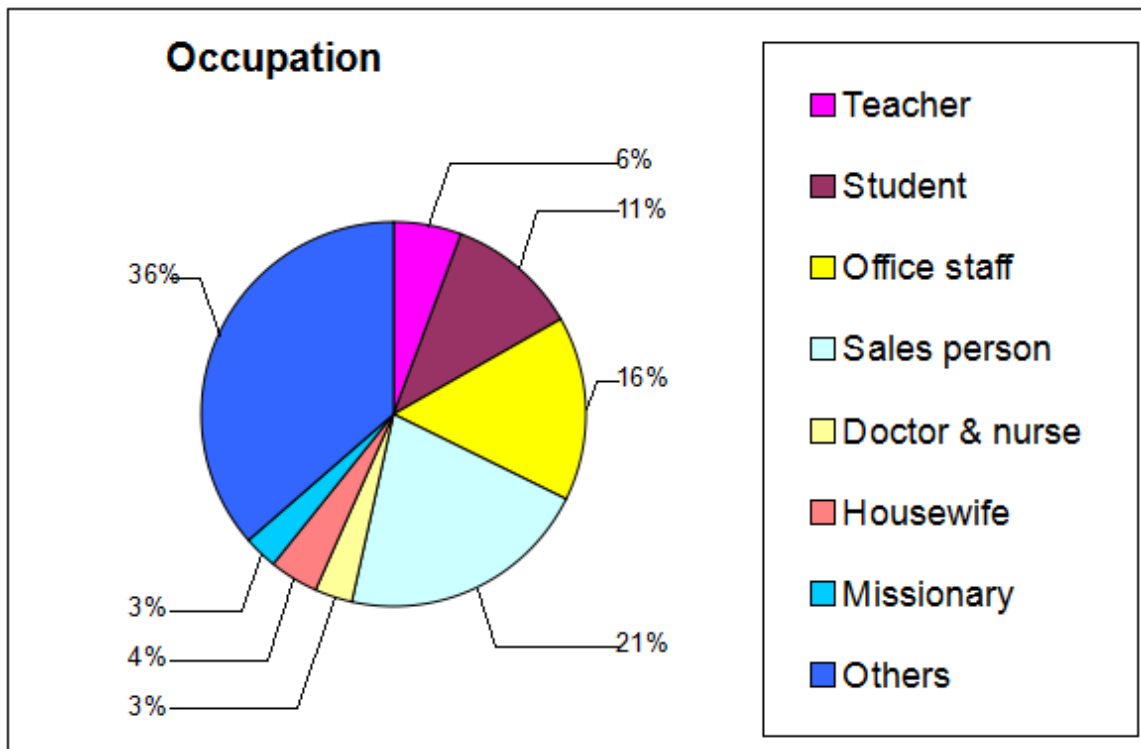


FIGURE 4. Occupation of respondents (n=316)

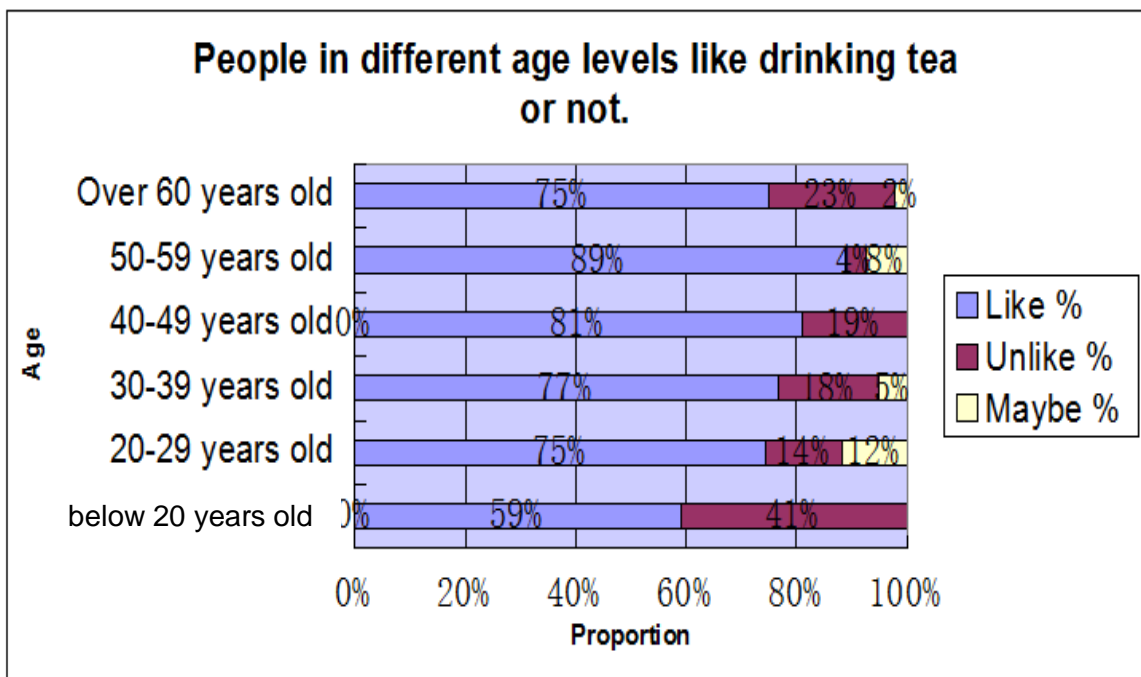


FIGURE 5. Respondents in different age levels like drinking tea or not (n=316)

We have divided the respondents into six age groups like Figure 5 shows. There are 39 respondents who are below 20 years old, and there are 59 % of them who like drinking tea and 41 % shows they do not like tea. In the range of 20 to 29 years old, 75 % of participants think they like tea, 14 % of them said unlike and also existing 12 % of them think they are not sure. For 30 to 39 years old participants, 77 % of them like tea, 18 % shows unlike attitude, also a small part of them think maybe they like. The age group between 40 to 49 years old has 42 participants, including 81 % of them who like drinking tea. The following age group between 50 to 59 years old, which is 89 % like, 4 % unlike and 8 % maybe. The last group is over 60 years old, there are 75 % participants who like tea, 23 % of them unlike tea and 2 % additional who are not sure.

Through the analysis of the survey data, it is not difficult to find out that there is a big part of participants who do not like tea in the age group 20 years old below. However, the rest part of participants in this group like tea, which means there is a big potential in this group that we can use some marketing strategies to dig out this potential market. It is obvious that the middle-aged and elderly people is our main target customers, because most of them like tea.

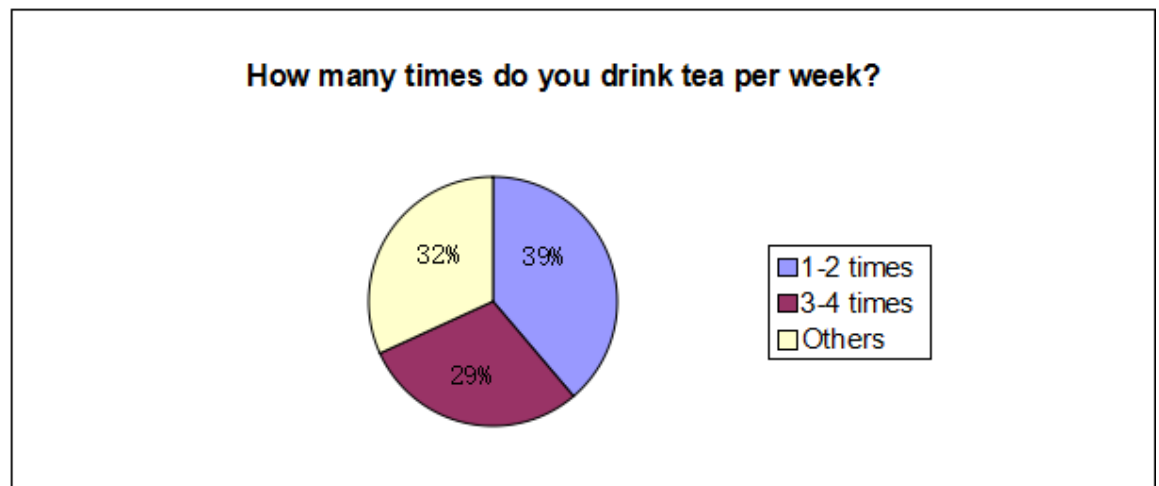


FIGURE 6. The average times for respondents of drinking tea per week. (n=245)

The forth question is “How many times do you drink tea per week on the average?” Starting from this question, we have removed the 55 respondents who do not like tea and 16 respondents who are not sure, only focusing on 245 respondents who like drinking tea. From Figure 6 we can see clearly that 39 % of respondents drink tea 1 or 2 times per week, 29 % drink tea 3 or 4 times per week and 32 % of them mentioned others, which might maintains 5 to 10 times, even over 10 times per week.

Aimed at this result, we should take methods to increase the number of 1 or 2 times per week tea drinkers. We can attract this group of people shopping in our tea shop by using some advertisements and discount marketing method to expand market share and customer buying inclination. Meanwhile, increasing the number of more than 4 times per week tea drinkers.

