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IMPORTING MOTORBIKES FROM ESTONIA TO FINLAND

Case: Oliver Kuisma Motorbikes FIE

LAHTI UNIVERSITY OF APPLIED SCIENCES
Degree Programme in
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KUISMA, OLIVER:

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ABSTRACT

This thesis focuses on actualizing a business idea into reality with the help of a thorough qualitative study combined with the author's Estonian-Finnish background, experiences and observations. The outcome is a primary business plan that uses Hoffrén's dynamic business model focusing on the market need, image, product, target group, mode of operations and resources.

In this thesis, a thorough study can be defined as a precise following of the theoretical framework and business planning as well as using numerous analysis tools such as PESTEL analysis, Porter's five forces and Kotler's three levels of a product. The theoretical framework consists of market analysis and finding out the most suitable form of business which will create a bigger entity: a business plan. The market analysis has six dimensions – market size, market growth rate, market profitability, distribution channels, market trends and key success factors – which are all researched in the thesis. Finding out the most suitable form of business concentrates on Estonian business forms as well as on different types of import-export businesses. One important part of the business planning process is following the four elements: simple, specific, realistic and complete.

During the process it became clear that Estonian and Finnish motorbike markets have potential for import business; Finland has demand, Estonia has supply and the products in Estonia are competitive. In addition, the author's rough financial calculations supported the profitability. Therefore, it is justified to move the business idea into reality.

Key words: business idea, business plan, importing, motorbikes, Estonia

Lahden ammattikorkeakoulu
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Oliver Kuisma motorbikes FIE

Kansainvälisen kaupan opinnäytetyö, 67 sivua, 1 liitesivu

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TIIVISTELMÄ

Tämä opinnäytetyö keskittyy liikeidean toteuttamiseen perusteellisen kvalitatiiviseen tutkimuksen sekä tekijän suomenvirolaisen taustan, kokemusten ja havaintojen avulla. Lopputuloksena on alustava liiketoimintasuunnitelma, joka hyödyntää Hoffrénin dynaamista liikeideamallia keskittyen tarpeeseen, imagoon, asiakkaisiin, tuotteeseen, toimintatapaan sekä voimavaroihin.

Tässä opinnäytetyössä perusteellinen tutkimus voidaan määritellä tarkan teoreettisen viitekehyksen ja liiketoimen suunnittelun seurannalla yhdistettynä lukuisten analyysityökalujen käyttöön kuten PESTEL analyysiin, viiden kilpailuvoiman malliin ja Kotlerin tuotteen kolmeen kerrokseen. Teoreettinen viitekehys koostuu markkina-analyysistä ja sopivan yhtiömuodon löytämisestä, jotka muodostavat liiketoimintasuunnitelman. Markkina-analyysillä on kuusi ulottuvuutta – sen koko, kasvu, kannattavuus, jakelukanavat, trendit ja menestyksen avaintekijät – jotka on kaikki tutkittu. Sopivan yhtiömuodon löytäminen keskittyy Viron yhtiömuotoihin sekä eri tuonti –ja vientityyppeihin. Tutkimuksessa on neljä tärkeää elementtiä, joita on noudatettu suunnittelussa: yksinkertainen, spesifinen, realistinen ja yhtenäinen.

Prosessin aikana selvisi, että Viron ja Suomen moottoripyörämarkkinoilla on potentiaalia: Suomessa on kysyntää, Virossa on tarjontaa ja Viron tuotteet ovat kilpailukykyisiä. Edellä mainittujen faktojen lisäksi tekijän alustavat taloudelliset laskelmat tukivat kannattavuutta. Tämän vuoksi on perusteltua viedä liikeidea toteuttamisvaiheeseen.

Asiasanat: liikeidea, liiketoimintasuunnitelma, tuonti, moottoripyörät, Viro

CONTENTS

1 INTRODUCTION

1.1 Background of the thesis

The author's great interest in motorbikes and doing business gave a good insight into motorbike markets a few years ago. Before buying the first bike, and after owning the second one, the author was familiarizing himself with the markets all the time; the product range offered by different manufacturers, prices and their fluctuations depending on the season (month), supply-demand ratios and the qualities that create competitive edges. Due to the author's Estonian-Finnish background, he started to explore the Estonian markets, too. One observation was made: some of the Estonian motorbikes were bought from Finnish online motorbike sales channel, Nettimoto, and imported to Finland by Finnish car dealers and sold with 30-50% margin in Internet on the same Nettimoto. Even a few bikes with competitive prices that the author was planning to purchase himself slipped through his fingers and were found later on sale by Finnish dealers with a significant gross margin. It was a moment of realization: there could be a lot of potential businesswise in our neighbour country Estonia compared to popular Germany, for example.

In addition to the author's Estonian background and language skills, five months spent on exchange in Tallinn widened the outlook of the country. While the author was also doing the internship in Tallinn as well as writing the thesis provided a great opportunity to access the Estonian literature sources as well.

1.2 Objectives

The objective of the thesis is to explore whether Estonia could be a feasible country to import motorbikes from. The approach is to collect all the essential data of the markets, in other words make a market analysis, and based on it make an initial business plan with an appropriate form of business and see if it is worth extending. The research question to be asked in order to support the objective of the thesis:

- Is Estonia a feasible country to import motorbikes from?

The supportive research questions:

- What kind of a business partner is Estonia?
- Is it worthwhile to import motorbikes from Estonia?
- What type of form of business is the most suitable in this case?

1.3 Limitations

Amongst Finns it has been popular to import motorbikes, and especially cars, from Central Europe and outside of the EU, however, this research will not put a great emphasis on these regions. In addition, the niche of this research will be 21^{st} century motorbikes, as in general they are more reliable, but leaves out brand new ones, as in general they have a higher depreciation rate and are harder to sell.

As one part of the thesis is to find out the most suitable form of business for the author between Estonia and Finland, a preliminary business plan is created based on the business idea and data supporting it. Transactions are implemented business-to-business and consumer-to-business basis, in other words, bikes are sold from Estonian dealers and privates to Finnish dealers. Thus, the Finnish end users are left out from the importing process at this stage.

1.4 Theoretical framework

The theoretical framework helps guiding the research, determines the things to be measured and shows the relationships as well as the interrelated concepts.

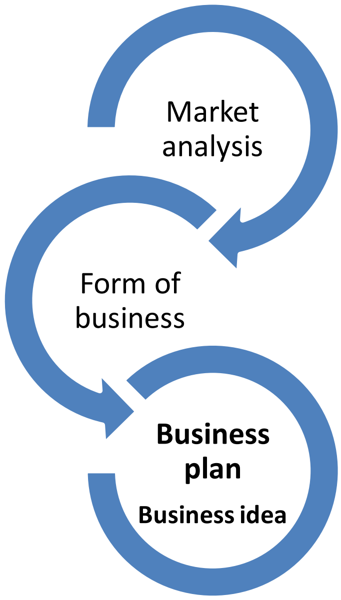

FIGURE 1. Theoretical framework of the thesis.

In order to actualize the business idea, which is a business plan, market research has to be conducted. Data gathered from it supports partially the process of choosing the most suitable form of business, too. Finally, a bigger entity, a business plan, is executed based on these two. This is depicted in Figure 1.

1.5 Research method and data collection

Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Qualitative research, on the other hand, is concerned with qualitative phenomenon. The purpose is to find out the underlying motives. This research is conducted as qualitative, and both primary and secondary data sources are used. In primary data, author’s own observations and interviews are used – it is regarded as original data. In secondary data, data such as books, articles, online web pages and textbooks has been collected by someone else than its user.

(Kumar 2008, 8 & 16-17; Duffy 2012) Both data collection methods are essential and applied to this thesis.

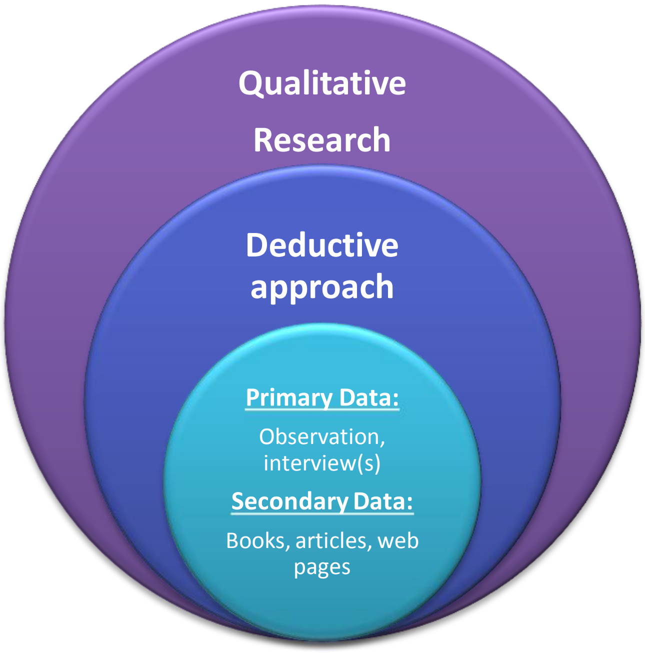

FIGURE 2. Research method, research approach and data collection methods.

From amongst deductive and inductive research approaches, deductive is chosen. It flows from more general to the more specific – from theory, hypothesis and observation to confirmation. Inductive flows vice versa, and the conclusion is likely based on premises. The author has a general theory that the business idea could work, and therefore, moves to the more specific goal: creating a preliminary business plan. (Burney 2008, 4-5) The general picture of the research is depicted in Figure 2 above.

1.6 Thesis structure

The thesis consists of seven chapters, as depicted in Figure 3.

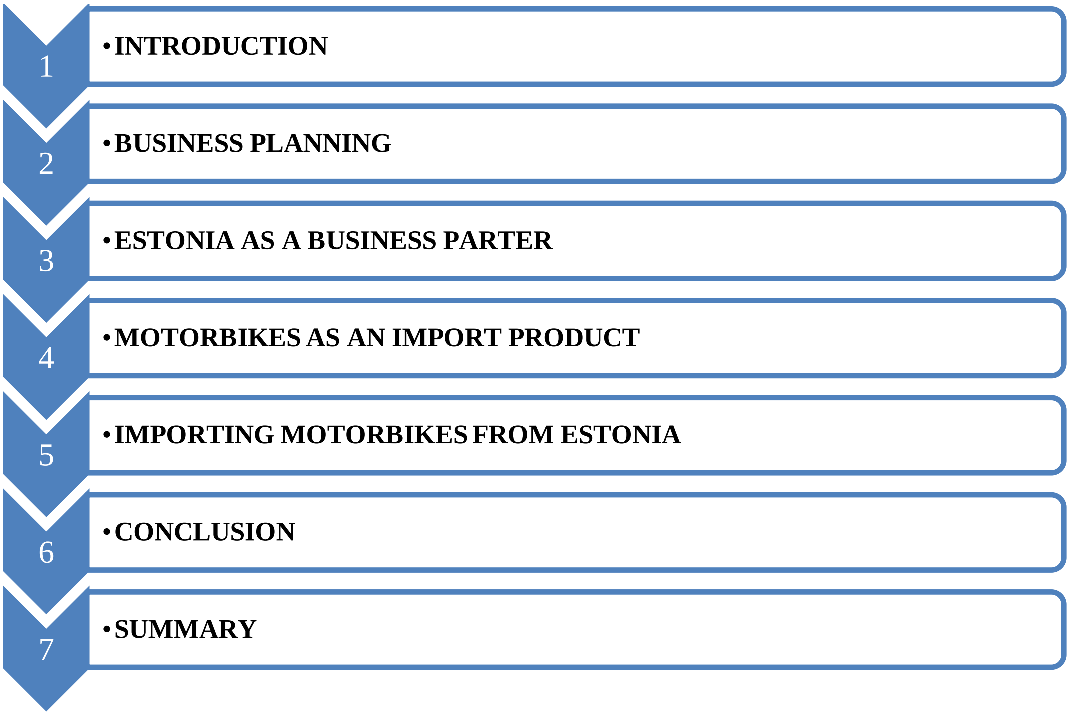

FIGURE 3. Structure of the thesis.

Chapter 1 starts the thesis with an introduction, and Chapter 2 tells about business planning. In Chapter 3, Chapter 4 and Chapter 5, the thesis has the main emphasis on business idea, business planning and finding out the feasibility of importing. In Chapters 3 and 4, the author focuses on market analysis by studying and comparing Estonia and Finland and their relations as well as by explaining the current motorbike markets. Chapter 5 focuses mainly on finding the most suitable form of business, and how the business should be organized. Chapter 6 concludes the thesis by summarizing the findings and making deductions. The final chapter, Chapter 7, will summarize the whole thesis.

2 BUSINESS PLANNING PROCESS

This chapter explains briefly the process of business planning: how it flows, what are the essential parts for market analysis, the tools used for analysing as well as introduces the business model used for the research.

2.1 Business planning

Planning is a process, not just a plan (Berry 2012).

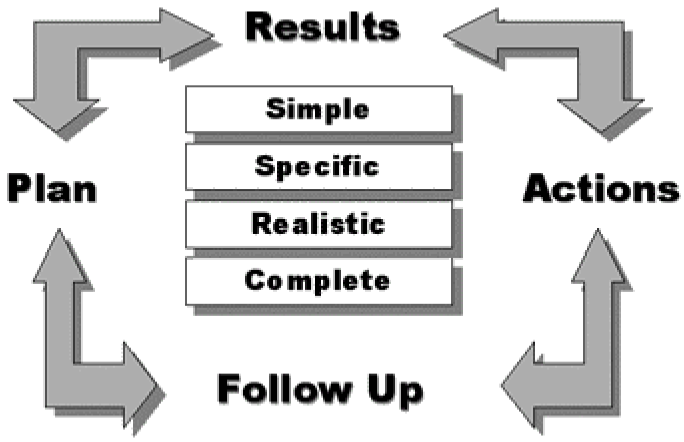

FIGURE 4. Business planning (Berry 2012).

Successful implementation starts with a good plan, and it is hard to execute if it is not simple, specific, realistic and complete. While the author has been writing the thesis, he has been following the four elements mentioned in the Figure 4. The plan is simple and understandable; 21st century motorbikes are imported from Estonia to Finland. It is specific: the objectives are concrete and measurable. The plan is also realistic, as has will be found out later on in the results. In addition, it is complete: all the main bases are covered. (Berry 2012)

The author has already started the process by planning and observing the results, in other words writing the thesis. The two last phases: actions and follow up are to be implemented as soon as the business comes into reality.