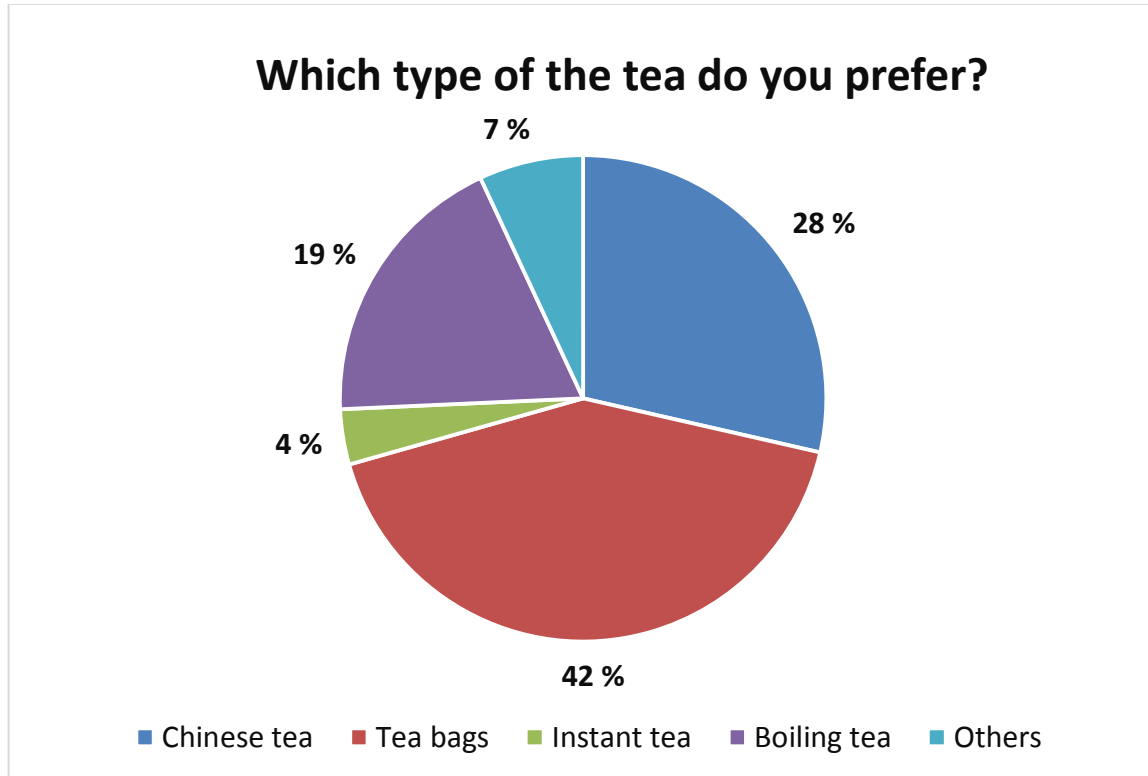


FIGURE 7. Preference of tea type among respondents. (n=245)

The sixth question asked “Which type of tea do you prefer?” and Figure 7 shows the result. About 43 % of respondents indicated that they like tea bags which ranks the top in all types of tea. Nearly 30 % of respondents chose Chinese tea as the favorite tea. Boiling tea ranks the third one as almost 20 % of the total respondents. 7 % of respondents replied that they like some other kinds of tea such as milk tea and ice tea. What worth mentioned is that just a few people like instant tea which is even less than the other types of tea.

As we all know tea bags occupied almost all the supermarkets and there is hardly ever any other types of tea can be found. Maybe people just rely on the tea which they can buy in the current supermarkets and could only made the selection in supermarkets. Actually there are part of people still interested in Chinese tea which indicated that as for Chinese Tea Shop there are plenty of potential customers existing. In addition, almost

all the Chinese black tea can be boiled before drinking which can also satisfy the people who like boiling tea.

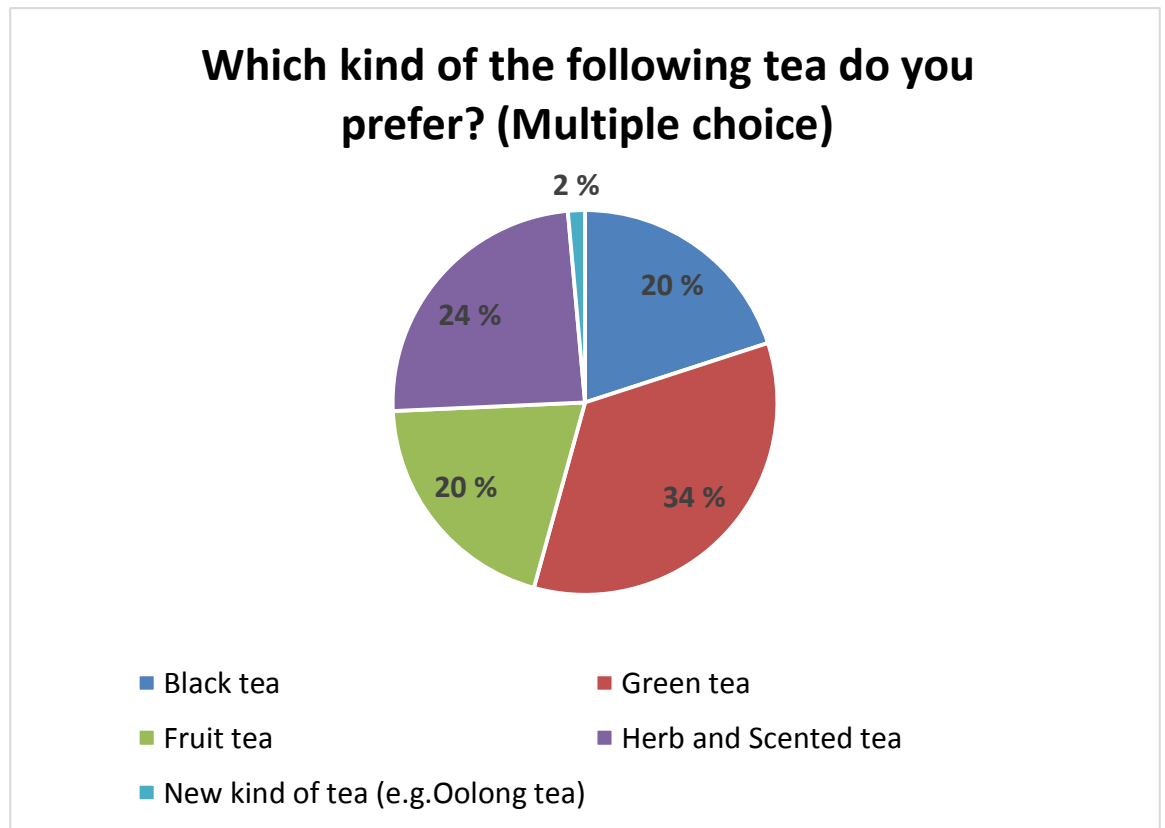


FIGURE 8. Preference of different kinds of tea among respondents. (n=245)

As we can see from the Figure 8 above, it demonstrated the results of the question “Which kind of the following tea do you prefer?” It was a multiple choice question. Green tea ranks the top favorite tea among all respondents as 34 percentage of the total. The second one is herb and scented tea which took over 24 % of the whole respondents. Black tea and fruit tea are the same percentage which are both occupied 20 % of all the replies. And the rest 2 % of respondents said they like new kind of tea such as Oolong tea.

So in the importation of tea in Chinese Tea Shop, there would be mainly green tea, black tea, fruit tea, herb and scented tea. It is obvious that green tea would be the most popular tea among all kinds of tea. The other kinds of tea also can attract part of customers in Varkaus.

Figure 9 manifests that most of respondents are willing to buy Chinese tea in a new tea shop and there is only small part of people who would not like to spend money on tea

consumption in a new tea shop. Maybe they were satisfied with the tea in current supermarkets. As we can see from Figure 9.

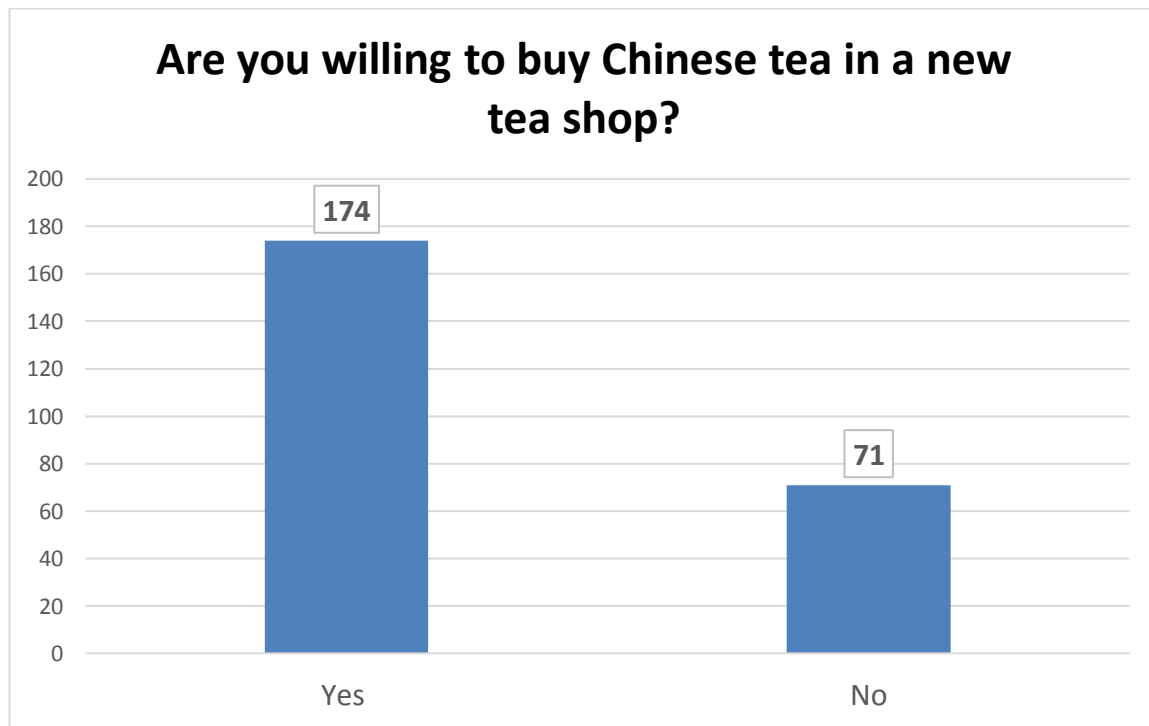


FIGURE 9. The willingness of respondents towards to buying tea in a new Chinese tea shop. (n=245)