2.2 Market analysis

Market analysis is an essential part of the business plan, as it gives a proper examination of the markets. Without any market analysis, one has not familiarized oneself with the markets, and it is impossible to make a successful business plan. The author on the field of marketing, David Allen Aaker, has outlined the following dimensions of a market analysis:

1. Market size
2. Market growth rate
3. Market profitability
4. Distribution channels
5. Market trends
6. Key success factors
   (NetMBA 2012)

Market size is the size of the market being studied. Market growth rate can be forecasted simply by estimating the historical data into the future. For market profitability, Michael Porter has created the useful framework, Porter’s five forces, with the elements of buyer power, supplier power, barriers to entry, threat of substitute products and rivalry among firms in the industry. The biggest distribution channels have to be known, in order to understand the flow of the product or service. Market trends are important to acknowledge as changes in the market are often the source of new opportunities and threats. Key success factors are those elements that are necessary in order for the firm to achieve its marketing objectives and success. (NetMBA 2012) All of these seven dimensions are dealt in this thesis.

2.3 Tools used for analysing data

For receiving deeper understanding of the researched data, the author has used Kotler’s three levels of a product, 4Ps, PESTEL analysis, SWOT analysis, Porter’s five forces, and risk matrix as an additional support. These tools are explained in this chapter, so full focus can be used for receiving the essential information regarding the topic later on.

A concept called three levels of a product, also known as levels of product, was introduced by Kotler. He suggested that the concept helps to understand and gain all the benefits of the product offered through three layers: core product, actual product and augmented product, as depicted in Figure 5. The first layer, core product, represents the benefits the product was designed to give to the customer, and what the buyers are really buying and excepting from the product – it is not tangible. The actual product is the second layer that is the incentive which delivers the core benefits to the customer – the physical product itself. The last layer, augmented product, consists of the additional values and benefits that are non-tangible. (Kotler & Armstrong 2009, 249-250)

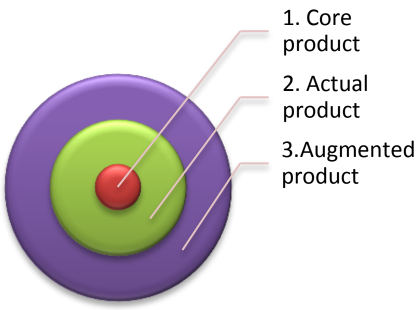

FIGURE 5. Kotler’s three levels of a product (modified from Kotler & Armstrong 2009, 250).

4Ps is an abbreviation for product, price, place and promotion. It is used for finding the best marketing strategy and mix. Through these activities, the company watches and adapts to the actors and forces in the marketing environment. Product means the goods-and-services combination the company offers to the target market. Price is the amount of money customers must pay to obtain the product. Place includes company activities that make the product available to target consumers. Promotion means activities that communicate the merits of the product and persuade target customers to buy it. (Kotler & Armstrong 2009, 76)

PESTEL analysis looks at political, economic, social, technological, environmental and legal changes which are affecting the analysed country. It should be kept in mind that there might occur some overlapping between the

PESTEL factors, so it is not necessary to neatly categorise them into a separate box. (Dransfield, Needham, Guy, Fox & Wilde 2004, 444-445)

Porter's five forces analysis is used for understanding the level of competition. Porter also argues that five forces determine the profitability of an industry by four different forces, as shown in the Figure 6. Each of them is rated as low, medium or high. (Dransfield, Needham, Guy, Fox & Wilde 2004, 447)

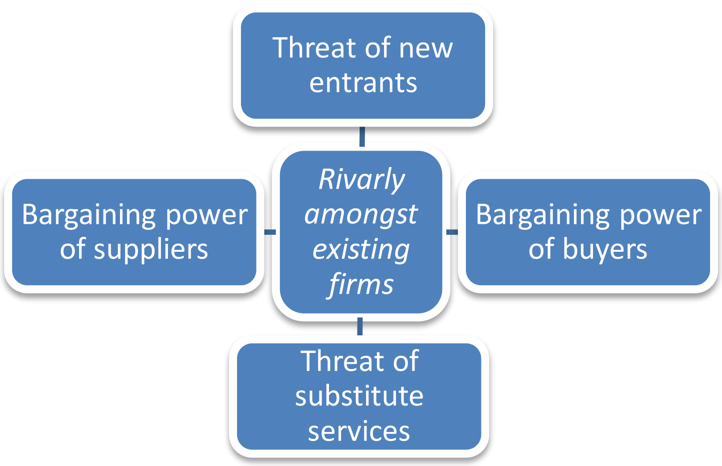

FIGURE 6. Porter's five forces (modified from Dransfield, Needham, Guy, Fox & Wilde 2004, 447).

SWOT analysis is an effective tool for evaluating overall strengths (S), weaknesses (W), opportunities (O) and threats (T). Strengths and weaknesses are internal factors, whereas opportunities and threats external factors. Listing these four factors is a good way of discovering the improvements that can be made on a specific case that the analysis is conducted. (Kotler & Armstrong 2009, 77-78)

Risks have to be identified and analysed with a help of risk matrix, also known as the risk impact-probability chart. It categorises the risks into different groups.

PROBABILITY:			
High	Medium	High	Critical
Medium	Low	Medium	High
Low	Low	Low	Medium
IMPACT:	**Low**	**Medium**	**High**

FIGURE 7. Risk matrix (modified from Mindtools 2013).

As showed in Figure 7, the risk matrix is based on the principle that a risk has two primary dimensions: probability and impact. Both of these are rated as low, medium or high. Low impact and low probability risks are in the bottom left corner and are low level risks – they can be ignored. High impact and high probability risks are in the top right corner and are of critical importance. These are the top priority risks on which one must pay close attention. (Mindtools 2013)

2.4 Business model

Hoffrén's dynamic model of business idea is chosen as it is simple, but still informative.

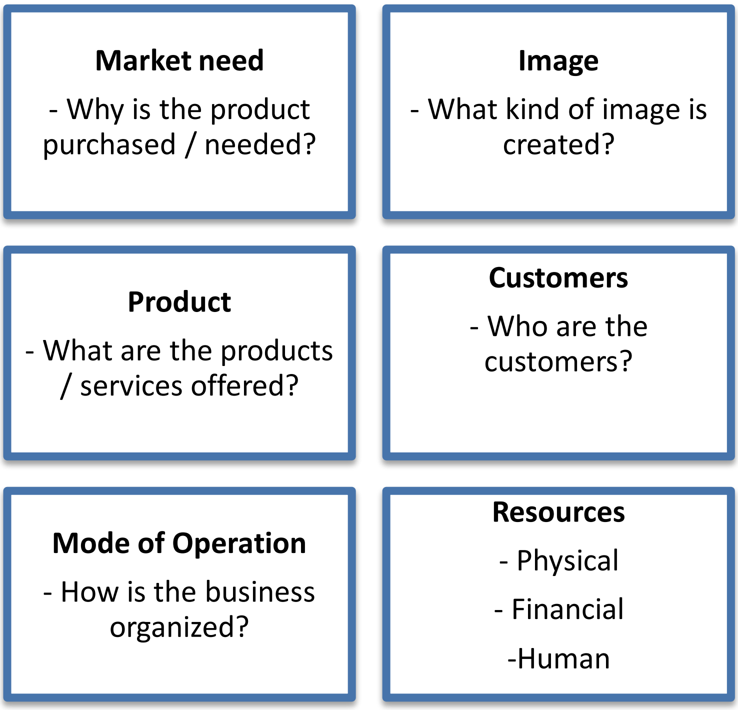

FIGURE 8. The dynamic model of business idea (modified from Hoffrén 2002, 10).

The dynamic model of business idea consists of six elements: market need, image, product, customers, mode of operation and resources. The elements are defined in Figure 8.

3 ESTONIA AS A BUSINESS PARTNER

The objective of this chapter is to investigate some of the basic facts of two neighbour countries involved in this research: Finland and Estonia. PESTEL analysis is used for receiving a preview of these two countries. In addition, some comparisons are made between the countries as well as their relationships with each other are described.

Estonia has been a popular tourism target for the Finns, and they are the biggest tourism group for Estonia. According the Estonian central bank, Finnish people make 2.2 million trips to Estonia and spend 5.5 million days on the other side of the shore. Nonetheless, the current concern is that the usage of hotel services has decreased 5 % compared to the last year’s first quarter. Tallinn’s vice mayor, Arvo Sarapuu, estimates it is due to the increased price level in the central town, as most of the tourists prefer to spend their time there, although a bit further from the centre the level is not that high. Sarapuu’s concern, however, is justifiable as based on a research Finns tend to spend 33 euros per day for restaurant services, and that comprises 2/3 of the Estonians’ restaurant sales of 277 million euros. (Savikko 2012) It is a remarkable amount of money flow from just restaurant sales created by Finnish tourists.

3.1 Finland

The easiest way to achieve a general view of a specific country is to start by observing some of the basic figures and facts of that country. In Table 1, some of these basic figures and facts are depicted for Finland. In Chapter 3.2, the same information is listed for Estonia as well, so the reader can make an easy and quick initial comparison for these two countries involved in the research.

TABLE 1. Facts of Finland (modified from Tilastokeskus 2012; NationMaster 2012).

Capital	Helsinki
Population	5,401,267 (2011)
Unemployment rate	7.8 % (2011)
Inflation rate	2.2 %
Average salary	3,111 € (2011)
Population below median income	5.4 %
GDP	$175,200,000,000
GDP per capita	$33,339,36
Corruption	3.59
Prisoners per capita	71 per 100,000
Imports	60,535,000,000 € (51.6 %) (2011)
Exports	56,855,000,000 € (48.4 %) (2011)
Main imports	Chemical industry, mining & quarrying, electrical & electronic products
Main exports	Chemical industry, forest industry, metals & metal industry products
Main import countries	Russian (18.7 %), Germany (12.4 %), Sweden 10.0 %)
Main export countries	Sweden (11.9 %), Germany (9.9 %), Russian (9.4 %)

Nokia and Angry Birds are two great examples of Finnish breakthroughs known widely both domestically and internationally. Finland has been, and still is, a strong, rather stable and highly industrialised economy, which shares a border with Russia, Norway and Sweden and locates next to the Gulf of Finland that provides good maritime connections to Estonia, Sweden, Latvia, Lithuania, Poland and Germany. Finland has high resources of forestry, and thus it is one of the main export products with chemical and metal industry to Sweden, Germany and Russia. Export is an important part of trade, as it accounts over one third of the GDP. High industrialization is reflected in high GDP per capita, ranked 11th, and it is 67 % more than in Estonia. Finland's GDP growth has been constant and competitive with economies such as UK and France. The general price and taxation level in Finland is rather high, but it is compensated with salaries in relation. (Tilastokeskus 2012 & NationMaster 2012).

3.2 PESTEL analysis of Finland

By observing some basics facts of political, economic, social, technological, environmental and legal factors, the general view of Finland is widened with the help of Figure 9. The same analysis is made for Estonia, too.

FIGURE 9. PESTEL analysis of Finland.

By using the PESTEL analysis tool for Finland, it assisted to reveal some of the basic factors. For political factors, the author found out that Finland is one of the EU member as well as Schengen agreement countries and is a leader in business freedom. For economic factors, euro is the currency at the moment, the overall taxation level is high and it has one of the lowest corruption rate in the world.

For social factors, the population is unbalanced in Finland, especially in the near future: many people will retire and create employment for the younger population. Finland was also rated as one of the happiest countries to reside. In addition, Finland a moderate rate of immigration, especially in the capital area. For technological factors, Finland aims at providing top-notch technologies and innovations for industries and is a pioneer in mobile solutions.

For environmental factors, Finland has four distinctive and different seasons with long and cold winters. Tight regulations are also obeyed in environmental politics. For the last part, for legal factors, Finland has an effective legal environment in general. Mutual agreements are respected, legal misdeeds are not overlooked and bureaucracy is perceived as a negative think generally.

3.3 Estonia

As mentioned earlier in Chapter 3.1 Finland, the same basic facts and figures are stated for Estonia as well. In addition to the Finnish table, in Table 2 the differences are marked in brackets compared to Finland in order to make some easy comparison.

TABLE 2. Facts of Estonia with differences compared to Finland (modified from Eesti statistika 2012; NationMaster 2012).

Capital	Tallinn
Population	1,318,005 (2011) (-310 %)
Unemployment rate	12.5 % (2011) (+4.7 %)
Inflation rate	5 % (2011) (+2.8 %)
Average salary	839 € (2011) (-271 %)
Population below median income	12.3 % (+6.9 %)
GDP	$26,850,000,000 (-553 %)
GDP per capita	$20,021.74 (-67 %)
Corruption	6.5 (+2.91)
Prisoners per capita	339 per 100,000 (+268)
Imports	12,721,200,000 € (51.4 %) (2011)
Exports	12,013,900,000 € (48.6 %) (2011)
Main imports	machinery and electrical equipment, mineral fuels, chemical products
Main exports	machinery and electrical equipment, wood and wood products, metals
Main import countries	Finland (13.4 %), Latvia (11.6 %), Sweden (11. 3%)
Main export countries	Sweden (17.0 %), Finland (16.3 %), Russia (11.9 %)

Estonia is technologically and educationally well developed country and e-society despite its small size. One successful example is peer-to-peer telephone software, Skype, which is originated from Estonia by university students' invention. Education has always been highly appreciated in Estonia, and therefore, there are also the most universities compared to the population in Europe. The usage of chip ID-cards has been around for a while with their different possibilities such as reloading of public transport tickets, e-voting, usage of library services, logging to different Internet services, giving digital signatures and proofing ones identity (Sertifitseerimiskeskus 2012). If the current economic figures and statistics are interpreted, analytics and professionals predict economic growth of 3.1-3.5 % for the year 2013. The three percentages is still lower than the Estonians would desire, but still more than in the Eurozone on average - analytics foresee 0 % for the whole Eurozone. Although the financial situation of Estonia will stay in exemplary situation, it is dependent on its Nordic countries, as Finland and Sweden are one of the main import and export partners, whereas they are dependent on the Eurozone as well as on the global situation. The potential joining of Latvia to the Eurozone in 2014 would increase the relations between Estonia and Latvia as well as create more trustworthiness for the whole Baltic area. (Karnau 2012)

> *According to Finnish Prime Minister Anneli Jäätteenmäki, Estonia's imminent accession to the EU would enhance collaboration between the two countries, but this also means challenges to Finland in the immediate future. "Estonians and Finns are rather similar than different, but issues to be discussed include free movement of labour and Estonia's low taxation which may become problematic to Finland after Estonia joins the EU." (Pilk peeglisse 2003)*

At the moment, one of the greatest economic issues in Estonia are the imbalance between the current price level and salaries, the movement of qualified labour to international work places and the movement of young citizens abroad. Although the price level for products is still lower than in Finland and most of the Europe, the gap is getting smaller and smaller. The price of whole grocery shopping basket is already reaching the level of Finnish one; some products might be even more expensive. However, based on the statistics, the average salary is still approximately 371 % (2272 euros) smaller than in Finland. Even though, average salary should not be interpreted as an absolute truth, as it is affected by the few smallest and biggest earners, it still gives a general insight that this big difference cannot be compensated with somewhat cheaper rents, services and other certain products. This has led to a situation in which nearly 30,000 Estonians are working permanently or temporarily in Finland. Many of the professional doctors and educated people are also moving to Finland - not only construction workers and bus drivers. Estonians do not create costs for Finnish society, they do not require special services and they integrate. (Salmela 2013)

The Government of the Republic of Estonia has announced that there is no possibility to increase the salaries from the current level at the moment. In terms of money, it is a win-win situation for both countries – Estonians get paid better, Finns get cheaper labour force. In terms of nationality, Estonians lose their citizens and Finnish employment suffers. In addition, hundreds of Finnish companies are heading to Estonia for internationalization, lower taxation and cheaper labour force. At the moment, there are 450 Finnish daughter companies and more are joining, even whole factories. In 2013, the growth rate of Finnish companies is estimated to be even higher. The ferry ride can be used effectively for work tasks and Estonians learn quickly the international work culture. Stora Enso, Fortum and Kone Cranes are a few examples of big Finnish companies operating also in Estonia. (Salmela & Sinervo 2013)

The Finnish former Prime Minister, Anneli Jäätteenmäki, foresaw correctly prior to the Estonian's EU membership ten years ago: free movement of labour as well as Estonian low taxation has become somewhat a current topic.