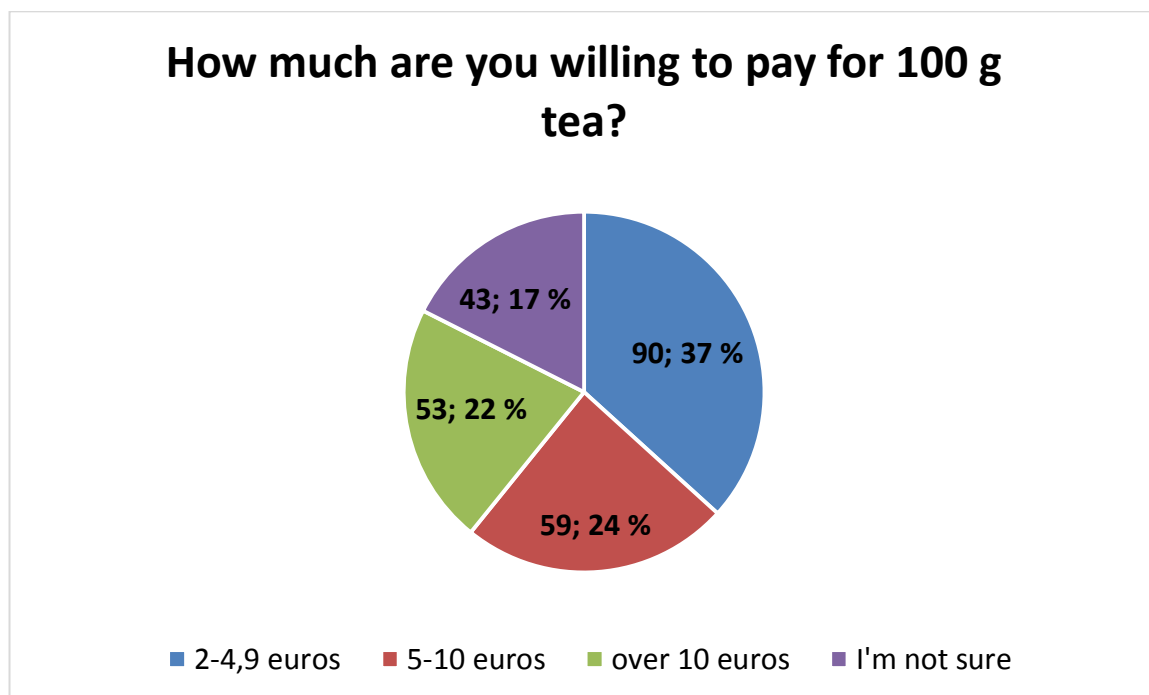


FIGURE 10. The price for 100 g tea which the respondents are willing to pay. (n=245)



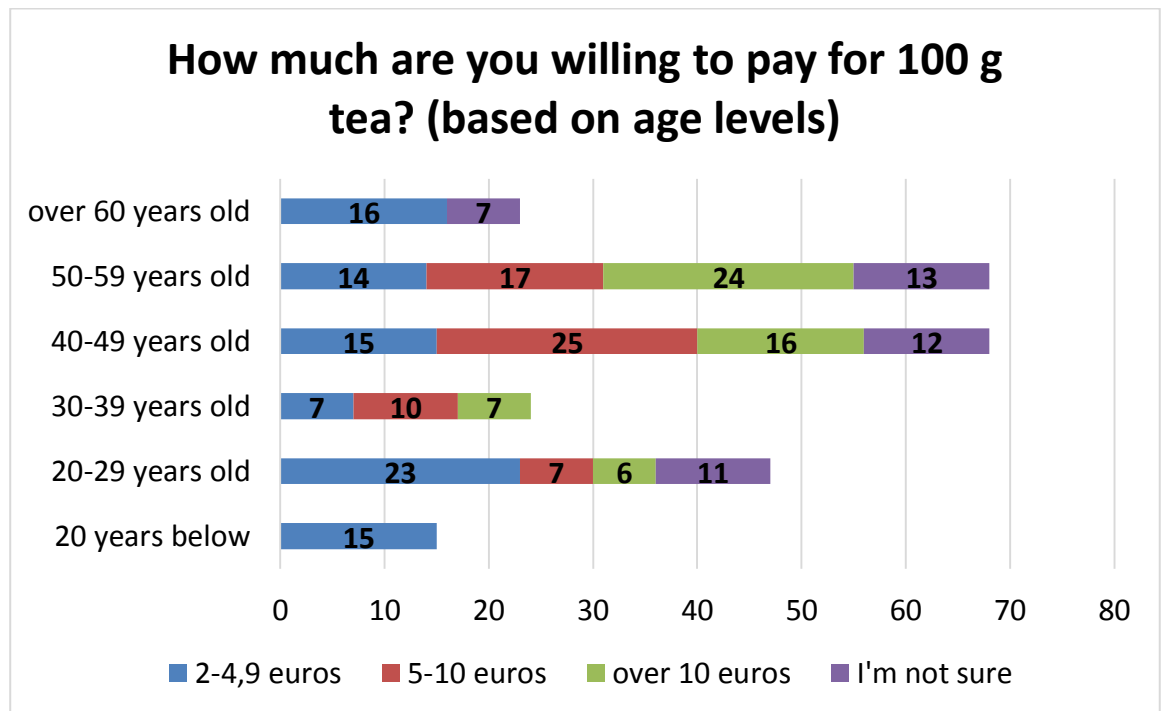


FIGURE 11. The price for 100 g tea which the respondents are willing to pay based on age levels. (n=245)

Question nine asked “How much are you willing to pay for 100 g tea?” The result on Figure 10 can be clarified that there are 90 respondents, which occupied 37 %, are only willing to spend from 2 to 4,9 euros to buy 100 g tea. 24 % of respondents are willing to pay from 5 to 10 euros for 100 g tea. While 22 % of respondents showed that they are willing to spend over 10 euros on 100 g tea. Still, there is small part of people said they were not sure for this question.

Actually this question can be analyzed deeper if concerning about the age levels of all respondents. As we can see from Figure 11, people who are willing to spend from 2 to 4,9 euros on 100 g tea are young people from 20 to 29 years old. It is a group who has the weak purchasing power. Most of them can only afford cheap tea. Opposite with young people, who are willing to spend over 10 euros on 100 g tea are many old people from the age group 50 to 59 years old. It can be seen that old people who like Chinese tea and are willing to buy it has the strong purchasing power.

From this question it probably can be seen that the most purchasing powerful target customers of Chinese Tea Shop would be the old people who are around 50 years old.

### What do you expect most from a new tea shop? (Multiple choice)

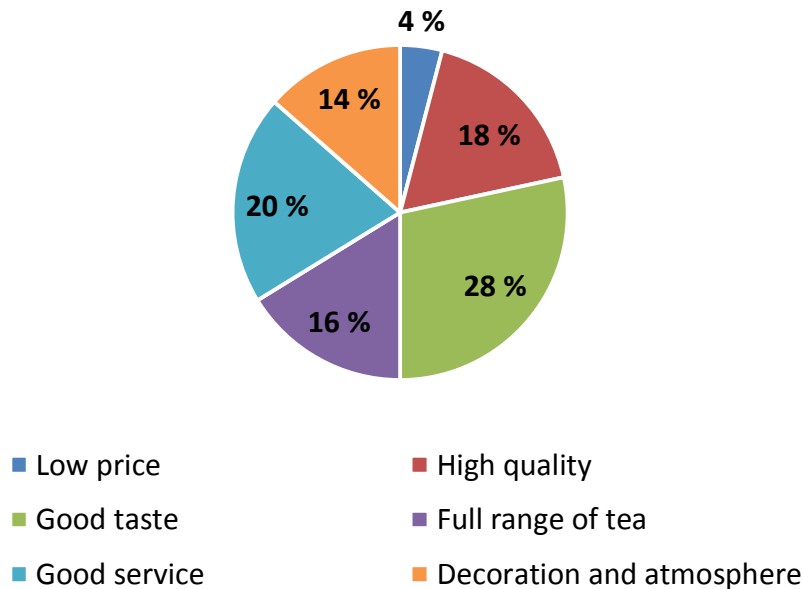


FIGURE 12. The expectation of the respondents for a new tea shop. (n=245)

The next question was “What do you expect most from a new tea shop?” It is also a multiple choice. From the Figure 12 we can see that most respondents pursue good taste which took over almost 30 % of the total number. The number of other selections include good service, high quality, full range of tea, decoration and atmosphere which are more or less. Only 4 % of people regard low price as the most expectation in a new tea shop.

From the result of this research question, Chinese Tea Shop needs to pay more attention the taste of tea which is the most expect thing from potential customers. Meanwhile, Chinese Tea Shop should also provide the good service and guarantee the quality of tea in shop. Price is not the only meter to make the buying decision.

The last question was the opening question “Could you please give some suggestions or advises for a new Chinese Tea Shop in Varkaus?” some of the respondents didn’t answer this question but some of them did. Mostly they expect the shop can provide tables for tasting the tea and also desserts like cookies or cakes can be provided for customers when drinking tea. Besides, some respondents replied that they hope they

can be warmly welcomed for the shop. The Chinese Tea Shop would try the best to satisfy the customers as much as possible.

## **4.2 Tea Shop Qualitative Research**

Qualitative research contains two interviews, one is with a Finnish tea shop owner whose shop is in Tampere. Another one is with a Chinese tea shop owner whose shop is in Anhui Province.

Interviews with both Finnish and Chinese tea shop owners can make the analysis more comprehensive and help to establish the Chinese Tea Shop successfully in Varkaus.

### **Interview with a Finnish tea shop owner in Tampere**

Actually there are only a few tea shops in Finland that can be searched in Internet through Google. At first the researchers contacted one tea shop but it replied they only have an on line shop. Later the researchers e-mailed the tea shop owner in Tampere and fortunately the owner was willing of the cooperation.

The tea shop owner is a Finnish man who is extremely interested in tea and Chinese culture. He has been to China before and from then on he started his own business which is this operating tea shop currently. Nowadays his shop is quite famous in local area and his tea products are very popular among Finnish people.

Due to the long distance from Varkaus to Tampere and some other reasons, the researchers had to choose the way to do the interview by Facebook and e-mails. There are eight questions for the interview in order to find out how his tea shop be successful in Tampere.