3.4 PESTEL analysis of Estonia

In this chapter, the same PESTEL analysis conducted for Estonia in Figure 10.

Political
- A member of EU and NATO
- Ranks highly in political and economic freedom

Economic
- Euro as a currency
- Black economy still exists
- Purchasing power low due to the low income level
- Moderate level of taxation, supportive for entrepreneurs

Social
- High level of academic higher education
- Russian population a significant share of the population stucture

Technological
- Described as one of the most advanced e-societies in the world
- Keeps up with the developmnent

Environmental
- Four distinctive and different seasons; long and cold winter

Legal
- Business laws more similar to Germany than to Finland
- Employer bears high costs for an employee

FIGURE 10. PESTEL analysis for Estonia.

By using the PESTEL analysis tool for Estonia, it assisted in revealing some of the basic factors. For political factors, the author found out that Estonia is one of the EU and NATO member countries and ranks highly in political and economic freedom. For economic factors, Euro is the currency at the moment, some black economy still exists, purchasing power is low due to the low income level and the level of taxation is moderate and supportive for entrepreneurs.

For social factors, there is a high level of academic education and the Russian population is a significant share of the population structure. For technological factors, Estonia is described as one of the most advanced e-societies in the world, and it keeps up with the development.

Four environmental factors, there are four distinctive and different seasons; long and cold winter, but summer can be hot. For legal factor, laws applying to business are more similar to Germany than to Finland and the employer bears high costs for an employee.

3.5 Companies in Estonia

Income tax rates for companies: 24.5 % in Finland, Sweden is reducing to 22 % and Estonia has 0 %. Estonian government has been supportive for starting and operating companies, while Finland is regarded more unsupportive and unfriendly to entrepreneurs in terms of taxation. In the Estonian taxation system, companies' profits are not taxed until the owners takes money out of the company. At that point, it is 21 % which is still lower than in Finland. This allows companies to use available untaxed profits for the development of the company as well as for investments. In addition, these untaxed profits create savings for the rainy days as economic fluctuations with recessions and depressions are a natural part of the economic cycle. Thus, new jobs are created continuously which, in consequence, bring additional tax incomes through income –and value added taxation. (Nokelin 2012, 43) Based on these facts, it could be said that it is more motivational to become and be an entrepreneur in Estonia than in Finland, as the taxation system does not provide one with any incentives. It is beneficial to acknowledge this kind of information, as the author has considered establishing the company to Estonia.

Achieving the competitive edge in international business is one of the most essential factors for the companies specializing in, or dealing with, importing or exporting. Especially for the smaller countries and economies, such as Estonia, it is vital to stand out in order to guarantee more rapid financial growth and success. The role of the exporting Estonian companies plays a key role in achieving a new economic growth. (Eesti Kaubandus-Tööstuskoda 2010)

TABLE 3. The competitive advantages of Estonian companies in international markets (% of the answered companies) (Modified from Eesti ettevõtete ekspordiprobleemide uuring 2010).

The competitive advantages	Yes	No	No experience
quick and flexible reacting to the changes in demand	86.6 %	10.0 %	3.4 %
the high quality of products/services	86.7 %	11.7 %	1.6 %
the existence of required knowledge	81.8 %	13.4 %	4.8 %
the high quality and professionalism of labor	79.0 %	18.5 %	2.4 %
individual contacts, wide network	73.3 %	21.1 %	5.6 %
long-term co-work experience abroad	73.7 %	17.3 %	8.9 %
the lower costs in production	67.4 %	27.8 %	4.9 %
the high quality product with lower price	62.9 %	30.2 %	6.8 %
good language skills	63.0 %	33.7 %	3.3 %

In 2010, Eesti Kaubandus-Tööstuskoda conducted research in order to find out and analyse the competitive advantages and the main barriers to export of the Estonian companies – approximately 400 companies were involved. In Table 3, nine factors are listed. Companies emphasised quick and flexible reacting to the changes in demand, the high quality of products/services and the existence of required knowledge. All of these three were mentioned by over 80 % of the companies. Foreign ownership and marketing skills were not regarded as advantages. Table 3 provides one with valuable information why one should co-operate with Estonian companies – and co-operation is part of author's business idea.

3.6 Relations between Finland and Estonia

> *Estonia and Finland are the closest to each other as a nation and a country. Relations between our two countries are almost uniquely strong in all levels, and it would probably be also without specific referrals for government. However, in 2002, the Prime ministers Siim Kallas and Paavo Lipponen considered that it was necessary to map the somewhat untraditional form of state of relations between the countries and provide an outlook on possible future joint, when both countries will be in the European Union. (Okk & Blomberg 2008)*

Before the year 2004, when Estonia was not yet part of the European Union, the relations between Estonia and Finland seemed sunny at first glance. However, a closer look to these past few years revealed that the relations had not deepened nor matured, but rather widened and lessened. There was growing fear amongst the Finnish authorities of flowing cheap alcohol from Estonia to Finland and the expanding activities of the Estonian mafia in the Finnish drug market. On the other hand, Estonian citizens were irritated by the purchases – mostly regarded and known as investments – of beach and central real estates for a cheap price, not to mention the permanent flow of beer tourists and their inappropriate behaviour. The southern neighbours' fear of too rapid progression of relations had probably led to the accusation of an insolent big brother. (Eesti suhted naabritega 2003)

> *Finns are afraid of Estonia because of high criminality, prostitution, cheap labour, dubious vodka and the lure of low taxation for Finnish enterprises, but the principal reason is a social order in Estonia that is different from that of the Nordic countries. Finnish politicians hope that Estonia becomes a welfare state after joining the EU. (Pilk peeglisse 2003)*

The facts mentioned above, however, have been forgotten during the past years. According to the report Eesti ja Soome koostöö võimalused 2008, these two countries are seeing brighter futures in terms of co-operation, globalisation and creating competitive edges. The prime ministers were particularly interested in the possibilities for co-operation in education, research, innovation, and energy issues. In addition, a subjective vision of co-operation was created for the year 2030. The main recommendations for developing Estonian-Finnish cooperation are listed here to give an overview. They are based on the challenges that the authors expect Estonia and Finland to face:

- Research and development
- Education
- Energy
- Gulf of Finland and the Baltic Sea
- Traffic and transportation
- Internal security
- Defence
- Information and communications technology
- Labour
- Social welfare and health care
- Tourism
- Audio-visual area
- Broadcasting
- Helsinki-Tallinn Europe forum
- Development of Estonian-Finnish relations in the future
  (Okk & Blomberg 2008)

It is estimated that in 2030 many areas, the societies, economies and basic structures will be integrated between Estonia and Finland. In both countries, global competitiveness is primarily based on education, innovation, development efforts the mutually adjusted division of labour and the shared use of often limited resources. Any serious problems related to energy security will not be experienced. (Okk & Blomberg 2008) One of the common projects to be completed in the near future is the Estlink 2 - a submarine power cable via the Gulf of Finland from Finland to Estonia. Estlink 1 was installed already in 2006, but Estlink 2 will nearly triple the transition capacity of electricity between Estonia and Finland. This interconnection will bring Estonia even closer to Northern electricity markets and is a good example of relations and co-operations between Estonia and Finland. (Kauppalehti 2011)

3.6.1 The Schengen Agreement

The Schengen Area is one of the greatest achievements of the EU. Since 1985, it has gradually grown and encompasses today almost all EU States and a few associated non-EU countries. (European Comission 2012)

FIGURE 11. The Schengen countries (Siseministeerium & European Comission 2012).

On 21st December 2007, tourism and business was made easier for both countries: Estonia was one of the nine countries joining the Schengen agreement. As depicted in Figure 11, at the moment, the Schengen area consists already of 26 European countries, and yet three will be implemented in the future. On the border of the Schengen countries, the movement of citizens, transport and commodities is not controlled individually. The goal is to enable safely the free movement of EU citizens, non-EU residents and visitors across the Schengen countries within the union. (Siseministeerium & European Comission 2012). Passports or IDs are not required to be shown during crossings, however, they must always be carried along in case they are insisted. In order to avoid potential negative consequences caused by decreased control between the member countries, increased co-operation is implemented by compensatory measures. (Siseministeerium 2012)

4 MOTORBIKES AS AN IMPORT PRODUCT

4.1 Introduction to bike business

The motorbike business, as automobile business and business in general, are highly influenced by economic fluctuations. At the moment, both Finland and Estonia are living harder times than usually, but year 2013 is predicted to be better than 2012, and analytics hope that Europe will achieve its economic growth soon again.

In the northern part of Europe, especially in Finland and Estonia, motorbikes are seasonal products due to these countries' environmental factors. Riding season tends to be rather short, but in best cases even approximately seven months long - from the beginning of April till the end of October. If the summer happens to be rainier than usually, there are less riders and it affects the business, too. The spring and early spring are the most fruitful times to implement the business, whereas, in autumn and winter it is vice versa. In early spring, the sun starts to shine, roads to melt and the motorbike fever to rise. In autumn, winter is coming and weather is getting colder; it starts to rain or snow and some are starting to have problems with motorbike winter storage. It should be kept in mind, although motorbikes and cars are often sold in the same premises, they should not be compared as equal products; a car is regarded more as an everyday and year-round necessity, motorbike as an entertainment product and hobby.

4.2 Motorbike as a product

Three levels of a product, also known as levels of product, is used in this chapter for gaining deeper understanding of motorbikes, as Kotler suggested that the concept helps to understand and gain all the benefits of the product offered. In order to understand the benefits of imported motorbikes, they are analysed through these three levels: core product, actual product and augmented product, as seen in Figure 12. (Kotler & Armstrong 2009, 249) It helps to clarify why some are willing to buy a motorbike himself of herself.

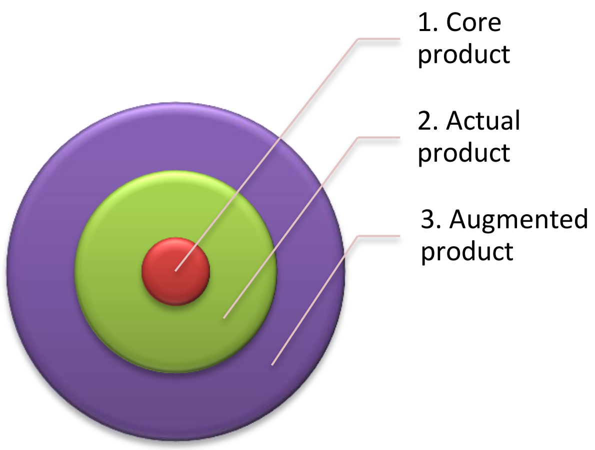

FIGURE 12. Three levels of a product (modified from Kotler & Armstrong 2009, 250).

The first layer. core product, represents the benefits the product was designed to give to the customer, and what the buyers are really buying and except from the product – it is not tangible. (Kotler & Armstrong 2009, 249-250) For motorbikes, it is their convenience of moving from point A to B, need for speed, riding relatively quickly to places preferred as well as additional satisfaction received from riding. Some might even gain ego-boost by making neighbors jealous. It is a special riding experience that cannot be compared to cars in the same price range.

The actual product is the second layer that is the incentive which delivers the core benefits to the customer – the physical product itself. It is comprised of the color, style, branding and quality of the motorbike. (Kotler & Armstrong 2009, 249-250) Others pay extra attention on special equipment, too. In many cases, the owners of the motorbikes are not that precise of the money spent on their motorbikes. It is a life style or an important hobby, and the bike is preferred to be impeccable.

The last layer, augmented product, consists of the additional values and benefits that are non-tangible. They can be after sales services, warranties, customer service and free delivery. They are the needs that the actual product does not satisfy, but still provides customer with a peaceful mind and trustworthiness against the product and dealer. (Kotler & Armstrong 2009, 249-250) For example, many motorbike buyers in Finland expect some sort of warranty for motorbikes in addition to customer protection such as 1,000 kilometers or one month warranty after the bike has been purchased.

4.3 Bike business in Finland

The number of registered new motorbikes gives a good insight of bike population and riders in traffic as well as of the market size. In 2012, there were 242,974 registered motorbikes and 290,616 mopeds and 4,994 first motorbike registrations in Finland (Tilastokeskus 2012). These figures tell about the number of riders as well as potential buyers from Finnish dealers. Annual first registrations tell about the developing motorbike trend in terms of sold and purchased new bikes in Finland. The first registrations are depicted in the 4 below.

TABLE 4. Monthly first registrations of motorbikes (2003-2012) and percentage changes between the years (Modified from Tilastokeskus 2012).

2003		**2004**		**2005**		**2006**		**2007**	
Jan	102	Jan	127	Jan	179	Jan	199	Jan	206
Feb	122	Feb	256	Feb	221	Feb	304	Feb	275
Mar	451	Mar	723	Mar	822	Mar	761	Mar	1504
Apr	1763	Apr	2377	Apr	2491	Apr	2533	Apr	2479
May	1472	May	1497	May	1925	May	2514	May	2605
June	1076	June	1307	June	1596	June	1657	June	1959
July	559	July	761	July	928	July	1163	July	932
Aug	351	Aug	417	Aug	569	Aug	755	Aug	693
Sept	185	Sept	241	Sept	309	Sept	361	Sept	272
Oct	80	Oct	73	Oct	115	Oct	185	Oct	296
Nov	41	Nov	31	Nov	42	Nov	276	Nov	67
Dets	62	Dets	25	Dets	31	Dets	350	Dets	245
	6264		**7835**		**9228**		**11058**		**11533**
	+27%		+25%		+18%		+20%		+4%

2008		**2009**		**2010**		**2011**		**2012**	
Jan	211	Jan	121	Jan	102	Jan	90	Jan	94
Feb	394	Feb	212	Feb	151	Feb	161	Feb	106
Mar	780	Mar	735	Mar	347	Mar	315	Mar	388
Apr	2922	Apr	1760	Apr	1612	Apr	1377	Apr	1199
May	2246	May	1326	May	1347	May	1372	May	1156
June	1526	June	1059	June	929	June	862	June	726
July	986	July	806	July	699	July	670	July	538
-Aug	555	Aug	520	Aug	458	Aug	444	Aug	375
Sept	346	Sept	310	Sept	251	Sept	275	Sept	183
Oct	171	Oct	88	Oct	100	Oct	94	Oct	97
Nov	45	Nov	68	Nov	36	Nov	51	Nov	100
Dets	33	Dets	46	Dets	22	Dets	25	Dets	32
	10215		**7051**		**6054**		**5736**		**4994**
	-11%		**-31%**		-14%		-5%		-13%

As can be seen in Table 4, in 2006, the sales of bikes increased still over 20 % over the already record-breaking year 2005. By the end of September, there were 10,247 new bikes sold – only 316 bikes less compared to the previous record-breaking year 1973. The overall sales of new bikes in 2006 also over doubled compared to the year 2002 of 4,920 bikes sold. It was not only the positive image created by riding motor bikes that succeeded to create this phenomenon, but also the increased wealth in households as well as the grown purchasing power. The car tax reform in 2003 played an essential role whereupon the taxation for bikes was decreased approximately 15 %, and this was noticed amongst riders. Furthermore, the increased amount of dealers and competition helped to speed up the phenomenon as well. The tax reform took the bike business to the right direction as before the reform the sales of imported used bikes were significantly bigger than of new ones. (Turun Sanomat 2006)

When the years 2006 as well as 2007 where the banner years for the bike business with nearly 12,000 registered bikes, 2012 was not that successful: the prices of used bikes collapsed. Only used ones were demanded, and they were sold for a bargain price. Based on the information of Finnish motorbike market dealers, the purchase threshold for new bikes was too low. At that moment, there were thousands of imported bikes in the Finnish markets in addition to the news ones bought during the previous years. The price level of whole Europe had decreased, and it was seen in Finland, too. According to the chairman of MP-Kauppiaat ry, Niko Kantola, the biggest change in the recession is the decreased demand for finance – insolvents do not buy. For five years ago, there were more loans granted and customers could get them only from dealers. Nowadays, the finance companies offer finance also for private dealers, and the used ones are sold especially on online on customer-to-customer channels such as Nettimoto. (Ziemann 2012) In addition to the facts mentioned, when the car tax change in April 2012 boosted the sales of cars, it slowed down the sales of bikes; few buy two vehicles during the same spring. It had a negative effect on bike business as the tax change hit during the year’s peak sales. If the tax change had hit earlier, the impact would have been much lighter. Also the poor weather affected the season negatively. (Saastamoinen 2012)

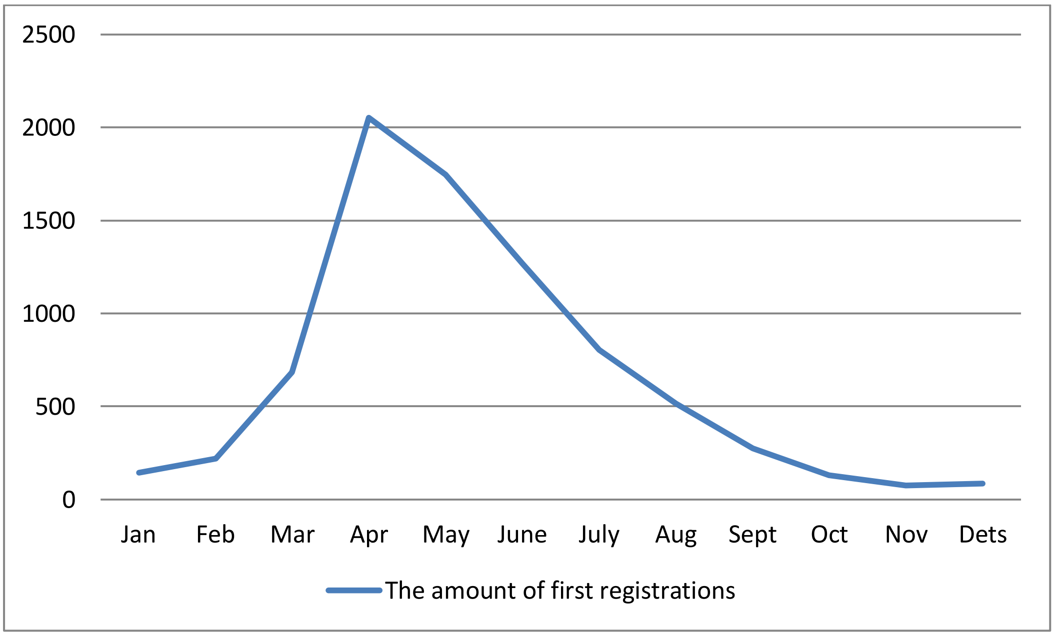

FIGURE 13. The average of first registrations in 2003-2012 illustrating annual market trend (Modified from Tilastokeskus 2012).

As mentioned earlier, generally the spring and early summer times are the most fruitful times to sell bikes businesswise. Figure 13 above is good evidence of this. During the past ten years, on average the number of first registrations has always skyrocketed in the beginning of riding season, in April, and from September the first registrations start to fall below 300. Although the table should not be interpreted as an absolute truth, as it leaves out the sales of used motorbikes, it still gives a clarifying overview of annual motorbike trend in Finland: in April, May and June the motorbike business flourishes. Therefore, one should sell a bike in spring and buy one in autumn, if aiming at profit maximization.

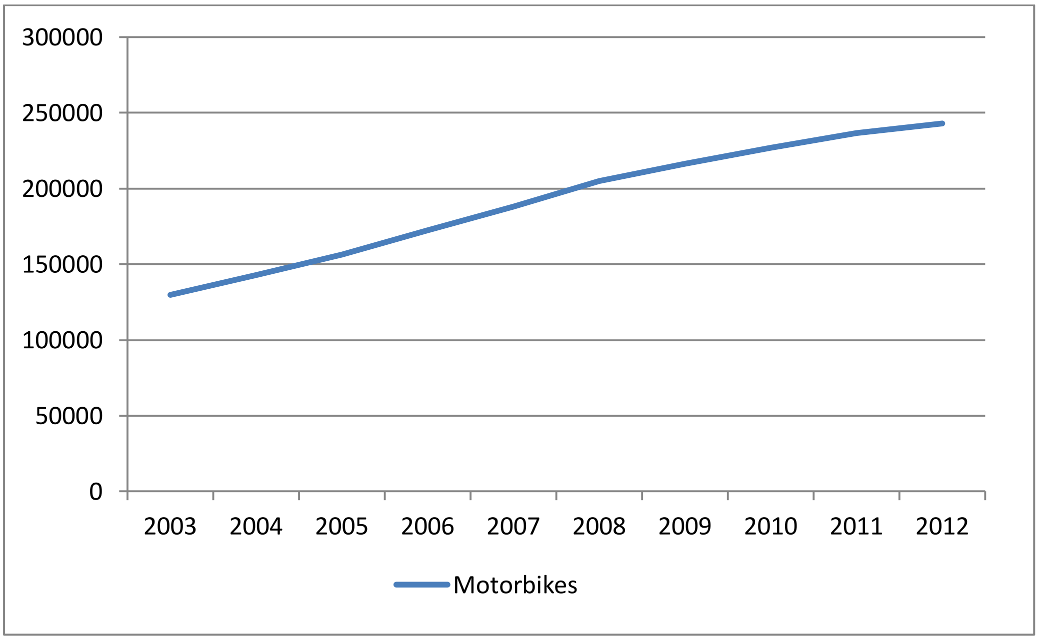

FIGURE 14. The amount of registered motorbikes (bike population) in 2003-2012 illustrating the overall market trend as well as the market growth rate (Modified from Tilastokeskus 2012).

Although the sales of new motorbikes have dropped substantially since the record-breaking year 2007, motorbike and moped population is still increasing rather constantly, as can be seen in Figure 14 above. In other words, the market trend is positive (increasing) and growth rate has been, and will be, ascending based on the Figure 14. In 2012, there were 242,974 registered motorbikes and 290,616 mopeds, whereas in the end of the record-breaking year 2007 there were 188,144 motorbikes (31 % less) and 185,813 mopeds (36 % less) (Tilastokeskus 2012). The dark economic and employment situation has led to more careful spending of bikers and especially the young population prefers used motorbikes at the moment. (Sami 2012) In addition, it should be kept in mind that the young moped riders are the potential future motorbike customers and riders, as the transition to a bigger motorbike is a natural shift to many.

There are already numerous main players in the current author’s home region, Lahti. In this case, however, the main players are co-operators not rivals, as all of them are dealers selling motorbikes and potential customers to the author. The following are the biggest players specialised in the selling of motorbikes in the Lahti region:

- R.M. Heino
- Riku Motor's
- Lahden Bike Marine
- J. Kärkkäinen
- MotoBros OY
- Motopalvelu Niemitalo Oy
- and numerous car dealers selling motorbikes in addition to cars such as ABC autotalo and Lahden Autokulma
  (Nettimoto 2013)

As the ninth biggest city in Finland, Lahti already provides many potential customers for the business idea. Even bigger customer base can be approached in the bigger cities.

4.3.1 Market profitability

As mentioned earlier, market profitability is one dimension of the market analysis, and the best way to analyse it is with Porter's five forces, as depicted in Figure 15.

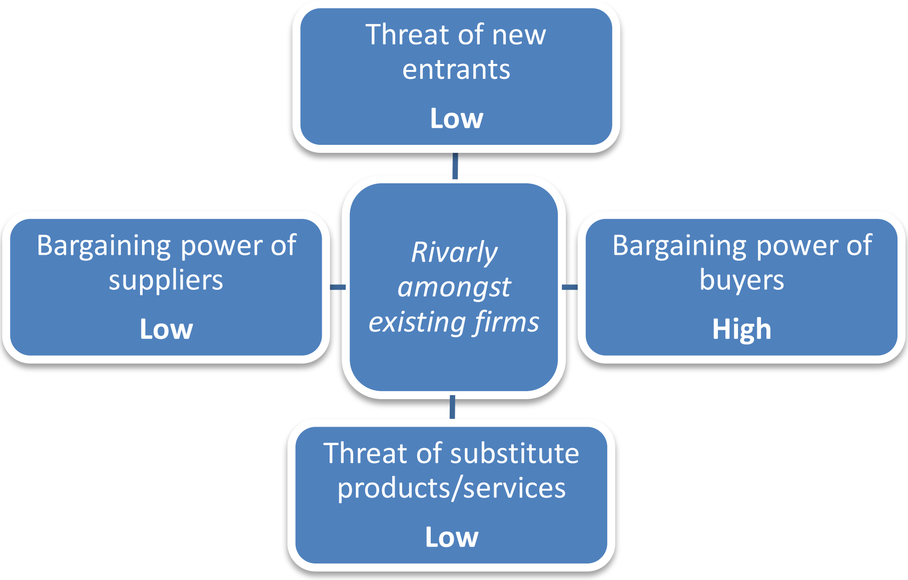

FIGURE 15. Porter's five forces (modified from Dransfield, Needham, Guy, Fox & Wilde 2004, 447).

In this case, it should also be kept in mind, as the role of the author is to be kind of invisible co-operator with Finnish dealers, their viewpoint has to be taken into account, too.

The threat of new entrants was found to be low, as it depends on the Finnish dealer: is it willing to sell only domestic bikes, in other words bikes that have a Finnish history, or also imported bikes. If the dealer is specialised in used and imported bikes, then they probably already have some kind of an import agent of their own. However, many motorbikes on sale by Finnish dealers are domestic bikes.

The bargaining power of buyers was found to be high, as there are already many motorbike dealers in Finland, so there is availability of existing substitute products. However, the author is not dependent on one dealer, as he aims at co-operation with numerous Finnish motorbike dealers.

The bargaining power of suppliers was found to be low, as it is quite easy to change the co-operator and different motorbike brands. In addition, the manufacturing of motorbikes will continue in the future, so there will not be lack of motorbikes.

The threat of substitute products was found to be low, as if the customer wants a motorbike then he or she buys a motorbike. In addition, the author is not dependent on brand: he is willing to import different types of motorbikes.

Based on the previous four elements in the Porter's five forces, rivalry amongst existing competitors is regarded as medium, as majority of motorbike dealers in Finland are selling new motorbikes as well as domestic and used ones. If the majority would consist of used and imported motorbikes, then the rivalry would be high as then most probably the dealers would have some kind of import agents responsible for importing.

4.4 Bike business in Estonia

Although there is a very limited amount of information available regarding the Estonian motorbike markets, and no interviews were given, some of the essential facts were still found out. There is enough supply for motorbikes for competitive prices due to the lower car tax and salary level – and it is all that is desired. Mototehnika, which is equal to Finnish Nettimoto, is one of the biggest sales channels for motorbikes in Estonia. In addition to private dealers, also the official dealers are selling their motorbikes there. (Mototehnika 2012)

One of the biggest motorbike dealers in Estonia:

- Bikepoint
- Motodepoo
- Biker24
- Motard
- Motoait
- and numerous car dealers selling motorbikes in addition to cars (Mototehnika 2012)

In general, they have used and new motorbikes in high quantities, and they have specialized in the selling of motorbikes for many years.

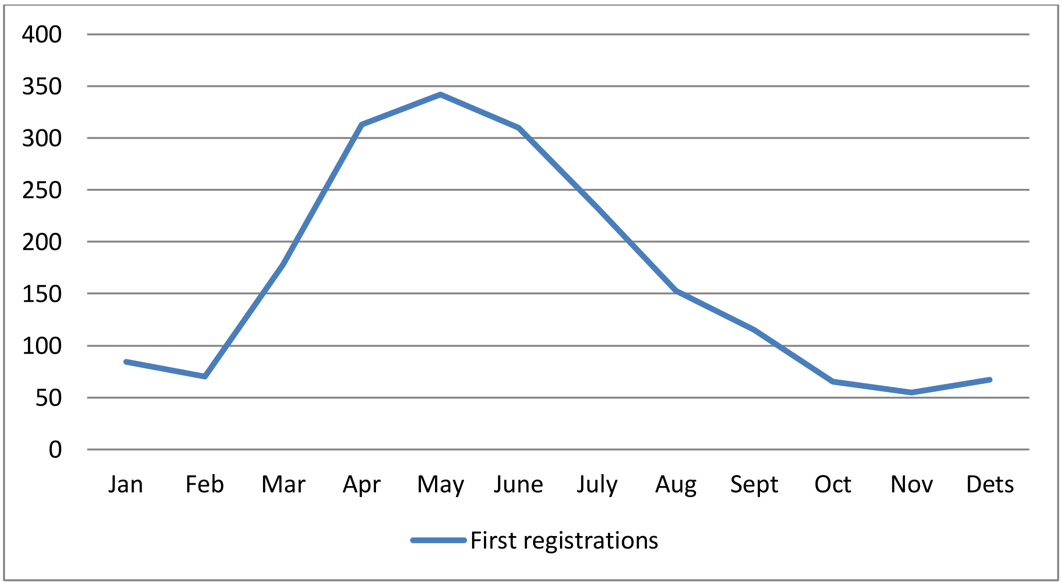

FIGURE 16. The amount of first registrations in 2012 illustrating the annual market trend in Estonia (modified from Eesti statistika 2013).