The first question asked the type of the tea sold in the shop and the supply channels which was "What kind of tea you sell in shop and what is your supply channels?" The shop owner said that he sells tea from all around the world which mainly comes from China, some of it are from India, Ceylon, Japan, including variety kinds of tea like black tea, green tea, yellow tea, flower tea and so on. He said that his tea shop buys tea from the wholesales in Finland and Europe. They have several suppliers and each product supplier is chosen based on the quality and price.

Similar with this tea shop in Tampere, the Chinese Tea Shop is going to import the tea type as variety as possible to satisfy all customers and introduce Varkaus people some new kinds of tea. The Chinese tea shop can connect the tea suppliers in China who are mainly in Anhui Province due to the experience of Chinese Tea Shop owner who used to help his parents manage a tea shop in China when he was young therefore he is familiar with several tea suppliers who can supply large range and quantity of tea products with different levels of quality.

The second question is about the annual sales and the price level which was “How much tea can be sold per year? And how about the price in your shop, is that more expensive than the tea in supermarket?” The tea shop owner replied that his tea shop sells at least tens of kilos tea per year. As for the price level, he pointed out that Tea Shop’s tea is generally more expensive than supermarkets’ tea. Actually Tea Shop’s tea and supermarkets’ tea cannot be compared result from Tea Shop’s tea is much more high-quality than supermarkets’. Moreover, the same tea leaves which bought in Tea Shop can normally be used at least two times, therefore the tea price should not be the only measure to compare those products or retailers, tea quality is also a very important factor.

Chinese Tea Shop in Varkaus is a new shop so we are not sure about the sales volume. Maybe the shop will not import so much tea at the beginning time but the tea quality can be guaranteed.

In addition to the basic information about the tea shop in Tampere, the following four questions are asking the shop owner give some suggestions about operating and opening tea shop. The third question was about “Which ways you used to attract more customers to buy the tea?” It is surprising that the shop owner provided quite many ways to attract more customers. First of all is the advertising which can be considered as the basic tool of marketing. The advertisement can be internet advertisement, posters or e-mails. Then tea themed events can also be arranged for the customers. He gave an example of once he arranged a tea tasting event for his customers and there were a variety of participants at that time. Besides, he suggested we can appeal to customers by increasing numbers and variety of sales channels, and try to make product development and up-to-date product range. Meanwhile, customer service skills and product knowledge are considered as important keys of cultivating many loyal customers.

The fourth question in the interview was “There is a part of Finnish people who don’t know any things about Chinese tea so he/she won’t buy any of that. How do you solve this problem of customers?” This question belongs to customer service. From the tea shop owner’s point of view, as all special shops tea shops live from the customer service. They are based on the wide product range including tea types and equipment and the expertise of the shop staff. He thought that it is his job to serve every customer individually therefore people there do not just come in and go out without a possibility to ask and get recommendations. Currently he mainly works by himself but he has employed part time assistance for about 4 months per year. He is going to employing one to two staff in the near future.

Besides of the internal factors, external factor like decoration of the tea shop also ranks essential role when operating a shop. The question about decoration was “Do you think decoration and atmosphere in a teashop will affect the purchasing behavior? And what kind of decoration and atmosphere do you think can attract more customers to buy the products and enjoy drinking tea?” The tea shop owner said decoration and atmosphere in a teashop is one of the key factors affecting purchasing behavior. The decoration can be Chinese style that give customers different feeling compared with other shops. Once customers get into the shop they can get the good tea smell which make them desire to stay in the teashop and have a taste on the tea products.

The sixth question was about “Which things need to pay more attention when establishing and operating a teashop in your opinion?” The owner mentioned three things: product quality, product knowledge of the staff and use of local or domestic products like infusions, flavorings, etc. The first and second have been mentioned in the above questions. As for the third one, infusions are like tea, but does not contain any tea (*Camellia sinensis*). Infusions include rooibos, mate, herbal teas, etc. Flavorings are the aromas, for example, pieces of fruits used to flavor tea (Earl Grey has bergamot oil, some teas have lemon, etc.)

Each product need to be make some changes to be adopt by local people. It could be a significant change for a new product when it comes to a new market and environment. Chinese tea also needs to adjust its taste and smell and to become more popular among Finnish people. The original Chinese tea tastes a little bitter as for new drinkers. If putting some pieces of fruit, it maybe can taste better.

In order to storage the tea in a new environment better and remain its original properties like shape and taste, due to the different climate between China and Finland, the shop

owner was asked the question about “What are the precautions of storing the tea?” He answered that precautions should be demanded by the authorities. In addition, tea need to be stored in a cool and dry place and protected from the strong sunlight. Some products demand a cold storing and they need to be stored in a refrigerator.

The final question in the interview was about the future trend of Chinese tea among Finnish people which was “Do you think Chinese tea will be more popular among Finnish people in the future?” While the tea shop owner said Chinese tea is cheap therefore it is used a lot in the supermarket teas. Generally Chinese tea is not the most appreciated tea origin but still considered to be high-quality. However in conclusion, it is true that Finns drink more and more tea, Chinese tea would become more popular in the future.

### **Interview with a Chinese teashop owner**

Due to the influence of history and traditional culture, almost all Chinese people drinks tea in daily life. You can see teashops everywhere in China. Fortunately a friend of researchers owns a teashop in Hefei. She helped a lot and provided some information about operating a teashop in China as well as gave some suggestions.

The interview was hold in her teashop during the summertime because it can clear to see the decoration style and to feel the atmosphere in shop. Some of the interview questions were similar with the questions to the Finnish tea shop owner in Tampere.

This Chinese teashop is located in a small town in Anhui Province. The tea shop owner has been operating this shop for more than ten years. The small town has 71 thousands popularity which is much more than in Varkaus. The shop was small with the simple Chinese style decoration and full of tea smell.

At first the tea shop owner introduced the basic information about her shop. In her statement she mainly sells green tea like Yellow Mountain Fur Peak and Houkui tea which are quite popular among local people, as well as the top seller each year in her tea shop. In addition to the tea leaves, Wan Ming teashop also sells tea bags like Lipton and tea beverages, for example, Master Kong, Wang Lao Ji, which are actually beverages within a little tea leaves in it. Moreover, she sells tea set which is one of the most profitable parts of her income. Chinese people are not only concentrating on the

tea quality, but also have a high level requirement of the tea sets which means how you process the tea ready to drink. It concerns the culture and traditional habit.

Chinese Tea Shop can also import several tea sets to show the most traditional tea art for customers who are very interested in Chinese tea and culture. If the customers really like it, it can also be sold to them but it is not cheap compared with the general tea leaves.

The tea shop owner was also asked about the supply channels and she said she buys the tea directly from tea farmers resulted from the cheaper price. The climate of Anhui Province is suitable for tea trees growing, therefore there are many people who own tea garden and sell large quantity of tea for a living. While the tea sets are mostly from wholesalers.

Due to there is a small tea shop in a small town, the owner has not employed any staff to help the business. She said during the busy time her parents would come to help her. Most Chinese people have the knowledge of tea which saves the time of sales person for introducing products. However, the sales person still needs to recommend for customers based on different level of quality. Besides, the owner said she also provide packing service in tea shop because nowadays tea products are one of the most popular gift from one to another in China.

The last but not the least, the tea shop owner mentioned about the storage of tea. From her experience, tea should be stored in a sealing place with low temperature. She has rent an ice storage to save tea within the customized tin pot to prevent humid weather and high temperature. Maybe in the near future Chinese Tea Shop need to pay more attention on storage in case of the risk of loss.

In the end of the interview, the tea shop owner took the view of keep learning while operating the tea shop. She said a shop owner must meet the difficulties and challenges since from starting the shop. However, do not give up and finding out the way to solve problems, that's the real improvement.

## **5 CASE STUDY: ESTABLISHING A TEA SHOP SUCCESSFULLY IN VARKAUS**

Tea has developed during thousands year in China which not only simply refers to a kind of beverage, but also symbolizes the close connection between people's daily life and Chinese tea culture therefore it makes huge amount of tea business.

It is not difficult to find that rarely tea business was invested in Finland through the investigation. However, there are still quite good tea drinking habits during most of the Finns, they are always satisfied of their drinking needs from the market which is probably the only channel they can buy tea in most area of Finland. Therefore, the tea business has a great development prospects in Finland obviously. We plan to establish a tea shop named "Chinese Tea Shop" in Varkaus which is a small town in Eastern Finland and there is 22 365 population of local Finns. (Cybo 2014)

### **5.1 Chinese Tea Shop Business Process**

Grabbing features of potential Finnish tea market, tea culture promoting and powerful tea health functions, we chose to invest in the tea business project, popularizing tea knowledge at the same time, not only getting increase in economic benefits, but also making improvement on social benefits. Through a variety of market research and analysis we determined the main products and services, and the marketing strategy and operations system of our Chinese tea shop can be determined according to the results of the SWOT analysis. We calculated the fixed costs, variable costs and funding needs of whole shop accurately to use investment budgets rationally. In addition, we summarized the risks that may encounter for the tea shop and worked out the measures to avoid risks.

#### **5.1.1 Introduction of Chinese Tea Shop**

Chinese tea shop is a prepared company about Chinese tea and tea sets sales shop which is planned to be built in Varkaus Finland. We try to provide sales and services about various type of Chinese tea and tea sets based on the current needs of target customers and the segmentations of current market. Taking into account of the distinction of Chinese tea and available tea in current Finnish market, we have to make



some marketing strategies based on the local culture to let consumers accept them and even rely on our products.

The corporate purpose of Chinese tea shop is taking middle-aged and elderly people as the main customer groups, using multi-level market operation with better products, better services to attract more customers and meet the customer needs.

Aimed at the business objectives, in the early stage of operation, our main goal is to enter the target market, with the expanding of tea market in Varkaus constantly. We adopted unique marketing tools and high product quality to get more market shares and occupy the main market in Varkaus. In addition, tea is a symbol of friendship in China. We try to spread this kind of tea culture to all Finns. As we know, any product cannot make 100 % customer satisfaction, but we can guarantee all interests of our customers without any damage.

### **5.1.2 Main Products and Pricing of Chinese Tea Shop**

There are many types of products available for customers that provide a quite large choosing space for clients, with good taste, reasonable prices, and courteous service. And according to the different consumer groups and seasonal differences, we can recommend different products, such as in winter, we recommend our customers various types of black tea according to its warm characteristics.

According to the result of research from the public, we defined the different tea preferences of Finnish people. However, our products are intended to meet customers' needs. Due to the survey shows a large demand for green tea and black tea in Varkaus market, these two types of tea will become the main products of our Chinese tea shop. Therefore, there are varieties of Chinese green tea, black tea, flower tea and herbal tea provided by our Chinese tea shop, which maintains Dragon Well, Spring Snail, Yellow Mountain Fur Peak, Keemun black, Big Red Robe, Melon Seed, Iron Goddess, Houkui tea, Maojian tea, Wuyi Rock Tea and so on.

TABLE 4. Tea products and prices of Chinese Tea Shop

Variety	Products	Level	Price(€/100g)
Green tea	Dragon Well	A	30
		B	20
		C	12
		D	6
	Spring Snail	A	25
		B	15
		C	7
		D	4
	Yellow Mountain Fur Peak	A	18
		B	12
		C	7
		D	3
	Melon Seed	A	14
		B	10.5
		C	6.5
		D	3
	Houkui tea	A	20.5
		B	14
		C	7.5
		D	3.5
Black tea	Keemun black	A	15
		B	9
		C	4
	Yunnan black	A	11.5
		B	7
		C	3
Yellow tea	Huoshan Huang Ya	A	10
		B	6
		C	2.5
Oolong tea	Big Red Robe	A	13
		B	8
		C	4

	Iron Goddess	A	12
		B	7
		C	3.5
	Pu-erh tea	A	12
		B	8
		C	5
Fruit tea	Lemon tea		10
	Blueberry tea		9.5
Herb and Scented tea	Rose tea		8
	Jasmine tea		9
	Chrysanthemum tea		6.5
	Honeysuckle tea		11
	Mint tea		7
	Osmanthus tea		8

Aimed at those varieties of Chinese tea, we divided each type of tea into different levels depending on the quality of tea which also caused the price difference in each level. Combined with the level of consumption in Varkaus, we aimed that level B, C even D of each kind of tea become our main products, because there are just small part of customers who are willing to spend lots of money on buying tea in level A.

Besides these kinds of tea, the products may also include tea sets and some traditional liquid tea. Tea set refers to the utensils of brewing tea, which has a strong arts and cultural connotations. The price of tea sets maybe between 50 and 300 € per set according to the material.

In addition, during the daily operation, we are going to provide free taste service before our transactions. Meanwhile, we also offer some cookies and cupcakes to the customers when they have free taste of some new tea. At last, we will provide package service with a free beautiful box to maintain the tea.

### 5.1.3 SWOT Analysis

SWOT analysis identified the strengths and weaknesses - opportunity and threats which faced by the enterprise, in order to determine the strategic positioning of the enterprise, maximizing the use of internal strengths and opportunities, so that to reduce weaknesses and threats of enterprises. Strengths and weaknesses are mainly focused on their own strength and its comparison with competitors, and opportunities and threats analysis will focus on the changes in the external environment and the possible impact on the business. That's why we should put all the internal factors (strengths and weaknesses) together, then use external power to assess these factors during the analyzing process. (Baidu 2014)

Before starting the SWOT analysis, we should clarify some detail information about the investors which is the owner of the preparing tea shop. The investor is a Chinese fresh graduate for entrepreneurship, with some tea shop management experience during the study period in China. He has a similar tea shop located in Inner Mongolia, China, which managed by his parents now.

TABLE 5. SWOT analysis

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Brand advantage</li> <li>• High quality of products</li> <li>• Good purchasing channel</li> <li>• Professional tea knowledge and tea shop management experience</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Poor Finnish communication skills</li> <li>• Funds are not sufficient</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• No competitor in Varkaus</li> <li>• Health care functions</li> <li>• Convenient international logistics</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Finnish economy has seen a downward trend</li> <li>• Traditional coffee drinking habit</li> </ul>

## Strengths

Strengths are internal factors of the entrepreneur, including: favorable competitive situation; adequate financial resources; good corporate image; technical strength; economies of scale; product quality; market share; cost advantage; advertising campaigns and so on. The following will show strengths factors of our Chinese tea shop. (Baidu 2014)

- Our tea shop selling various types of Chinese tea, including China's top ten tea Huang Shan Mao Feng, West Lake Longjing tea, Tie Guan Yin, Dongting Biluochun, Silver Needle, Yunnan Pu'er tea, Lushan clouds, Dong Ding Oolong, Black Tea, Jasmine Tea and so on. China is the homeland of tea with quite rich tea resources and many famous high quality tea. In other words, Chinese Tea Shop have a strong brand advantage.
- All our products are purchased from China, even from the original place for each kind of tea. Thus, it can ensure the quality of tea which is better compared with other tea shop.
- One of the investor has a good social relationship with Chinese tea supplier, so that he can find some good purchasing channel that is cheaper than average price in market, reducing the purchasing costs.
- The owner of Chinese tea shop has professional knowledge about tea art. In addition, he has management experience for a tea shop in China which can be a good start of our tea shop in Varkaus.

## Weaknesses

Weaknesses also refer to internal factors of a company, including: aging equipment; management chaos; lack of key technologies; research and development behind; shortage of funds; mismanagement; product backlog; poor competitiveness and so on. Aimed at our Chinese tea shop, we should consider comprehensively about these factors. (Baidu 2014)

- As an investor in Finland, the Finnish communication skills is necessary. It is better to introduce our products to customers in Finnish, especially in Varkaus.

There are so many old people who can only understand Finnish. However, the investor is not good at Finnish communication, he just know some daily communication in Finnish which is not enough to operate a business in Finland.

- One of the owners of our tea shop is a fresh graduate person, he doesn't have too much funds to afford the rent of business district store in big city, for example in Helsinki, as well as the exquisite decoration of our shop. The total invest funds should be used under the premise of ensuring the normal operation of our tea shop, then selecting the appropriate shops and decoration.

## **Opportunities**

Opportunities is one of external factors that influence the development of enterprises, for example, the generation of new products, new markets and new demand, as well as the implementation of new policies. For an exotic new company, we should pay more attention to discover opportunities, seizing opportunities, so that we can open the Varkaus tea market. (Baidu 2014)

- There is no competitor in Varkaus that can be the most important opportunity in the early stages of development. All local people or visitors could be our potential customer. We can occupy bigger market shares easily by using some marketing strategies. In other words, we can be the best Chinese tea shop in Varkaus.
- As the medical confirmed that tea has outstanding health care functions. Dietary habits cause varieties of health problems for Finnish people, including hypertension, diabetes, obesity and other diseases. With more and more people concerned about their health, consumer demand for tea is gradually developing to health direction. Tea helps protect teeth, weight loss and fitness, detoxification diuretic, cholesterol and other effects. There is a wide range of Chinese tea with different tastes and efficacy, tea drinkers can choose the most suitable tea for their own health. (Douban 2008)
- In recent years, economic and trade has stable development between China and Finland, foreign trade company and international logistics will bring convenient purchasing process for our Chinese tea shop. Not only help to reduce transportation costs, but also to ensure product quality.

## Threats

Threats are external factors that determine business success or failure. Sometimes, the generation of new competitors; increasing alternative products; changing of trade policy; customer preferences or unexpected events all can be the threat of our Chinese tea shop. (Baidu 2014)

- Recently, due to changes in Russia's economic policy, as a trade partner, Finnish economy is under attack and throughout economy has seen a downward trend. Many small and medium enterprises are layoff or even closure, Varkaus is not an exception.
- As we know, Finnish people have coffee drinking habit, it is not easy to change their attitudes and drinking habits right now. In addition, there are different tastes of coffee and tea bags available in supermarkets with quite cheap price which are simpler to be accepted for Finnish people.

### 5.1.4 Marketing Strategy

In order to achieve our targets, we need to take some measures to increase sales. As a traditional direct sales tea shop, we really need to do a self-adjustment and innovation in our sales operations. Not only might a self-challenge but also stimulate the vitality of the tea shop, establishing a flexible image of Chinese tea shop.

#### ***Marketing operation forms***

There are four marketing operation forms during this period. We try to pay more attention to external and internal marketing, interactive marketing and after sales marketing. Aimed at each part of market, we plan to take some methods of marketing operations in order to achieve the marketing objectives of the tea shop.

### ***External marketing***

Focusing on external marketing tea shop, we must consider the demand of the market and competitors situation of the tea shop. Our target customers are focusing on the layers of middle - aged and elderly people, relatively demand market is large in Varkaus, but we cannot ignore the youth, after all, drinking tea is a spiritual fashion nowadays.

We can make small advertisements, sending them to passing people, also sending them the small tea bag as free tastes. Over time, people will produce the impression of the product. As we know, summer in Finland is very beautiful, there is an open market on square, and local people choose to display their goods in their own stall to attract the eyes of people. We can also rent a booth to show our products, holding a free tasting event. Not only for selling but also for propaganda, to let more and more locals know our brand and products. This method can also increase the good reputation and image of the tea shop. We are actively looking for fixed partners, such as restaurants, tea house, hotels, etc. We plan to create a Facebook page to show our products and some company events. We accept online consultation and ordering that will be more convenient for more people to buy our products, avoiding the effects caused due to geographical differences. We can release a number of advertisements on local newspaper, in order to let target customers and potential customers know some information about the tea shop even produce the desire of purchasing.

### ***Internal marketing***

For the internal marketing, we focus on improving the service quality in multifaceted and multi-angles. We are ready to hire a Finnish member, after training of tea art knowledge, he or she can provide the professional services for customers. Also the staff can teach the customer about the different drinking ways of different kind of tea. He or she is not only to sell the product, but also needs to keep the shop clean and tidy, maintaining a good image of the shop. In order to ensure authentic quality of tea, neatly dressed is necessary for staff during the work, it is not allowed make the nail polish, perfume is also not allowed.