As can be seen in Figure 16 above, Estonian first registrations follow the same kind of annual market trend as compared to the Finnish average of first registrations (Figure 13): spring and summer time are the most fruitful times for riding and motorbike business. In 2012, there were 1,985 first registrations for motorbikes in Estonia, which is 3,009 (52 %) registrations less than in Finland (4,994).

4.5 Risks related to imported motorbikes

In every business, there are risks - some have lower and some have higher probability. Amongst Finns, there have existed some kind of untrustworthiness and negative preconceptions against Estonia and the Baltic countries in general. Estonia is still sometimes labelled as a Post-Soviet state that cannot be regarded as a reliable business partner. Although since joining the European Union, the situation has developed better, one should still be more alert in Estonia than in Finland when making business. Cheating is not a rare phenomenon in car and motorbike business in Estonia – not even amongst the official dealers. The following stories and examples are about car business, but same risks and information can also be applied to motorbike business, since it is about business and same industry.

The existence of service manuals is regarded as one important factor that is affecting the purchasing decision of cars as well motorbikes. It shows the maintenance history of the vehicle, mileage and creates trustworthiness against the vehicle – or at least so have many thought. Many may skip the potential purchase due to the lack of service manual. However, the manager of United Motors, Toomas Pärna, states that the car’s service manual should not be interpreted as an absolute truth. Various stories in Estonia’s media telling about odometer frauds, also known as busting miles, has stayed in the minds of used cars’ purchasers. A process in which the odometer has been rolled back in order to make it appear to have a lower mileage than actually. Odometer frauds and falsified service manuals go hand in hand. In Germany, it is a business to sell service manuals with cars, and one can buy a form with all the signatures and temples required which can be originated from some workshop or be fully falsified. In addition, there are cases in which information is partly correct in service manuals. For example, some service their cars in the official car services till the end of the guarantee time, and the official signatures and stamps are till 100,000-150,000 kilometres. After that, the service history is modified according to the needs of busting miles. However, the car manufacturers are already developing more trustworthy electronic solutions instead of old-fashioned service manuals. (Niitra 2012)

It is also vital to keep in mind that rolling back an odometer is not a crime in Estonia like in many other countries. For older models it is possible to bust miles with a cost of around 30 euros in Estonia. All the newest models can be busted, too. For example, in Germany, it took one phone call and half of the C-series Mercedes's 140,000 kilometres were disappeared with a cost of 100 euros. However, this method left traces, but if the traces are wanted vanished, one had to pay additional 400 euros. The estimated value of the Mercedes increased by 6,000 euros with this method. All of this can be done with a device called Digiprog. Although the price tag of 2,500 euros is expensive for many, the device pays itself back rapidly for a falsifier in business. Only in Germany, there were already 2,500 Digiprog devices sold, and it is not illegal to buy or own the device. According to a professional German car inspector, a layperson could not find out without any official document or original service manual that a falsifier has disappeared over 100,000 kilometres of the Mercedes. (Puintila 2011)

> *According to the Estonian car sales association, 25,000 used car buyers got cheated last year. "There has been a lot of conversation around the percentages of problematic cars, but people do not seem to understand it" explained the manager of the association, Arno Sillat, why the frauds of the car sales were calculated in 2012. The most common ones are rolling back odometer and hiding the consequences of a car wreck. (Tuul 2013)*

In 2012, 30,000 cars were imported to Estonia and at least half of them where with busted miles or hidden wreck history. Adding to these the used domestic cars that have changed owners, there are at least 25,000 used cars buyers that have got cheated more or less. In addition, it should be noted that some of these frauds will never be acknowledged as especially the newer cars are trustworthy and durable. Investigating these kinds of frauds is resourceful for the Estonian police. It is complicated to prove, for example, how much has the price of the car changed precisely after rolling back the mileage, as it is affected by many other factors as well. In addition, how to find out and prove who was the one busting the miles or hiding the marks of a car wreck – the dealer, the previous owner or the first owner in some other country. (Tuul 2013) It is essential to acknowledge these kinds of facts, as many imported motorbikes in Estonia are originated from Germany. So-called common sense combined with a prejudiced attitude with a help of mechanic friend is a good combination before making any business. Especially, when buying a car or a motorbike from an unknown private dealer, a proper checkout by a trustworthy third party is nearly a must, if own know-how is low. There have even been cases in which official car dealers have had contracts with inspections to lie about the condition of the specific car in case it is brought for an inspection.

4.6 Taxation

In addition to the extra bother caused by importing motorbikes and cars from abroad, one factor highly restricting the importation is the strict taxation in Finland. It could be stated already without any bigger surveys that many of the Finns would import up to 50 % cheaper vehicles abroad, if taxation would not exist. The Finnish government, however, wants the success of their own car and motorbike markets. Consequently, it regulates the markets through strict and complicated taxation which also helps to increase the government's treasury. However, the government's intentions have not always been that successful. For example, after the car tax reform in April 2012, the original goal was to achieve 142 million euros increase to the treasury, but the outcome failed. Instead of the positive set goal, the government lost incomes worth of 100 million euros, as it tightened the taxation at the wrong time (Aamulehti 2013).

> *A person who permanently resides in Finland is not allowed to use a vehicle which car tax has not been paid. A vehicle to be registered to Finland, however, may be used temporarily before a tax payment for up to three months, if a usage notification has been sent to Tulli (Finnish Customs). In this case, a car tax notification has to be sent out within five days after the confirmation of a usage notification. (Tulli 2013)*

As mentioned in the citation above, a person residing permanently in Finland is not allowed to drive a vehicle for which taxes have not been paid. When importing motorbikes from outside of the European Union, two taxes are applied to the approximate retail value of a motorbike:

- Value added tax (VAT)
  - Customs VAT: 8 % (≤ 250 cc) or 6 % (≥ 250 cc)

    +
  - Import VAT : 23 % of the amount of approximate retail value and customs VAT
- **Customs duty**
  - **Determined based on different factors**

(Modified from Tulli 2013)

However, as this thesis focuses on importing from Estonia, which is part of the European Union, value added tax is thus excluded. This was one of the reasons, why the USA and other non-European countries were left out of the potential importing countries despite their wide range of supply. Additional value added taxes, distance and shipping costs are remarkable expenses in the importing process. For example, when importing from USA a 1,300 cc Harley Davidson with a price tag of 10,000 euros, it would add already additional VAT costs worth of 2,900 euros compared to the European country. In addition, it takes a lot of extra effort to travel to USA and make an inspection for one motorbike – plain online pictures and text do not tell the whole truth always. It should be done either by a third party already residing in USA or the importer should go after numerous Harley Davidsons to make the trip worthwhile.

The taxation value for a vehicle is its general approximate retail value that has been taxed already in Finland. It is determined by similar vehicles and their approximate retail values on the Finnish markets. There is no formula to calculate the exact value to be taxed on a vehicle, and the Finnish Customs does not make value calculations, however, one can estimate the tax by using MAHTI-price system or by browsing the older tax value tables on the webpage of Finnish Customs. Observing the older tax value tables is a good method to get an overview, as they include the taxed amounts on different motorbikes from years 2005 till 2012 as can be seen an example page in Appendix 2 in appendices. Their columns include the manufacturer, model, condition, decision date, mileage, tax value and car tax. Based on these facts, one can estimate the car tax for an imported motorbike. In addition to the general approximate retail value for a bike which is affected by mileage and condition, equipment affects the value as well, however, it is not displayed in the tax value tables. It should also be noted that the values of motorbikes fluctuate all the time depending on the market trends, and it is not allowed to give pre-information of vehicle's taxable value (car tax law § 1). (Tulli 2012)

When the taxation of cars is mostly determined by CO^2 emissions or by the car's mass and usable power, motorbike tax is determined by the engine displacement specified in cubic centimetres (cc), as shown in Table 5 (Tulli 2012). The bigger engine (more power) the bike has, the more taxes one has to pay. For example, a 1,000 cc sport bike can have a higher car tax than 1,300 cc Harley Davidson.

TABLE 5. The impact of engine displacement on motorbike tax (modified from Tulli 2013).

Engine displacement	**Car tax**
≤ 130 cc	9.8 %
131 – 255 cc	12.2 %
256 – 355 cc	15.9 %
356 – 505 cc	19.5 %
506 – 755 cc	22.0 %
≥ 756 cc	24.4 %

As mentioned before, the engine displacement is one factor affecting the amount of car tax. In addition, other factors are also applied to the amount of the taxation. Other factors considered by the Finnish Customs:

- Mileage
- Condition
- Equipment

The numbers in the odometer only are not a sufficient proof for the real mileage used in the taxation. The true kilometres are investigated with a help of service manuals and previous owner's information. Average kilometres are used in mileage estimation – 7,300 kilometres per year. (Tulli 2013)

Tulli (Finnish Customs) estimates the influence of vehicle's condition to the tax value. It is compulsory to mark the condition of the vehicle. It is marked to a used vehicle form in a scale of good – normal – bad. If the customer has announced the vehicle to be in a bad condition, one has to clarify the issues one wants to appeal to, as Tulli inspects those vehicles. The vehicles in a good or normal condition can be inspected, too. The presumption is that the vehicles are designed to endure the average usage according to the service program. The condition estimation is based on overall consideration and at least the following factors are considered:

- The condition of paintwork
- (The condition of glass surfaces)
- (The condition of interior and upholstery)
- The condition of control devices
- The condition of detachable and other parts
- The condition of engine and transmission as well as suspension and other chassis structures
  (Tulli 2012)

The condition of glass surfaces as well as interior and upholstery are in brackets, as those factors do not exist on motorbikes and, therefore, cannot be applied in the condition estimation process.

For the equipment part, there does not exist that large scale of equipment compared to cars. However, the changes in exhaust pipes are the most common ones. For example, a full exhausts can cost around 1,000-2,500 euros, and if the employee in Tulli is wise enough, he or she should notice and take it into account.

4.6.1 A few directional examples

To get a better overview, a few examples are taken from the Finnish biggest online motorbike, moped and snowmobile sales channel, Nettimoto. At the moment (January 2013), there are already over 30 motorbikes on sale from one of the Estonian's biggest motorbike dealer, Bikepoint, although the hottest sales season of 2013 has not even started, yet. Three of their motorbikes are randomly picked as examples, and their taxes are estimated by using statistics from Tulli's taxation tables. In other words, the author has browsed through all of the taxation tables between the years 2011-2012 (24 taxation tables) and collected all the essential information available for these bikes separately.

FIGURE 17. 2008 Suzuki GSX-R 600 (Nettimoto 2013).

- 600 cc
- 2008
- Suzuki GSX-R 600
- 18,764 km
- Stock, no service manual
- 5.390 euros (tax free)

When importing the Suzuki GSX-R 600 to Finland, the dealer has estimated that there will be added taxes of approximately 800 euros to the tax free price. When comparing to the Tulli's taxation tables, there were found five imported 2007, 2008 and 2009 GSX-R 600s between the years 2011-2012. Year 2007 and 2009 models were included also into the comparison to allow a little variation.

TABLE 6. Car taxes for 2007-2009 GSX-R 600s between the years 2011 and 2012 (Modified from Tulli 2011-2012).

Condition	Decision Date	First usage date	Mileage km/1000	ARV €	Car tax €
N	20120717	20090617	20	5489	**1207**
N	20120509	20071101	7	4800	**1056**
N	20120308	20080626	33	4529	**996**
N	20110829	20070731	18	3664	**806**
N	20110629	20070503	15	3716	**818**

As mentioned before, the car tax of a motorbike depends on many factors. Table 6 shows that the car tax has varied between 818-1207 euros. The example year 2008 GSX-R 600 motorbike has a mileage of 18,764 kilometres and, on the table, an imported 2008 GSX-R 600 with a mileage of 33,000 kilometres had a car tax of 996 euros in March 2012. However, the GSX-R on the table had nearly 14,000 additional kilometres in odometer, so the approximate retail value would be logically thinking lower as well as the car tax. Rough estimation based on the table for the example bike would be around 1,000 euros.

FIGURE 18. KTM 990 SuperDuke (Nettimoto 2013).

- 1000 cc
- 2008
- KTM 990 SuperDuke
- 12,792 km
- Akrpapovic exhaust (e-approved), no service manual
- 5,990 euros (tax free)

When importing the KTM 990 Superduke to Finland, the dealer has estimated that there will be added taxes of approximately 950 euros to the tax free price. When comparing to the Tulli’s taxation tables, there were found four imported 2007 and 2008 SuperDukes between the years 2011-2012. Year 2007 and 2008 models were included also into the comparison to allow a little variation to the figures.

TABLE 7. Car taxes for 2007-2008 KTM 990 SuperDukes between the years 2011 and 2012 (Modified from Tulli 2011-2012).

Condition	Decision Date	First usage date	Mileage km/1000	ARV €	Car tax €
N	20120927	20081231	9	5020	**1225**
N	20120419	20070601	23	5214	**1272**
N	20120130	20081001	9	6067	**1480**
N	20110512	20070602	18	6252	**1525**

KTM is not that common motorbike mark in Finland compared to the more common Japanese ones: Honda, Kawasaki, Suzuki and Yamaha. It was still included to the comparison as some want still to have a more special motorbike. The example 2008 KTM 990 Superduke has 12,792 kilometres on it and last year there were three of them imported to Finland. The car tax has ranged between 1,225 and 1,525 euros, as can be seen in Table 7. Based on a rough estimation, the example KTM would have a car tax around 1,200 euros.

FIGURE 19. Honda CBR 1000 RR Fireblade (Nettimoto 2013).

- 1000 cc
- 2005
- Honda CBR 1000 RR Fireblade
- 19,615 km
- GPR exhaust, no service manual
- 5.290 euros (tax free)

When importing to Finland, the dealer has estimated that there will be added taxes approximately of 1,000 euros to the tax free price. When comparing to the Tulli's taxation tables, there were found 17 imported 2004 and 2005 Honda CBR 1000 RR Fireblades between the years 2011-2012. Year 2004 models were included also into the comparison as they are same models in practise, however, 2006 models are excluded as the Fireblade series experienced already some renewals and the approximate retail value is thus higher.

TABLE 8. Car taxes for 2004-2005 Honda CBR 1000 RR Fireblades between the years 2011 and 2012 (Modified from Tulli 2011-2012).