When we employ the staff, we intend to organize some training course for the staff every year to update his knowledge. In addition, we decided to adjust salaries for staff every two months based on the performance of the staff. This kind of way can mobilize the work enthusiasm of the staff. The owner of Chinese tea shop plans to give some sales commission to the staff when their sales performance reached a certain amount.



We try to decorate the store according to expectations of tea shop image. The decoration should create a mature, steady and rich cultural heritage atmosphere, attracting customers through these inner atmosphere as much as possible.

### ***Interactive marketing***

Chinese tea shop intend to provide the delivery service for loyal customers who are often ordering the products from our shop. When we send the product to customers, we can also communicate with customers of their suggestions about the product and service. We can also take the opportunity to introduce some new products with them, inviting them to visit the shop and taste some new tea. We would like to organise a meeting about tea tasting, inviting some loyal customers to taste tea and communicate the experience and suggestions about our products and services after operation of one yeas.

The tea shop plan to build membership system, we give membership cards to the loyal customers, recording their every time consumption, and collecting integration, with the integration they can enjoy a discount or a gift.

### ***After-sales marketing***

The after-sales marketing is very important for customer to assured for the product which they have bought. When customers have bought the wrong products or customer require to exchange products, we need to meet the needs of customers as far as we can, then timely exchanging needed goods to the customer. Chinese tea shop is going to build customer personal information file. We can do some regular visits to old customers after sales in order to know the customer feedback on products, but also can notify customers when the new listing. We can also send message or blessing to customers when we have promotions or during the holidays, so that consumers can feel the care from tea shop, which has accumulated a good reputation and a large number of loyal customers to the tea shop. In addition, we can provide attractive packaging according to customer needs after sales. Even delivery service to send products to customers' place if customers needed. (News.t0001 2013)

## ***Marketing mix***

According to the demand of whole market, we clarify four important parts of marketing operations. From the product of tea shop, we need to ensure the quality and reduce the variable costs in our operations; the price of product must be reasonable; the distribution channel should be considered in the marketing operations; the promotion is very important for the development of our tea shop.

### ***The product***

All products in Chinese tea shop can be divided into three parts. For example, the tea is a kind of consumable, it will gradually reduce when you use it. The tea sets are durables, it can be used for a long time. On the other hand, we can provide different kinds of services, like packaging, delivery, and so on.

During our daily operations, if we notice that some customer may have requirement of other type of tea. We should increase the business field, in order to expand the market share, reducing outflows of customers. We promise that all customers will get the beautiful packaged if they buy the tea over 500 g one time. This action is also considered to keep the quality of tea. Because the metal packing box can keep the tea fragrance, ensuring the taste. We try to find a kind of barrels with good sealing properties to store the tea instead of the original metal drums, in order to maintain the quality of tea in storage.

About the services, we try to employ a Finnish staff who can provide total Finnish service after get the tea knowledge training to manage the tea shop. He need to have the professional skills and spirit of service. Moreover, we accept the telephone orders, providing the delivery service to send the product to customers' place.

### ***The price***

Price is the manifestation of the value for a product. Obviously, the better the product quality the higher of the price. Therefore, the price of tea is also corresponding with the tea quality in Chinese tea shop.

In order to stimulate consumption, moderately adjusting tea prices is also necessary. We can reduce the price of some commodities, while increasing the price of some commodities to attract the attention of consumers and promote consumption. On the

other hand, we will give some discount for loyalty customers as a reward to long time supporting during a certain period. In addition, during those marketing operations, we need to reduce costs as much as possible, so that we can get the greater profits under the situation of the same sales.

### ***The place***

The place refers to the distribution channel and physical distribution. As a small shop, we are not responsible for the picking, production of tea and other procedures, we are only responsible for sales. Therefore, we need a reliable supplier to provide our good quality products. In recent years, with the increasing of fierce competition in the market, suppliers are constantly improving tea prices. Transportation costs also increased along with the rising of commodity prices.

The owner of Chinese tea shop is looking for some direct suppliers. He has some tea shop operation experience in China with the help of his parents. Thus he has rich social relationship especially with the tea suppliers. He negotiate with the tea farmers in the area of southern Anhui, in order to achieve the direct wholesaling and get the lower purchase price of tea. In order to reduce transport costs, Chinese tea shop decided to look for a reliable international logistics company, signing a long-term cooperation agreement, to avoid rising prices of the logistics company. Furthermore, the tea shop attempts to establish their own distribution channels, actively looking for tea reseller. We are looking for some cooperation with some restaurant, super markets and teahouse.

Chinese tea shop will be located in Kauppakatu, which is in the city center and nearby residential areas in this city. There are convenient transportations and quite large passenger flow. People living nearby is also the main customers for our tea shop. In addition, students from the Savonia UAS are the potential customers of Chinese tea shop which can't be ignored. According to research, there is not any other tea shop in Varkaus which is obviously a big advantage for us. Even if the middle-aged people hold the view of high quality and expense consumption, Chinese tea shop is the only choice for them at this place.

Most customers will come into the shop for consumption, however, Chinese tea shop also provide the service of door to door delivery by telephone orders. Customers only need to pay extra fee for its delivery and shop staff will send the products to the destination.

### ***The promotion***

Marketing promotion is a very important part of marketing operations. The product quality is the main point that customer chose this product, but the promotion might introduce the product to the public.

We try to put some advertisements on local newspaper, in order to introduce the tea shop and tea products for target customers and potential customers, producing the awareness of our products and the desire of purchasing. We intend to participate some exhibition to show our products, inviting some tea drinkers to taste and give some suggestions to our products and sales operations. We can put up the posters frequently which is showing in front of the shop, to improve the customer's interest and attract the attention of passers-by, while taking advantage of poster to present the new products and services.

We need to focus on the public relationship which used to be ignored. We can hold some public service activities for old folks' home in Varkaus, helping and comforting childless elderly people, in order to establish a good social image. Not only contribute to society, but also play a good advocacy role for the tea shop.

These measures are able to expand the social influence and visibility, establishing a good reputation and corporate image for Chinese tea shop. Thereby promoting sales of tea shop and expanding the total market shares.

### **5.1.5 Operation and Management**

To run a successful business, detailed and meticulous theoretical plan is not enough, we should take those plan into action. In the case of Chinese tea shop, the operation should contain shop location and decoration style decisions, operating system standardized and purchasing channels selected.

#### **Location and Decoration**

According to the questionnaire and statistics of the people flow, we notice that Kauppakatu is the best location for Chinese tea shop in Varkaus. The road is in commercial center with quite good commercial atmosphere and high visitor flow. There are also several restaurants on this road, especially the Chinese restaurant. Entertaining

guests with tea is the Chinese traditional etiquette, under the lead of this culture, Chinese restaurant always has a considerable demand for tea every year, so that we can have a cooperation with the restaurant in order to become their fixed tea supplier. On the other hand, there are residential areas nearby this road, while tea is another kind of necessity as coffee for household consumption, thus nearby this area can promote consumption.

Tea shop decoration should mainly prominent tea features, producing a harmonious beauty of psychological for customers. We decided to decorate the tea shop in retro and elegant style. Furthermore, the owner has invited an interior designer to design the renovation figure for our store. We plan to use the mahogany to renovate the whole inside part, including the counter, shelves and cabinets. There will be a big tea word in Chinese ‘茶’ beside the counter. In the main hall there will be 2 tea tables and 8 chairs with traditional Chinese style which customers can enjoy their free taste of our tea before transactions. Specially, we are planning to put some fresh tea plants around the hall. On both sides of walls in the main hall there will be shelves for exhibit different kinds of tea. In the opposite side of the main door will be the counting table.



PICTURE 1. The renovation design of Chinese tea shop

### **Operating system**

As the saying goes no rules no standards. Operation of a company must have strict rules to ensure that each employee fulfill their duties.

### ➤ Staff responsibilities

The owner is our chairman of the board in our company, he is responsible for wholesaling products with lower prices, looking for cooperate partner, choosing a suitable warehouse to storage the tea, establishing our own purchasing channels in whole tea market in China. We are actively looking for tea re-seller, including the Chinese restaurant in Varkaus and the cafe in Kauppakatu. In addition, we are negotiating with a reliable logistics company in China which is located in Shanghai, trying to get a lower price of tea transportations.

While the manager is responsible for the marketing promotion, gathering feedback and suggestions is also her duty. In addition, providing some after-sales services if it is necessary. The most important duty is financial settlement, accounting the monthly incomes, receivables and payables. She need to participate and management the daily operation of the store, guiding and supervising the work of other staff. Due to venture capital limited in the early stage, managers should take the duty of cashier.

We try to employ a Finnish sales consultant who is primarily responsible for the reception, as well as presentations and daily sales. Including inviting customers to taste tea, as well as packaging tea for guests and so on.

### ➤ Service management standards

Improving the overall quality of the salesperson is key operation of a tea shop, because salesperson is the eye of a tea shop. Basically, attractive appearance is necessary, salesperson should neatly dressed, simple and honest expression with friendly and enthusiastic demeanor.

Afterward, our salesperson must have keen observation and judgment, for different customers, recommend different tea, this can greatly increase the turnover rate. But also have flexibly and accurately ability to respond, aimed different requirements of different customers, understanding and appreciating the purchase intent of customer, and quickly replying or providing services.

What is more, language is a tool of communication, providing an important means emotional information exchange, so language is directly related to the benefits of tea shops. That's why we employ a Finnish people as our main salesperson.

Facing of customer complaints, we should remain sincere concern attitude, after patiently listening to his statement, giving appropriate compensation.

➤ Store management standards

To operate tea shop successfully in Varkaus, we try to use the good quality to set up our reputation. As we know, tea is a very delicate beverage, therefore we must keep the shop looks clean, wiping counters, shelves, tea box every day at least three times without any dust. Paying particular attention to the surrounding environment, keeping away from strange smell objects, such as perfume, alcohol and so on. Notice that green tea and flower tea need to be put in separate boxes. Regularly checking the shelf life of goods and based on goods shelf life to display our goods.

Operators must establish strict operating system, otherwise, the management will be confusion, the following is operating time table of our Chinese tea shop.

TABLE 6. Timetable of the Chinese Tea Shop operation

9:00	Working on time, turning on all lights in store, keeping the counter clean, sorting out goods on shelves to ensure its placed neatly, preparing some desserts, cookies or chocolate
10:00	Open for business. Smile service with dignified manners, treating every customer with enthusiasm.
12:00-12:30	Lunch break. Staff take turns to break, ensuring that there is at least one person in the shop to serve customers.
3:00-3:15	Coffee break time. Same rules as the lunch break.
5:00	Closing the tea shop. Clean the coffee table, washing the tea sets which customers free taste using, cleaning business tools, collating and handed over cash to the manager, turning off all the light of tea shop. Do not forget to lock the door.

## **Purchasing channel**

Choosing of the purchasing channel is determining our tea qualities. As a new business, we try to find some direct purchasing channel in order to reduce costs. For those different kinds of tea, we intend to take different purchasing channels in order to maximize the use of our resources.

For purchasing the green tea, we have effective channel which means we know some green tea farmer in the original place. We can get high quality of green tea with quite low purchasing price after negotiation, especially in Anhui province.

Besides, we have some black tea, oolong tea and puh-er tea which from Yunnan where we are not familiar. In other words, we could only visit the tea market in Yunnan, looking for a reliable wholesaler and establishing long-term cooperative relationship. Not only help to reduce the purchase cost, but also to ensure quality.

In addition, we have a lot of herbal tea and fruit tea, for each tea has its specific areas. There is a huge budget if we try to purchase each kind of tea in their own original area. We intend to purchase those tea through an online Business-to-business trading platform, such as Alibaba. This is also a very convenient purchase method through the network to find reliable suppliers with good reputation.

All the purchasing work is the responsibility of our owner. He is not only planning to find good quality of tea, but also looking for long-term cooperation logistics partner to be responsible for products transportation from China to Finland. After investigation, he decided to cooperate with DHL international logistics company.

### **5.1.6 Financial Administration and Risk Management**

The most important link before starting our new tea shop business is the financial management, including investment budget, budget allocation, and profitability analysis. We should be clear about funding needs and sources of tea shop business, according to the established price levels and reserve fund structures to calculate profitability statement. In addition, we need to integrate varieties of risks and take measures to avoid risks.



## Financial administration

Financial statements show all kinds of funding needs in the initial stage.

TABLE 7. Financial statements of funding needs

Funding needs	Eur
Site improvements (renovation, etc.)	4000
Furniture and fixture	6000
Computers, software	700
Vehicle	4000
Telephone, fax, internet	200
Office supplies	320
Subscribed capital (existing machine and tools)	3000
Pre-opening promotions, advertising	212
Deposits	1400
Initial inventory	10000
Cost of establishing the business	100
Operation capital	3000
Cash reserves	1000
Total	33932

Sources of funds	Eur
Own capital investment	30932
Subscribed capital	3000
Total	33932

As the Table 7 shows that our investor plan to use 10 000 € for renovation, furniture and other decorations for the new store according to the shop renovation design. We purchased a Lenovo office computer and installed the needed office software, which cost 700 €. We plan to spend 4 000 € to buy a second hand van for short-distance transport of daily operation. We have 200 € budget for telephone, tax and internet at the beginning of invest. We bought a HP printer and other office supplies, which totally cost 320 €. By the way, the subscribed capital for the tea shop refers to the existing machines and tools of the owner which is a VW Golf auto owned by the investor which

valued 3 000 €. For pre-opening promotions, we have 212 € budgets for advertisement on the local newspaper Warkauden Lehti including one month order about 8 times advertisement, and each time costs 26,5 €. (Warkaudenlehti 2014)

The deposits refers to two months' rent for renting the store, which costs 1 400 €. In addition, we have 10 000 € initial inventory of tea products for the first year operations. For the cost of establishing the business, the "Guide of becoming an entrepreneur in Finland" mentioned, which cost 100 €. The owner prepares 3 000 € as operation capital and 1 000 € cash reserves for daily operation. Overall, the total funding needs may around 33 860 €. (Uusyrityskeskus 2014)

The sources of funds are including two parts, one is the subscribed capital which refers to the existing auto of the investor valued 3 000 €. Another big part of fund is the own capital investment of investors about 30 932 €.

Profitability statement can estimate the zero profit balance from sales of view according to the price level and reserve fund, which can be worked out sales targets based on sales statement.

In the case of Chinese Tea Shop, the amortization period of own capital investment could be two years which means the investment for operating can be returned in two years. In the figure of funding needs, only the subscribed capital cannot be considered as cost. The pre-opening promotions, advertising is regard as nonrecurring charge and calculated into 1st year fixed cost. The rest of costs and expenses in funding needs are considered as prepaid expense and need to be amortized within two-year-period.

TABLE 8. Profitability statement for first two years

Profitability statement	Month (€)	1 <sup>st</sup> Year (€)	2 <sup>nd</sup> Year (€)
= Target income of the investors	4000	48000	48000
+ Tax rate 21.5 %	417	5008	5008
<b>Profit need of operating</b>	<b>4417</b>	<b>53008</b>	<b>53008</b>
Fixed costs			
Salaries	1500	18000	18000
Rent	700	8400	8400

Repair and maintenance expenses	30	360	360
YEL Insurance	727	8724	8724
Statutory social insurance	780	9360	9360
Communication costs	90	1080	1080
Office expenses	20	240	240
Transportation costs	83	1000	1000
Marketing expenses	100	1200	1200
Other expenses	150	1800	1800
Prepaid expenses			
Site renovation	167	2000	2000
Furniture and fixture	250	3000	3000
Computers, software	29	350	350
Vehicle	167	2000	2000
Telephone, fax, internet	8	100	100
Office supplies	13	160	160
Deposits	58	700	700
Initial inventory	417	5000	5000
Cost of establishing the business	4	50	50
Operation capital	125	1500	1500
Cash reserves	42	500	500
Pre-opening promotions, advertising	18	212	
<b>Total fixed costs</b>	<b>5478</b>	<b>65735</b>	<b>65523</b>
<b>Profitability of sales demand</b>	<b>9895</b>	<b>118743</b>	<b>118531</b>
Purchase	833	10000	10000
<b>Turnover needs</b>	<b>10728</b>	<b>128743</b>	<b>128531</b>
VAT 24 %	2575	30898	30847
<b>Total sales needs</b>	<b>13303</b>	<b>159641</b>	<b>159378</b>

According to the salary survey in Finland, the average monthly salary in Finland is 3910 euros. The median monthly salary is 3500 euros. (Salaryexplorer 2014) But when it comes to the comparison of job and sector, the average salary of salesperson is only 1658 euros for 37,1 weekly working hours. (Worldsalaries) Therefore, the staff monthly salary is 1500 euros without sales commission.

The shop rent 8400 euros per year in Varkaus is the budget within fixed cost, the shop owner is looking for more appropriate shop location in Varkaus through the house intermediary agency.

YEL Insurance is the only form of insurance that employers must take which is also called entrepreneurs' pension insurance. This insurance must be taken from a pension insurance company within six month since the commencement of the business operations. YEL Insurance was calculated according to the rules on Finnish enterprise agencies official documents called *Becoming an Entrepreneur in Finland*. (Uusyrityskeskus 2014)

In Finland, statutory social insurance is divided into five parts. Both the employer and the employee participate in the financing of social security. According to the official document of Finnish Centre of Pension, the statutory social insurance can be approximately calculated as 780 euros per month based on 1500 euros of employee's salary budget and 4000 euros per month of employer's expect income. (Eläketurvakeskus 2014)

Communication costs contains the telephone fee and internet fee which used for the connection with customers and consultant. Office expenses includes the paper, pencil, invoices and so on which is a quite small budget. Every time the shop sales and holding activities, posters are the essential way to tell customers. All the posters and other small advertisements are belong to marketing expenses which is about 1200 euros per year in budget.

As for the transportation expense, there is an international logistics company in Shanghai offered the price of 26 RMB per kilogram plus the clearance fee as 200 RMB and some other tax. In the case of Chinese Tea Shop, there is approximately 200 kg of tea importation per year. Therefore, the transportation expense is about 5700 RMB which can be exchanged to 750 euros. In addition, the transportation fee from Anhui Province to Shanghai is around 200 euros. In total, the transportation cost is around 1000 euros.

Due to the shop owner is familiar with the tea suppliers in Anhui Province, he provided the import price of middle level tea is 400 RMB per kilogram which is equal to 50 euros by the exchange rate of 8 approximately. The Chinese Tea Shop is going to import 200 kg per year so the purchase price can be calculated as 10000 euros.

## **Risk management**

There is the risk of doing business more or less, our tea shop is not an exception. We have our own computer and software to collect sales data, warehousing and inventory situation. These important data related to development planning and financial analysis of the company. Thus, we should protect our data and system to avoid computer viruses attacks. We should buy an anti-virus software, using this regularly. And doing data backup in daily work in order to avoid unnecessary data loss. (Marriotti and Glackin 2010, 326)

On the other hand, there is a risk involved the storage of bulk tea. As we know, tea is easy to adsorb moisture and odor in the air. If storage in improper methods, the flavor will be lost in the short term. We choose plastic bags or aluminum foil bags to storage tea, also we customize the large metal tank to storage. Moreover, we planning to buy the property insurance against risks which may cause such as theft, fire and weather damage, even disasters. (Marriotti and Glackin 2010, 325)

As an indispensable part, the owner intends to buy life insurance for themselves.

## **5.2 Juridical Process of Chinese Tea Shop**

As for juridical process of Chinese Tea Shop, it contains three parts, establishing general partnership business, registration for Chinese Tea Shop, hiring of employees and employer obligation.

### **5.2.1 Establishing General Partnership Business**

In the case of Chinese Tea Shop, there are two partners in the general partnership. One of the partner has the permanent resident in Finland. Both of them are the investors but only one of them is the board of the director, correspond to the shop owner, who is responsible for the daily operation of the tea shop. Another one is going to take the responsibility of the shop manager and charge the daily sales and financial issues.