Condition	Decision Date	First usage date	Mileage km/1000	ARV €	Car tax €
N	20120914	20040622	23	4559	**1112**
N	20120731	20040826	22	4862	**1186**
N	20110803	20040406	25	5080	**1240**
N	20110729	20040727	12	5224	**1275**
N	20110622	20040408	17	5169	**1261**
N	20110615	20050530	21	5924	**1445**
N	20110526	20040423	60	4693	**1145**
N	20110509	20040901	17	5169	**1261**
N	20110504	20050316	16	5986	**1461**
N	20110512	20050620	8	6086	**1485**
N	20110411	20040401	15	5191	**1267**
N	20110420	20040429	23	5102	**1245**
B	20110413	20050430	43	5197	**1268**
N	20110315	20040713	42	4892	**1194**
N	20110322	20041027	25	5080	**1240**
N	20110303	20050211	17	5973	**1457**
N	20110304	20050425	85	5125	**1251**

Table 8 above shows that the car taxes have varied between 1,112-1485 euros. The closest one would be the 2005 Fireblade with the mileage of 21,000 kilometres, taxed in June 2011. It had the car tax of 1,445 euros, however, it was taxed over one and an half years ago, so there should be some depreciation for the approximate retail value. Furthermore, the mileage seems not to be the whole basis for approximate retail value and thus for the car tax. For example, in May 2011, there were taxed two 2004 Fireblades; one with the mileage of 60,000 kilometres and one with 17,000 kilometres. However, the one with 17,000 kilometres had 116 euros bigger car tax, although there were 43,000 kilometres more which is a remarkable mileage for a motorbike. Therefore, there is no exact way to calculate the car tax – only estimations. It has been said: “if the employer in Tulli has a moody day, it can have a negative impact on your car tax decision.” In some cases, it can be true.

4.6.2 Comparisons with car taxes to Finnish markets

Based on the previous Chapter 3.4.1, it can be made a few rough estimations how much the three example motorbikes would cost, when the Finnish car tax is included. At this stage, other costs, such as transportation costs, are excluded. When the taxed price is estimated, it is compared to the current markets in Finland at the moment (January 2013). Below, the three example bikes are calculated with the averages from the car taxes from Tables 6, 7 and 8.

2007 Suzuki GSX-R 600:

- 5,390 euros + 990 euros = 6,380 euros

2005 Honda CBR 1000 RR Fireblade:

- 5,290 euros + 1,282 euros = 6,572 euros

2008 KTM 990 Superduke :

- 5,990 euros + 1,200 euros = 7,190 euros

If these bikes are wanted to be driven in Finland after importing them from Estonia, Suzuki’s price would be approximately 6.380 euros, KTM’s 7,190 euros and Honda’s 6.572 euros after the car taxes. Next, these prices are compared to the current Finnish sales markets. They could also be compared to the sales statistics, as Nettimoto provides all the registered users with vehicles' price request statistics, where a user can insert the mark, model and year of a bike and see what were the mileages, price requests and sales dates of these bikes. However, this data should be interpreted with a bit of caution, as the information has not been checked by Nettimoto (Nettimoto 2013). In addition, it does not include details from descriptions; for example, if the bike has been crashed or the engine is faulty. Therefore, it is better to compare it to the current markets, although the prices tend to fluctuate.

There are two other factors to be considered when one is checking the price level and planning to sell or buy a motorbike. Bargaining is one essential part of motorbike business, as a price request is usually different than a real sales price. In some cases, bargaining does not happen due to the fact that a seller has already lowered the price as low as possible or buyer is not wise enough to bargain. Generally, however, the bargaining can lower the price request by 0-10 %, but, in certain cases, even more. In addition, the official dealers tend to ask considerably higher prices than the private sellers. This is due to the fact that the official dealers own usually the trustworthy reputation as well as offer some kind of guarantee and change opportunity for their vehicles – customers know what they are buying and feel safer with official dealers. When dealing with a private seller, one can never be sure if the business is on untrustworthy basis – it involves more risks.

Below, the three Estonian example bikes are depicted and compared to two similar Finnish ones that are on sale by a private and an official dealer at the moment (January 2013). Year, mileage (with a difference to the imported one) and notes of service manuals or considerable equipment are stated, too. In addition, the price request with percentage difference to the example bike is written.

2008 Suzuki GSX-R 600 – 18,764 km – 6,380 euros:

- 2008, 18,500 km, service manual
    - 8,200 euros (private dealer)
    - **+ 29 % (1,820 euros) more expensive**
- 2009, 15,500 km (3,264 km less)
    - 8,900 euros (official dealer)
    - **+ 39 % (2,520 euros) more expensive**

2005 Honda CBR 1000 RR Fireblade – 19,615 km – 6,572 euros:

- 2004, 48,500 km (28,885 km more), service manual
  - 7,290 euros (private dealer)
  - **+ 11 % (718 euros) more expensive**
- 2004, 35,000 km (15,385 km more), service manual, Yoshimura full exhaust
  - 7,200 euros (official dealer)
  - **+ 10 % (628 euros) more expensive**

2008 KTM 990 Superduke – 12,792 km - 7,190 euros:

- 2009, 14,500 km (1,708 km more) , service manual, Akrapovic exhaust
  - 10,900 euros (private dealer)
  - **+ 52 % (3,710 euros) more expensive**
- 2007, 29,600 km (16,804 km more), Leo Vince exhaust
  - 9,490 euros (official dealer)
  - **+ 32 % (2,300 euros) more expensive**

It is hard to make equal comparisons between the domestic and imported bikes as the bike business has not blossomed yet, and the imported bikes tend to have slightly lesser value compared to the domestic ones. In addition, when comparing mileages, already 5,000 kilometres can affect the value of a bike, whereas the cars' value is affected in larger amounts of kilometres. However, the results above prove that these imported bikes would be cheaper than buying a similar one from Finland. Although the author can verify based on his earlier observations that none of these Estonian bikes are so called deals, but still all of them seem to be profitable in some way. At the moment, it seems highly to be dependent on the individual on sale. For example, the KTM seems to be the most profitable with the biggest gross margins and the Honda seems to be with the lowest percentages, although this is due to the big mileage differences. Again, extra attention should be paid on the mileage differences and other factors – the more kilometres, the lower the value. Especially, the KTM appears to be a worthwhile investment and only three bikes of their 36 motorbikes on sale are compared (January 2013. Already the one on sale by an official dealer that has 16,804 kilometres more on it is 32 % (2,300 euros) more expensive, let alone the other one: 52 % (3710 euros) more expensive.

4.7 SWOT analysis of imported motorbikes

SWOT analysis is a practical and effective analysis tool to be used for the imported motorbikes at this stage, because it does not only assist to clarify the pros and cons, but also wraps up the Chapter 4 at the same time. In Figure 20, the strengths, opportunities, weaknesses and threats of imported motorbikes are depicted.

Strengths	**Weaknesses**
Competitive prices Low mileage in general	Value compared to domestic bikes
Opportunities	**Threats**
Larger variety Possibility to stand out	Potential uncertainty of history: Mile busting Wrecked

FIGURE 20. SWOT analysis of imported motorbikes.

As mentioned in the beginning of this chapter, and as the directional calculations proved, competitive prices are considered the strongest strength of importing motorbikes. It is possible to get oneself a bike cheaper from Estonia. In many cases, the mileage is also lower than in domestic bikes and that is perceived as one factor of creating reliability towards the bike as well as improving its value.

When someone is heading to international markets, it is not only for the competitive prices, but also for the larger supply and variety. It creates an opportunity to widen one’s collection and possibility to stand out. If there is a bike with a special colour not sold in homeland, for example, it could be worthwhile to import it.

One weakness with imported and used motorbikes compared to domestic ones is their resell value. It could be partly related to the facts mentioned in the threats; potential uncertainty of history. People want to be sure about their motorbikes history. Although it might not be an issue for everyone – some might even trust imported ones more than domestic – the motorbike markets seem to favour this so called trend a bit. If the bike is imported, it is not an option.

Motorbikes whole usage history which is not derived from its home country, Finland, might often be regarded as a threat for some. Especially, if there is no evidence of its usage history, in other words service manual or such, for some it might be a negative issue or threat. However, professionals or people owning enough know-how can already state based on a quick check-up and test drive whether there is something suspicious with a motorbike such as an accident history or odometer fraud.

5 IMPORTING MOTORBIKES FROM ESTONIA

5.1 The distribution channels of motorbikes

Before starting to research the most suitable form of business, it is reasonable to understand the source of the product as well as to see the whole picture of the distribution channels via the simplified illustration below. It depicts the path, the chain of businesses or intermediaries, through which the motorbikes travel from the vendor to the end customer as required in the market analysis in Chapter 2.1.1.

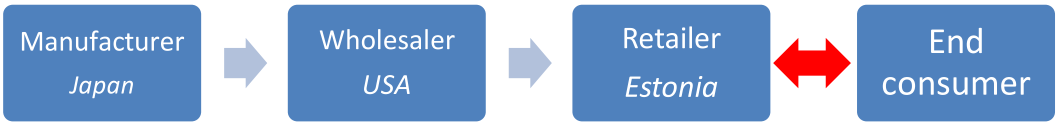

FIGURE 21. The distribution channels of Suzuki motorbikes.

How do new Suzuki motorbikes end up in Estonia? New Suzuki motorbikes, for instance, are first manufactured in large quantities in one of the Suzuki's manufacturing plants in Japan after various and complex design and engineering processes. Then the American wholesaler orders these in high quantities – in quantities which the retailer cannot afford them. At the same time, it provides vital services such as warehousing and transporting to both the manufacturer and the wholesaler. As neither the wholesaler nor the manufacturer is dealing with the end customer, it is left to the retailer's responsibility to distribute and sell those in small quantities to the end consumer, private consumer.

In this business idea, the plan is to operate as the link between the retailer and the end consumer for used motorbikes. In this case, the retailer would be one of the Estonian official dealers or private sellers, and the end consumer one of the Finnish official dealers - not the end consumer in a form of private consumer. The author would be the red arrow in Figure 21 who fulfils the process of importing in an appropriate import type that will be researched and explained in the next chapter.

5.2 Form of business

Before starting the business, the most suitable form of business has to be chosen. As many Finnish companies are already operating in Estonia, the author has also decided to establish the business in Estonia. The following factors are influencing the decision: author's Estonian-Finnish background, Estonia's essential role in the business, international atmosphere and lower taxation rate. The corporate income tax rate is 21% in Estonia in 2013. A special feature of corporate income tax in Estonia is the fact that only dividends are taxed. If earnings are re-invested into the company, they are tax-exempt. (Eesti 2013)

TABLE 9. Comparison of the primary features of each form of business (Eesti 2011).

Form of business	Min. required start-up capital (euros)	Minimum required number of founders	Financial liability	Management
Sole proprietor	none	1	Unlimited liability	No management bodies
Private limited company	2500	at least 1	Partners are not personally liable for the private limited company's obligations	The obligatory management body of the private limited company is the management board; a supervisory board is mandatory only if specified in the articles of association.
Public limited company	25 000	at least 1	Shareholders are not personally liable for the public limited company's obligations	The supreme management body of the public limited company is the general meeting of shareholders; a public limited company must have a management board and supervisory board
General partnership	none;	at least 2	Unlimited liability for the partnership's obligations is shared equally by the partners	No obligatory management bodies;
Limited partnership	none;	at least 2	At least one general partner has unlimited liability for the partnership's obligations; at least one limited partner has limited liability to the extent of their contribution	No obligatory management bodies;
Commercial association	2500	at least 2	Partners are not personally liable for the commercial association's obligations unless agreed otherwise	The general meeting is the association's supreme body, decision are made by voting, where every member of the association has one vote. The management board is the association's management body.

In Table 9, all the forms of businesses in Estonia are depicted. The most common form of business in Estonia is sole proprietor (FIE), private limited company (OÜ) and public limited company (AS) (Eesti 2011).

The author has decided for sole proprietor (füüsilisest isikust ettevõtja, FIE). Compared to the other forms of business, starting as a sole proprietor is easier and cheaper, and it is suitable for people who are doing it alone or with their family. The advantages of operating as a sole properitor (FIE):

- no minimum capital requirement
- registration is simple
- FIEs are not required to have articles of association
- But FIEs have unlimited liability for debts incurred in business (Eesti 2011)

In addition, one great advantage exists: a sole proprietor, whose business is seasonal, can stop his operations by submitting the starting and ending dates to the Company Registration (Eesti 2011). As mentioned earlier, motorbikes are a seasonal product, so the business is going to be seasonal in the beginning.

Registering a FIE can be done through a notary or electronically through the Company Registration Portal. To register electronically, one will need the technical capability for digital signatures (ID card and ID card reader). To establish a FIE, one will have to pay a state fee of 12.78 euros. (Eesti 2011)

The name of the business will be: Oliver Kuisma motorbikes FIE, as the FIE's business name must consist of the entrepreneur's given name and surname and the suffix FIE. A reference to the area of activity may also be added to the name. (Eesti 2011)

5.3 Types of import-export businesses

Nowadays, international trade is an essential part of internationalization and countries' global economics, although it is not a new phenomenon. Whether one decides to import or export food products, greeting cards or cars, he or she has to decide the role in the business – the type of import or export business. There are three main players in the import-export business:

- Export management company (EMC)
- Export trading company (ETC)
- Import/export agent

An export management company (EMC) is responsible for a specific company's export operations, in other words, represents company's products and functions as an external export department. A specific company does not possess enough know-how or does not want to allocate resources for export operations. EMCs have established international sales network, therefore, EMC organizes and takes arrange for everything related to export; hiring dealers and distributors, documentation, advertising, marketing and promotions, packaging, arranging shipping and sometimes even finance. EMCs receive earnings from commission, salary or retainer plus commission, and they work for non-competitive companies. (Entrepreneur 2001 & ExportEA 2013)

An export trading company (ETC) is very similar to an EMC, but has some important differences. When an EMC attracts buyers, an ETC does it vice versa; it first identifies what foreign buyers want to spend their money on and then searches for potential domestic companies willing to export. ETC specializes in procurement, is more likely to take the title of the goods, tends to be demand driven and transaction oriented. It sometimes works based on a commission. (Entrepreneur 2001 & ExportEA 2013)

Import and export agents can most often be classified as finders or intermediaries who connect two parties: the buyer and the seller. When the seller has been paid for the goods, they are shipped to the buyer introduced by the agent, and the agent will receive a payment. As the agent bears the least risks compared to an EMC or an ETC, a lower commission is paid. It is the best way for a single person to get involved into an import and export business. It provides with experience that can be used later for expanding to an EMC, for example, if bigger challenges and profits are desired. (Coble 2006)

5.3.1 The chosen one

The main types of import and export business have been researched and presented. It should be decided which one of them would be the most appropriate and realistic for the preliminary business idea as well as for the author at this stage.

The author has set a few preferences and requirements for the preliminary business idea based on his life stage and preferences:

- It is a side business
- It is easy to establish
- Existing capital and assets are preferred
- Making use of the Estonian and Finnish language as well as easiness of travelling between the countries

As the import agent bears the least risks, it is the best way to get involved in an import and export business, provides with the experience required for expanding and meets the preferences listed above. Thus, import and export agent is the chosen mode of importing. For example, Airiainen, the manager of ABC Autokeskus, explained in the interview made by the author that he has an agent in Latvia organizing the importing of cars. He also added that it is a great way of combining the hobby of motorbikes and business, although it will not be as profitable as it would be as a dealer. (Airiainen 2013)

There are two types of import agents based on how they get paid:

1. Commissioned import agent - acting as an intermediary, the import agent receives a commission, usually based on a percentage, for a sale to a company.
2. Retained Import Agent - in this case, the import agent is paid a fixed amount to represent a supplier to sell its goods over a fixed period of time. (Import from China business 2013)

One of the benefits of starting out as an import agent is that it has minimum start-up costs. One can operate from his or her own home and only basic office equipment such as a laptop, printer, software and Internet connection are required.

Essentially, what the import agent is selling is his or her knowledge, expertise and supplier connections to one's client. (Import from China business 2013)

5.4 Business idea

Hoffrén's dynamic model of business idea with the market need, image, product, customers, mode of operation and resources is presented for the author's company in Figure 22.

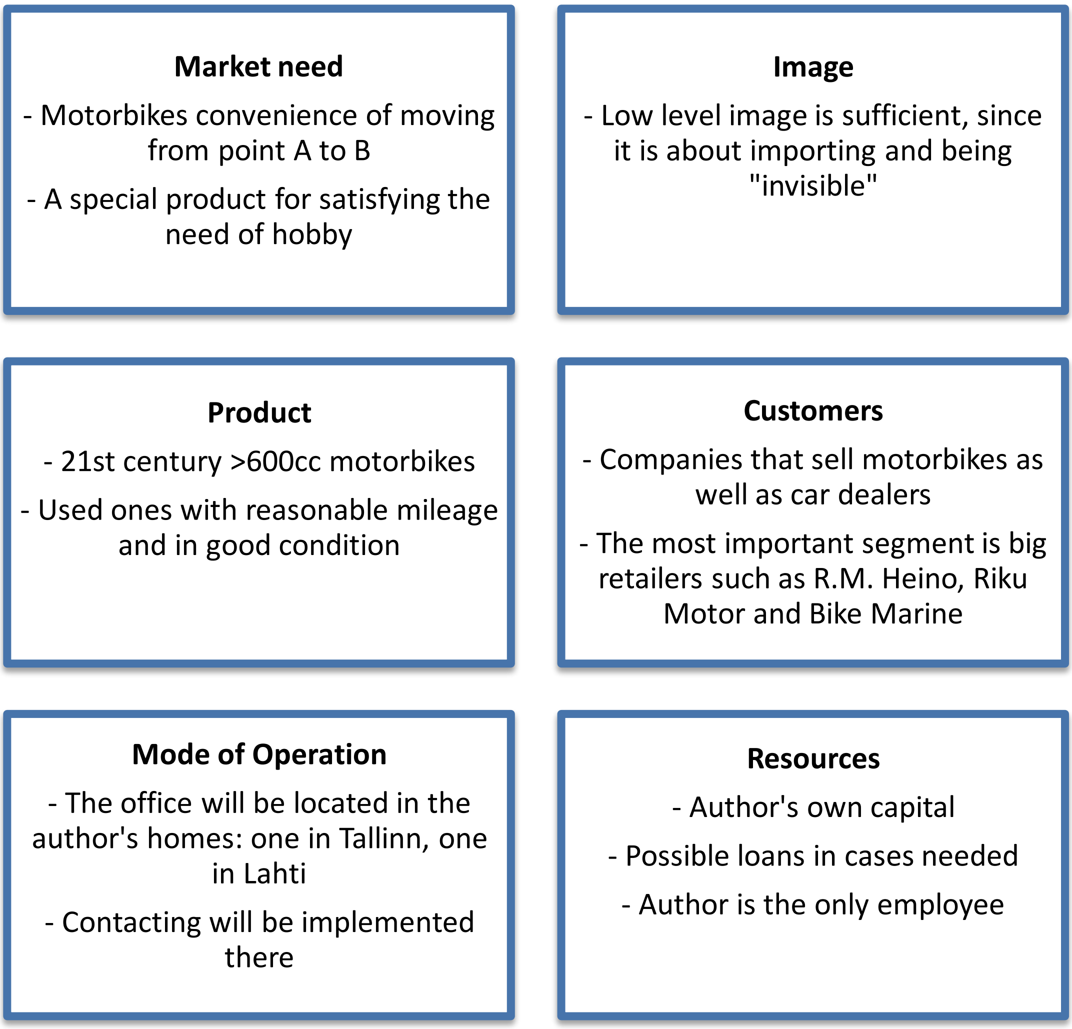

FIGURE 22. The dynamic model of business idea (modified from Hoffrén, 10 2002).

5.5 Marketing plan

Kotler’s 4Ps is used for marketing strategy and mix for the business idea.

5.5.1 Product

The products that are offered by the author’s company are the motorbikes sold in Estonia. However, some requirements have been made for the motorbikes:

- the price is competitive
- they are used
- they are 21st century ones
- the engine displacement starts from 600 cc
- they have a low mileage (less than 20,000 kilometres preferred)
- they are in a good condition and non-wrecked
- mostly sport, naked and half faired bikes from popular manufacturers such as Aprilia, BMW, Honda, Kawasaki, Suzuki, Yamaha and KTM

FIGURE 23. Different motorbikes from Suzuki and Kawasaki.

There is plenty of supply in Estonia, especially during the spring and summer time, so the buyer just has to be found.

5.5.2 Price

The prices are determined by the sellers’ price requests in Estonia. However, as mentioned earlier, it is not the final price: the bargaining can lower the price request by 0-10 %, but, in certain cases, even more. In business, of course, the aim is to find the bikes with the most competitive prices and bargain the price as low as possible referring to different factors such as the overall condition and the condition of consumable parts.

Generally, the price range for 2000-2012 sport, naked and half faired bikes with 600-1200 cc is between 3,000-12,000 euros depending on the bike type, condition and mileage. And as they are seasonal products, there occurs some fluctuations depending on the season.

5.5.3 Place

Oliver Kuisma motorbike FIE’s activities will take place both in Finland and Estonia. Luckily, the author already has a lot of experience of Finland and Estonia and travelling between the countries since childhood. In addition, the author has resided in Tallinn and has a possibility for free accommodation due to the existing apartment. Thus, the home offices already exist in both countries with all the required office equipment

Since Tallinn and Helsinki are close to each other, approximately 90 kilometres, travelling is effortless. One can travel in 2.5 hours from Helsinki to Tallinn and in 1.5 hours with high speed crafts during the summer time. Thus, travelling to Estonia is faster than travelling to many other cities in Finland.

Due to Estonia’s geographic proximity and the author’s Estonian-Finnish background, the author has excellent bases for the business planned.

5.5.4 Promotion

Promotion means activities that communicate the merits of the product and persuade target customers to buy it. It has been stated that promotion has become one of the most important Ps to focus on. However, author’s company does not require that much visibility, as one or two regular Finnish dealers would be enough to start with. The following methods of promotion will be used in order to find a Finnish motorbike dealer as a customer:

- Personal selling
- Direct marketing
    - Tele-marketing
    - Direct mail

Personal selling is the process of informing customers and persuading them to purchase products or services through personal communication. Personal selling involves direct contact between buyer and seller. The product and service are sold in a form of person-to-person communication. It is very effective, as persuasion provides a chance for clearing potential buyer's doubts and queries as well as provides immediate feedback. Although it requires more time and effort compared to the direct marketing, it is still the preferred one – especially if the relationship between the author and dealer is a new one. (Trehan 2008, 36-37)

Direct marketing means direct communication with the target audience through tele-marketing and direct mail. Tele-marketing is contacting the present or prospective customer on telephone and allows a dialogue to be adjusted according to the response given by target customer. Direct mail means contacting by e-mail and enables visualization; attaching the pictures of a motorbike, for example. (Trehan 2008, 39-40) These methods are preferred once the relationship between the author and dealer has already been established - familiarizing has been already done in person and the trustworthiness created. Thereafter, the potential motorbike has to be found and marketed by calling or sending an e-mail.

5.6 Key success factors

The key success factors are those elements that are necessary in order for the company to achieve its objectives. It has a great importance in achieving consistently high productivity. (NetMBA 2013) These factors are depicted in Figure 24 on the next page.

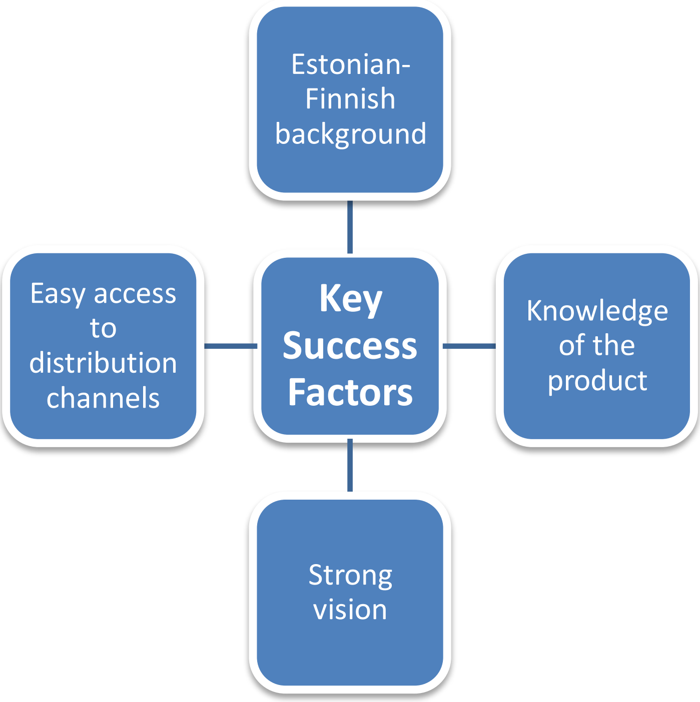

FIGURE 24. Key success factors of Oliver Kuisma motorbikes FIE.

One of the key success factors for the Oliver Kuisma motorbikes FIE's is the Estonian-Finnish background. The author has lived, studied and worked in both countries, is adapted to both cultures, knows both languages and has relations in both countries. Also apartments, business premises, already exist in Finland as well as in Estonia. These are good premises for starting the business.

The author also has an easy access to distribution channels, in other words for Finnish motorbikes dealers and Estonian motorbike dealers as well as private sellers. This is mainly due to the easiness of the approach as a customer as well as Estonia's and Finland's close proximity. In some cases, author might be even taken more seriously and not cheated that easily due to his Estonian nationality and fluent language.

Knowledge of the product is the third key success factor. This is due to the fact that the author has already owned a few motorbikes and has familiarized himself with them. The motorbike supply in Finland and Estonia has been observed weekly, so the author has kept himself up-to-date all the time.

A strong vision is something every entrepreneur should possess – the author is willing to strive for successful import motorbike business. It is one of the company's most valuable assets, and it can be an incentive when the motivation is lost. If some obstacles are encountered, it can be the source of energy and inspiration. Without a strong vision, there is no strong business.

5.7 The process of importing

This chapter explains briefly, step-by-step, how the importing process would be organized in practise.

1. A need for Oliver Kuisma motorbike FIE's import services is created to a Finnish motorbike dealer by using effective personal selling. Trustworthiness is created, profitability of Estonian motorbikes is proved and contracts as well as policies are agreed. For example, if the dealer wants the motorbike transported and registered from Estonia to his premises, additional 100 euros for transportation is paid in addition to commission.
2. The author seeks competitive Estonian motorbikes through different channels, mostly through Mototehnika. Once a potential motorbike is found, the Finnish dealer is contacted for follow ups.
3. The motorbike on sale by an Estonian official or private dealer is investigated by the author on the spot. If everything is as should be, the transactions are made with the Finnish customer's money.
4. The motorbike is driven or transported to Finland, registered in the Finnish customs if wanted, and driven to the customer's premises.
5. The motorbike is handed over to the customer and the commission is received.
6. Negotiations for new motorbike transactions are arranged.

It should be noted that this is a simplified framework for the import process. Changes may occur depending on the dealers' wishes. The goal is to have a long-term contract with a Finnish dealer.

5.8 Company objectives

As mentioned in Chapter 2.1 Business planning, the process has to be simple, specific, realistic and complete. One of the biggest mistakes for new entrepreneurs is setting too unrealistic objectives and expectations. (Mustonen 2010) Therefore, the author aims at simple, specific and realistic objectives – starting small, but stable. There is always room for expansion. The objectives are seen in Figure 25.

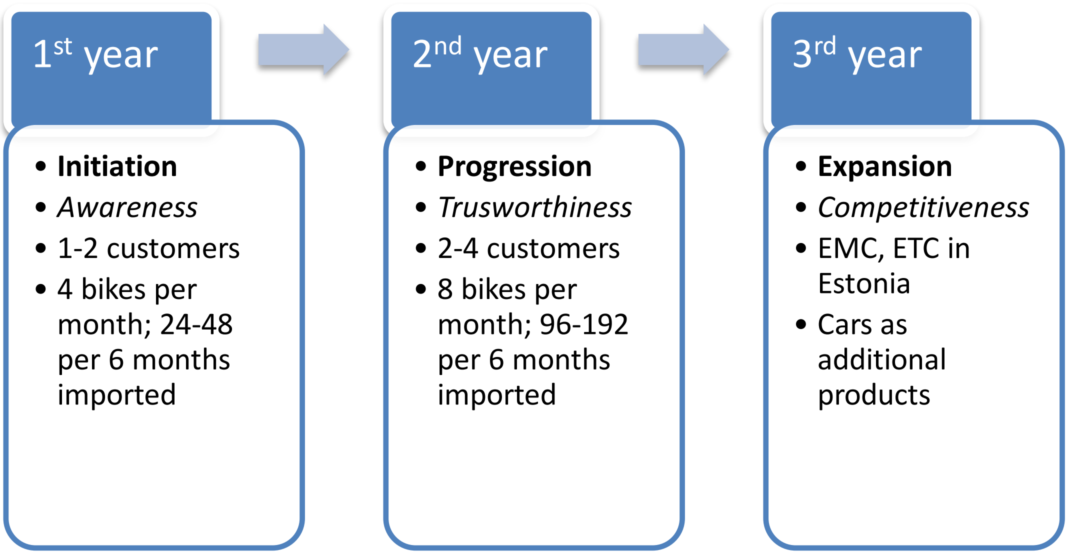

FIGURE 25. Company objectives.

The first year starts by initiating the business. The objective is to create awareness amongst the Finnish motorbike dealers for the author's import services through effective personal selling. One or two dealers would be sufficient for the first year (six months), assuming the import flow would be constant. If the most profitable months would be from April to September (six months), as depicted in the annual market trend, and there would be four bikes imported per month on average, it sums up 24 imported bikes with one customer, 48 with two customers This would be achievable, if one bike would be organised every week, for example, although the business is a side business.

In the second year, the author seeks for more customers by doubling to two to four motorbike dealers, if the current burden is not excessive. The import volume is also doubled. This would sum up 48 to 96 imported motorbikes depending on the amount of customers and import volume.