All the important decisions related to the tea shop would be decided by the shop owner who has the total decision power. The Chinese Tea shop would employ an extra

employee who can help the shop owner and manager dealing with the daily operation and the staff would be paid monthly salary. In the end of each year, if the tea shop earn profit, it will be shared by two partners based on the shares at the beginning investment. While once the tea shop business failed, both of the partners are responsible for the liabilities in the general partnership.

### **5.2.2 Registration for Chinese Tea Shop**

To register Chinese Tea Shop, partnership agreement and start-up notification form are required for registration.

#### **Partnership agreement**

Partnership agreement is like a contract among all signed parties. It is one of the key documents for registration so that it has to be written in common language clearly for each term and rule. If there have different nationalities in the partnership it's better to make an English copy which can be easily understood by everybody. The agreement includes the name and the business of the company as well as the term, the capital, the responsibilities and other detail terms. Once all parties signed the agreement imply they all agree the terms and would obey the rules.

In the case of Chinese Tea Shop, all partners are Chinese people therefore the partnership agreement would be written in English, Chinese and Finnish languages. In the partnership, the net profits shall be divided according to the percentage of investment capital between the partners and the net losses shall be borne by that. The partners maybe have different rights in the management of the partnership business but each partner shall devote their best performance to conduct the business. There is no salary among partners due to all the net profit will be the income. And if there is loss in the operation of the shop so each of the partner is liable for that. All funds of the partnership shall be deposited in its name in such checking account or accounts as shall be designated by the partners. All withdrawals therefrom are to be made upon checks signed by either of the partner. (Small business notes)

#### **Start-up notification**

When starting up a business in Finland you must file a form for reporting it. Fill in the 'Y' form for "Start-up notification". Both the Tax Administration and the Trade Register

authorities use the same form. Form Y2 is for the foreign-registered partnerships which is similar to Finnish 'ay' and 'ky' legal form. (vero 2014)

The start-up notification includes the information about company name, type of enterprise, contact information, accounting period, business line, detail of partners and their ownership percentage, contact person's detail for tax related and other official matters. The first three pages are basic part for the Finnish Patent and Registration Office and the Tax Administration. Page four is for the Trade Register and page 5 is for the tax authorities. (PRH 2014)

After all these related documents are prepared, the partners need to submit to Varkaus registrar office and they would send all these documents to Finnish Patent and Registration Office in Helsinki. Then if it can get through, a business ID will be given to partners and the new company will be registered in a few days.

### **5.2.3 Hiring of Employees and Employer Obligations**

Due to two partners would be join the management of the tea shop, the shop only need to employ another salesperson and he or she would be paid monthly salary.

The shop owner would make mainly important decisions and is responsible for the connection with supply channels and products importation. The shop manager is responsible for daily sales and financial affairs. If the shop owner is busy with the importation of tea and he is not in shop, the manager should be responsible for all shop business and make sure the shop is operating normally.

The shop staff would be general salesperson who is only responsible for daily sales, provide services for customers. The sales person should be able to introduce the products and answer questions for customers and give them recommendation when they are confused and need to consult related information. Due to the Chinese tea is not familiar among Finnish people, the salesperson plays an very important role in advertising the Chinese Tea Shop and introducing basic tea information for local people. The requirements for the sales person are: Effective interpersonal and communication skills both in Finnish and English, excellent communication skills and working attitude, better with related working experience.

After the staff is selected, the employment contract would be delivered to the employee and it would be signed by both employer and employee. It can ensure both sides legitimate interests. In addition, the tea shop would provide statutory social insurance for employee. If there is any accident or the employer get injured during the work, the employer has the responsibility to against it for its own employee. The statutory social insurance contributions in Finland has five contents including earnings-related pension insurance contribution, accident insurance contribution, employees' group life insurance contribution, unemployment insurance contribution, social security and sickness insurance contribution. These insurances are calculated based on employee's salary and age according to official documents of Finnish Centre for Pensions. (Eläketurvakeskus 2014)

As for the payment, Chinese Tea Shop would pay the employee monthly salary as approximately 1500 euros per month besides sales commission. To stimulate salesperson's enthusiasm at work, Chinese Tea Shop is going to give commission to staff for each consumption through their hands. The staff would get the commission of his or her own sales volume as the award in the end of the year. The more customers' consumption in the shop the more money the salesperson can get.

Moreover, Chinese Tea Shop would arrange occupational healthcare for the employee to prevent health harm resulting from working or working condition. The maximum working hours in Chinese Tea Shop are 8 hours per day and 40 hours per week.



## 6 CONCLUSIONS

So far, we have done a preliminary business plan for establishing a Chinese tea shop in Varkaus. Overview of this business plan, from the theoretical study and different tea culture between China and Finland analysis, thus created a comprehensive business plan for our Chinese tea shop. Furthermore, the business plan are intended to achieve the objective better which is to increase the willingness to buy of the target customers and open the tea market of Varkaus.

Our research subject of establishing a Chinese tea shop in Varkaus four main aspects. For the first part, we have a theoretical basis of juridical process about registration process and employment for a new enterprise and business process for a tea shop which focusing on the market analysis, marketing and sales, operation process and financial management.

As the second aspects, we have identified the tea shop business both in China and in Finland. We specifically expounded the background and history of different drinking culture especially tea culture in China and Finland, products and services of common tea shop and tea shop management and operation process.

In addition, we used both qualitative and quantitative research methods to get deeper understanding about how to establish a Chinese tea shop successfully in Varkaus, achieving our market objectives. The questionnaire for Varkaus local residents helped us to get the key information of our Chinese tea shop business which maintains identifying our potential target customers, the preferences for different types of Chinese tea, in order to dig out the potential buying inclination of local Finns. Also the results of interviews for a tea shop in Tampere and a tea shop in Hefei tell us the influence factors for a tea shop and supply channels of tea shop both in China and in Finland.

After research and data analysis, we embarked on the actual operating part of the tea shop. In this part, we identified goals and vision of our company and determined the tea shop products and services. Through the SWOT analysis of market and competitors, we set up our specialized market strategies, to ensure our daily operation and management system for Chinese tea shop, and financial management about investment budget, budget allocation and profitability analysis. On the other hand, we have determined our general partnership as the nature of our company.

To enhance the management of Chinese tea shop, we should clarify responsibilities, achieving standardization and institutionalization of the entire work, in order to improve the management and service level in our daily work, we need to strictly implement for rules and regulations of the tea shop. On the basis of the existing human resource, the needed staff will be increased after business expanding. In the future operation, we encourage more fresh graduate students with entrepreneurial spirit to join us, as long as you have positive attitude and indomitable endurance.

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## APPENDICES

## Appendix 1

## QUESTIONNAIRE OF THE QUANTITATIVE RESEARCH

Dear customers,

We are the second year students in International Business programmer at Savonia University of Applied Sciences in Finland.

We are writing our Bachelor thesis “Opening a Chinese Tea Shop Successfully in Varkaus” and we need to do a quantitative survey about what are customers’ attitudes and expectations towards a new tea shop in Varkaus. We will be appreciated if you spend 2-3 minutes to complete this questionnaire. All information is used for research analysis purposes only and all information is kept confidential.

1 What is your gender?

A Male B Female

2 Your age belongs to?

A	20 years old below
B	20 - 29 years old
C	30 - 39 years old
D	40 - 49 years old
E	50 - 59 years old
F	Over 60 years old

### 3 What is your occupation?

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4 Do you like drinking tea?

A	Yes	
B	No	If no, it's not necessary to continue, thanks for your participation!
C	Maybe	If maybe, it's not necessary to continue, thanks for your participation!

5 How many times do you drink tea per week on average?

- A 1 to 2 times
- B 3 to 4 times
- C Others, \_\_\_\_\_.

6 Which type of the tea do you prefer?

- A Chinese tea
- B Tea bags
- C Instant tea
- D Boiling tea
- E Others, \_\_\_\_\_.

7 Which kind of the following tea do you prefer? (Multiple choice)

- A Black Tea
- B Green Tea
- C Fruit Tea
- D Herbal and Scented Tea
- E New kind of tea (e.g. Oolong Tea)
- G I don't know either of them

8 Are you willing to buy Chinese tea in a new tea shop?

- A Yes
- B No

9 How much are you willing to pay for 100 g tea?

- A 2 - 4.9 €
- B 5 – 10 €
- C Over 10 €
- D I am not sure.

10 What do you expect most from a new tea shop? (Multiple choice)

- A Low price
- B High quality
- C Good taste
- D Full range of tea

- E            Good service
- F            Decoration and atmosphere
- G            Others, \_\_\_\_\_.

11 Could you please give some suggestions or desires for a new Chinese Tea Shop in Varkaus?

\_\_\_\_\_.

**Thanks for your answers!**

**QUESTIONS FOR THE INTERVIEW WITH A TEASHOP OWNER IN FINLAND**

1. What kind of tea you sell in shop and what is your supply channels?
2. How much tea can be sold per year? And how about the price in your shop, is that more expensive than the tea in supermarket?
3. Which ways you used to attract more customers to buy the tea?
4. There is a part of Finnish people don't know any about Chinese tea so he/she won't buy any of that. How do you solve this problem of customers?
5. Do you think decoration and atmosphere in a teashop will affect the purchasing behavior? And what kind of decoration and atmosphere do you think can attract more customers to buy the products and enjoy drinking tea?
6. Which things need to pay more attention when establishing and operating a teashop in your opinion?
7. What are the precautions of storing the tea?
8. Do you think Chinese tea will be more popular among Finnish people in the future?

**Thanks for your cooperation!**

**QUESTIONS FOR THE INTERVIEW WITH A TEA SHOP OWNER IN CHINA**

1 What kind of tea you sell in shop and do you sell other products beside of tea leaves?

2 What is your supply channels?

3 How do you manage all the things to operate the shop? Do you employ any staff?

4 How about the customer service in your shop? As you know, most of Chinese people already have the knowledge of tea, how do you service the customers?

5 What are the precautions of storing the tea?

6 Is there anything need to pay attention when starting a new tea shop business?

**Thanks for your cooperation!**