In the third year, expansion is considered if the business is profitable – import business could become the primary business from the successful side business. Cars could be added to the import products, so there would be products to be imported year-round. In addition, the author could also consider expanding to export management company or export trading company in Estonia. The risks would be higher and the needed capital larger, but also the profits bigger. However, it is all dependent on the previous years' success and author's motivation.

This business idea, and preliminary business plan, does not aim at massive annual turnovers at first, but combining a hobby and a side business with existing capital and minimal risks. The knowledge of motorbikes and business as well as Estonian-Finnish background will be utilized.

Observing the motorbike markets and their trends is an ongoing and everyday process. The author has to be up-to-date with the products all the time, in order to find the most competitive individuals and guarantee the constant demand.

5.9 Financing

As mentioned earlier, all of the activities can be organized from home, as the required start-up assets already exist:

- An apartment (business premises) in Tallinn, Estonia
- An apartment (business premises) in Lahti, Finland
- Office equipment required: computers, printers and mobile phones

All of these fixed costs have been bared already regardless of the business activities. However, some kind of primary financial plan has to be conducted.

TABLE 10. Sales target for the first year based on the objectives.

Product	Quantity per month	Months	Unit price (tax free)	Commission	Total
A	2	6	5,000	5 %	3,000 €
B	2	6	6,000	5 %	3,600 €
			Totally (one customer):		**6,600 €**
			Totally (two customers):		**13,200 €**

In table 10, the sales target is dependent on the following factors: quantity of imported motorbikes per month, how many months is the business active, the unit price of a motorbike and the commission collected from the unit price. If the import volume is moderate, as low as four motorbikes per month for six months, with one Finnish dealer and 5 % commission, the total sales would be approximately 6,600 euros with one customer and 13,200 euros with two customers. All in all, it makes 1,100 euros or 2,200 euros per month.

TABLE 11. Successful sales target for the second year based on the objectives.

Product	Quantity per month	Months	Unit price (tax free)	Commission	Total
A	4	6	5,000	5 %	6,000 €
B	4	6	6,000	5 %	7,200 €
			Totally (two customers):		**14,400 €**
			Totally (four customers):		**28,800 €**

In Table 11, if the second year would be successful with eight imported bikes per month, and the commission is not increased, sales would be 14,400 euros with two customers and 28,800 euros with four customers. However, this would mean already primary business due to the work load for the half of the year.

TABLE 12. Costs related to business.

Fixed and variable costs	
Ferry tickets	150 euros / 10 tickets
Additional phone costs	20 euros / month
(Corporate income tax)	(21 %)

As mentioned earlier, all the fixed costs related to apartments and office equipment have been bared and would have been bared anyway. Additional costs for business activities would be ferry tickets, additional phone costs for communication between the distributional channels and corporate income tax of 21 %. However, if earnings are re-invested into the company, they are tax-exempt. FIE does not have to pay unemployment insurance contribution for himself or herself. (STIIMUL 2010) Fixed and variable costs are hard to estimate precisely, but they will be small at first, as estimated in Table 12.

It should be kept in mind, as the turnover is small, so are the costs as well as risks – no investments are made and no loans are taken. However, it provides valuable experience as well as an excellent basis for business expansion.

5.10 Risk analysis

Every business includes risks. Some of them are more severe, some of them less severe. In this chapter, the most probable risks related to the Oliver Kuisma motorbikes FIE are identified by categorizing them by using the risk matrix. It is important to identify the risks and prepare for the risks in order to guarantee the success of the company in the future, too.

The two major risks identified by the author for the Oliver Kuisma motorbikes FIE:

- Reputational risk
- Supply risk

Reputational risk is related to the trustworthiness of the business. In other words, the capability of the company creating trustworthiness as well as maintaining it amongst its customers, Finnish motorbike dealers. If the author’s company is capable of creating the trustworthiness since the beginning, it will create relationships as well as customers. The supply risk is related to the Estonian motorbike markets; the availability and quality of motorbikes in Estonia. If there is no supply for competitive motorbikes in Estonia, there is nothing to import for the company.

PROBABILITY:			
High	Medium	High	Critical
Medium	Low	Medium	***Reputational risk***
Low	Low	Low	***Supply risk***
IMPACT:	**Low**	**Medium**	**High**

FIGURE 26. Risk matrix (modified from Mindtools 2013).

Based on the risk matrix in Figure 26, with medium probability and high impact, the reputational risk is a high risk. Whereas, with low probability and high impact, the supply risk is a medium risk for the Oliver Kuisma motorbikes FIE.

The author is prepared for the reputational risk with effective promotion: personal selling and direct marketing since first meetings with the Finnish motorbike dealers are used. One has to know how to persuade, create trustworthiness and desire for the author's import service. For the supply risk, there is no specific method for preparation aside from observing the supply volume and adapting to it.

6 CONCLUSION

In this chapter, the major findings are stated, the research questions are answered and the feasibility of the business is analysed. Based on the data provided in the thesis, also the decision of implementation is made.

6.1 Major findings

In Table 13, the research questions as well as the main points of the market analysis that were presented in the beginning of the thesis are answered based on the findings.

TABLE 13. Research questions and major findings.

Research question	Findings
Is Estonia a feasible country to import motorbikes from?	Yes.
What kind of a business partner is Estonia?	Close, modern, approachable and provides opportunities for Finnish entrepreneurs.
Is it worthwhile to import motorbikes from Estonia?	Yes, the supply exists and the prices are competitive – up to 52 % cheaper (taxes included) than in Finland based on three comparisons.
What type of import business is the most suitable in this case?	FIE as an import agent – no additional start-up capital and assets needed, no investments needed, no loans taken and provides essential experience for expansion.
Market size	242,974 motorbikes in 2012 Numerous motorbike dealers already in the Lahti region.
Market growth rate	Has been constantly growing, 6.7 % on average in 2002-2013 Future is forecasted to have a similar growth rate.
Market trend	Has been constantly growing without peaks in 2002-2013.

Is Estonia a feasible country to import motorbikes from? Yes, based on the research conducted and the data collected from it. Estonia is one of the closest neighbours and business partners for Finland – both geographically and culturally. They share mutual history and there are ambitious plans made for the future, too. Many Finnish entrepreneurs have headed to Estonian markets for new opportunities and lower taxation, and many Estonians are heading to Finland for better salaries. The supply range for motorbikes in Estonia is wide. All of the three randomly picked motorbikes turned out to be cheaper than in Finland – the most profitable one up to approximately 51 % cheaper. In addition, they were all on sale by the official Estonian motorbike dealer that tends to ask a little higher price than the private ones. FIE, a sole proprietor, as an import agent in Estonia was the chosen form of business, as it is an easy and good way to enter the import-export business in the author's case, and the required assets and capital exist already.

The past, current and upcoming market situation; they all seem promising. Regardless of the fluctuations in the sales of the new motorbikes during the previous year, the motorbike population has still been constantly growing during the past ten years. There are also a lot of moped riders in traffic who are likely to become future motorbike riders. The trend is favourable for the business; the more there are riders, the more there are motorbikes demanded.

6.2 Go or no go

According to the research, the author believes the business is worth realizing based on the criteria set by the author. However, if the ultimate goal is to have a primary business that aims at big annual turnover, the answer is no. The motorbike business in Finland is mainly seasonal business – profitable from April to September – and the commissions received from motorbikes as an import agent are not that big. Therefore, the import volume should be big and the business operational year-round.

The author wants to:

- enter import-export business
- gain experience of international business
- combine the hobby and knowledge of motorbikes with business-oriented thinking
- take advantage of the Estonian-Finnish background
- have a functional side business
    - that can be expanded to a primary business

With the following criteria:

- no investments are made
- no loans are taken
- the risks have a minimal impact on author's economy and life

All of these preferences and criteria would be met. Therefore, there are no reasons for not implementing the business plan. There is supply, there is demand and there is the author's aspiration with the simple, specific, realistic and complete business plan – those are good start-up ingredients.

6.3 Reliability and validity

The author has taken into account reliability and validity in the conducted research. In any set of data one collects, there will be some amount of error. Naturally, one wants to minimize this error so that the data provides a more accurate reflection of the truth.

The basic difference between reliability and validity is that they deal with different aspects of measurement. This difference can be summarized by two different sets of questions asked when applying them:

Reliability:

a. Will the measure employed repeatedly on the same individuals yield similar results? (stability)
b. Will the measure employed by different investigators yield similar results? (equivalence)
c. Will a set of different operational definitions of the same concept employed on the same individuals, using the same data-collecting technique, yield a highly correlated result? Or, will all items of the measure be internally consistent? (homogeneity)

Validity:

a. Does the measure employed really measure the theoretical concept (variable)?
(Shah 2013)

The reliability and validity of the thesis are based on:

- The use of numerous sources throughout the whole writing process
- The primary and secondary data can be distinguished in the text
- The interview was semi-structured in order to give the freedom of speech for the interviewee
- All the references are marked precisely for the collected secondary data

7 SUMMARY

The main objective of the thesis was to find out the feasibility of importing motorbikes from Estonia to Finland with a suitable form of business. The author was willing to study his business idea more specifically and conduct a business plan based on the data received. First, a proper market analysis was made based on Aaker's six dimension of the market analysis. Then, the different forms of businesses in Estonia as well as types of import-export business were researched and the most suitable one chosen. The data gathered from these areas created a bigger entity: the business plan. It was completed by using Hoffrén's business model. The whole process was kept simple, specific, realistic and complete – as introduced in the business planning chapter. Now, the two last phases of the business planning have to be actualized: actions and follow up.

In the thesis, different analysis tools were used as an additional support: 4Ps, Kotler's three levels of a product, SWOT analysis, PESTEL analysis, Porter's five forces and risk matrix. These provided additional and valuable information for the business plan. Estonia and Finland turned out to be lucrative markets to operate in as well as the motorbikes turned out to be demanded and profitable products. In addition, the financial comparisons and calculations supported it, although they must not be taken as a final truth – they are estimations and changes may occur

This thesis proved that there would be realistic possibilities to operate as a motorbike import agent in Estonian and Finnish markets. If one is prepared to make seasonal business and start small at first, but is eager to monitor and develop his actions constantly, there are good possibilities for business expansion. Thus, the entrepreneur's inspiration for success is one of the most important factors. A thorough research has been completed, now it is waiting for its implementation.

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INTERVIEWS

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APPENDICES

APPENDIX 1

Semi-structured interview for the manager of ABC autokeskus.

1. Mitkä ovat teidän yleisimmät tuontimaanne?
2. Tuotteko myös paljon moottoripyöriä?
3. Millainen moottoripyörä on helppo myydä?
4. Onko teillä tuontiagenttia ulkomailla, ja jos on, miten hän toimii?
5. Onko teillä yleisiä ehdotuksia menestyksekkään tuontikaupan perustamiseen?

APPENDIX 2

Part of the monthly taxation tables applied to motorbikes (modified from Tulli 2012).

Merkki	Malli	Kunto H=Huono N=Normaali Y=Hyvä	Päätöspäivä	Käyttöönottopvä	Ajokm/1000	Verotusarvo	Autovero
Märke	Modell	Skick H=Dålig N=Normal Y=Bra	Datum för beslutet	Dag för ibruktagandet	Körkm/1000	Beskattningsvärde	Bilskatt
KAWASAKI	VN 800 C	N	20110412	19970917	21	2790.90	680.97
KAWASAKI	VN 800 C	N	20110429	20050908	26	4387.31	1070.50
KAWASAKI	Z 1000	N	20110420	20050216	16	4758.00	1160.95
KAWASAKI	Z 1000	N	20110415	20070116	27	5840.00	1424.96
KAWASAKI	Z 750	N	20110428	20040714	30	2989.70	657.73
KAWASAKI	ZR 7	N	20110421	20030131	31	2744.70	603.83
KAWASAKI	ZR 7	N	20110412	20040421	36	2856.70	628.47
KAWASAKI	ZRX 1100	N	20110412	19970729	67	2638.30	643.74
KAWASAKI	ZX 10R	N	20110418	20060804	10	6080.00	1483.52
KAWASAKI	ZX 10R	N	20110405	20080304	12	7651.00	1866.84
KAWASAKI	ZX 12R	N	20110414	20000330	28	3369.60	822.18
KAWASAKI	ZX 6R	N	20110428	20000720	48	1973.83	434.24
KAWASAKI	ZX 6R	N	20110412	20020720	32	2563.40	563.94
KAWASAKI	ZX 9R	N	20110412	20000726	40	2627.80	641.18
KAWASAKI	ZX 9R	N	20110428	20040108	43	3441.20	839.65
KAWASAKI	ZX600	N	20110428	20000525	33	2177.70	479.09
KTM	125 EXC	N	20110401	20060411	8	2951.90	289.28
KTM	400 EXC	N	20110421	20020129	52	2680.30	522.65
KTM	400 EXC	N	20110414	20071207	6	3711.00	723.64
KTM	690 SUPERMOTO	N	20110405	20070301	5	4669.00	1027.18
KTM	950 ADVENTURE	N	20110427	20030821	38	5211.00	1271.48
KTM	990 SUPERMOTO	N	20110407	20090320	11	10204.00	2489.77
LAMBRETTA	125	N	20110418	19530422	20	3.00	0.29
MOTO GUZZI	California 1100	N	20110406	19990520	30	4812.00	1174.12
MOTO GUZZI	GRISO	N	20110414	20060406	15	7455.00	1819.02
MOTO GUZZI	griso 1100	N	20110401	20060501	27	7284.00	1777.29
SUZUKI	AN 400	N	20110428	20080507	9	5195.00	1013.02
SUZUKI	C 1800 R	N	20110404	20100209	1	12936.00	3156.38
SUZUKI	DL 1000 V	N	20110412	20050715	22	5317.00	1297.34
SUZUKI	DL 650 V	N	20110404	20050930	21	3537.00	778.14
SUZUKI	GSF 1200	N	20110421	19980709	38	2338.00	570.47
SUZUKI	GSF 1200	N	20110411	20020606	55	3045.00	742.98
SUZUKI	GSF 1250	N	20110419	20080417	23	5397.00	1316.86
SUZUKI	GSF 1250 S	N	20110421	20110418	12	6451.00	1574.04
SUZUKI	GSF 600	N	20110420	20021121	38	2275.00	500.50
SUZUKI	GSF 600 S	N	20110421	19990301	25	1934.80	425.65
SUZUKI	GSF 650	N	20110404	20050919	21	3127.60	688.07
SUZUKI	GSF 650	N	20110412	20060518	16	3337.60	734.27
SUZUKI	GSF1200BANDIT	N	20110407	20070410	12	5779.00	1410.07
SUZUKI	GSX 1400	N	20110419	20030219	32	4800.00	1171.20
SUZUKI	GSX 1400	N	20110419	20030630	48	4630.00	1129.72
SUZUKI	GSX 1400	N	20110414	20040513	36	5154.00	1257.57
SUZUKI	GSX 650 F	N	20110420	20080212	27	3454.50	759.99