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A feasibility study of an organic and local grocery store in Järvenpää

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A feasibility study of an organic and local grocery store
in Järvenpää

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The background to this thesis is the researchers' personal objective on founding a grocery store for demanding customers and becoming an entrepreneur. The researcher's observations about the food industry were used to identify the best approach to filling a gap in the organic food markets.

The name of the company is Kylmäkellari, an organic, non-food additive and local food store in Järvenpää. The aim of the study is to determine what plans should be made and what actions must be taken so that the grocery store Kylmäkellari can be founded. The thesis is divided into two sections which examine how to found a company and produce a business plan for Kylmäkellari.

The research method used was qualitative and the study was executed as a desk research. The theoretical background is presented in the first section and second part of the thesis.

The research question is how to set up an organic and local food store to Järvenpää. The second section presents the business plan for Kylmäkellari. The thesis can also be used as a model for other business plans especially in the organic line of business.

The result is a business plan that the researcher will use as guide to founding the company Kylmäkellari once the initial capital and financiers are found.

Key words: Food markets, grocery store, business plan, entrepreneurship, founding a company

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1 Introduction

1.1 Background

Setting up a business means a lot of work in addition to a good business idea. Planning and time are important factors since the business idea tends to change on the way. In order to get financing the business plan should be exact.

Founding a company has many risks and benefits. Possible problems that can occur in the process are overly long working hours, responsibility, debt, change in the markets, failure leading to bankruptcy, diminished leisure time, running out of money to mention a few. Some of the benefits it can bring are versatility of the job, independence, authorization with schedules and work assignments, possibility to creativity and fulfill own ideas.

The process of founding a company starts with a preliminary business plan and calculations following by possible market research. Preparing business plan and organizing finance as well as securing the subject of license are important steps in the process. After this the company needs a business form followed by registering the company and getting insurances and organizing accounting. (Meretniemi & Ylönen 2009, 8-16)

Usually establishing a company requires written agreements. Establishing a company in Finland requires the entrepreneur to complete start-up notification form for Finnish Tax Administration and the Trade Register. National board of Patents and Registration maintains the Trade Register. The required form is available in a Finnish website ytj.fi. (Setting up a business 2011)

1.2 Food Industry

The food industry is the fourth largest industry when measuring the production value and the third largest employer. The food industry employs almost 300 000 people in Finland. Food industry is divided into two branches that are production of food and production of beverages. The food industry prepares food for consumers from national farm products and imported products. We have 2900 companies working in the food industry. (Hyrylä 2012)

The production of food in Finland for retail sale is 79%. There are some large market chains that have a very strong position in the industry. Most of the national food companies are still small. Business markets in the food industry are divided so that local markets are approximately 35%, regional 20%, national 42% and international 3%.

Private consumption for food and non-alcohol beverages was 12 250 million euro's during 2010. This means 12% of the household's consumption expenses. The sales for grocery shops Finland during the year 2011 was 15.3 milliard Euros. 64, 5 percent of the grocery shops are over 1000 square feet. Two largest grocery shop chains have a 78, 5 percents share of the whole Finland's grocery markets.

Some instances supervise the products. Product supervision means the supervision of obeying the law concerning the product. Also consumers, customers and competition demand quality, purity, traceability and suitability for special diets. The interest of media and consumers has increased the meaning of product supervision.

Companies in the food industry are in a constant change and 21st century more companies were shut down and bankrupt than founded. Bankrupt companies are about 1 percent among the food industry companies. Most of the bankrupt companies have been in the bakeries, the meat business and the preservation of fruits, berries and vegetables.

Locally produced food is becoming more interesting for the consumers and the consumption of local food is expected to increase. At this moment the demand is bigger than supply. It is estimated that approximately 8% of the supply in grocery shops is local food.

The organic food production means food that is produced sustainably. At least 95 percent of organic products agricultural raw material must be organically produced. The organic production is supervised by Evira, ELY-centers, Valvira, towns and custom authority.

The organic production is growing heavily. Nationally there are 4300 organic farmers. The Government intends to have 20 percent of the area under cultivation for the organic food production by the year 2020. In addition diversifying the supply of the domestic organic food and quantity is an aim. (Hyrylä 2012)

Evira informs that this year 365 new organic farms have joined the organic supervision of the farm production. The amount is larger than ever in the 21st century. The organic agriculture is currently nine percent of the area under cultivation. (Elintarviketurvallisuusvirasto Evira 2012)

The goal for organic industry is to triple the organic markets from 2011 to 2015. In monetary value this means 330 million Euros. Organic markets offer new business possibilities as it is a growing market and consumers appreciate health, authentic, ethicality and ecology. (Hyrylä 2012)

The means of the food act is to ensure the safety of the food product as well as monitor the quality and traceability. The food products must be chemically, physically and microbiologi-

cally, consistency wise and otherwise suitable for human nutrition. A product must not risk humans' health or mislead the consumer. (Elintarvikelaki 2006)

People working in the food industry handling unpacked or easily perishable products need a Hygiene passport to promote safety of the food products. In addition to grocery stores also cafes, restaurants, fast food restaurants etc. can require a hygiene passport. Passport must be gained at the latest three months after work has begun. (Hygiene proficiency 2012)

1.3 Organic line of business

Most of the organic products are sold via retail sale. In Finland 84 percent of the organic products were purchased from retail sale. Special shops, market squares and food circles are only 16 percent of the purchased organic products. 28 percent of the Restaurants inform using organic products at least once a week and in public sector the percentage is 13 percent.

415 organic products manufacturer and importer was under Eviras supervision in the end of the year 2009. Of which most were working in the farming, the mill and the bakery business. The rest of the manufacturers produce meat, milk and other products.

In the year 2009 organic products were purchased by 75 million euro which is 1 percent of the whole retail sale of Finland. The biggest growth in the sales was in the organic milk products, organic meat and egg sales. Biggest sale in the year 2009 was in milk followed by vegetables. The sales of flours, other milk products, bread, eggs, meat and other organic products are around 5-7 percent each when milk was over 15 percent.

The Finnish consumers are divided to four types' active users, regular users, testers and non-buyers. Active households are 5 percent of the consumers and they purchased organic products 66 times a year spending 274 euro. Regular users are consumers that have 0, 8%-4% share of organic products among their purchases. 17 percent of Finnish consumers belong to this type. They buy organic product 16 times a year with 46 euro. Testers buy organic products every other month and they are the largest consumer type second largest being non-buyer. Active users are usually young, singles or parents for small children. Regular users are often older singles. (Heinonen 2011)

1.4 Objective for the thesis

The purpose of the thesis was to prepare a feasibility study for an organic and local grocery store. The research objective for the thesis was to prepare a comprehensive feasibility study for a grocery store Kylmäkellari in Järvenpää. The idea was to understand the process of es-

establishing the company from idea to practice. The research was executed as a desk research and information was collected about the market situation and founding a company. The objectives were also understanding entrepreneurship and the demands, benefits and disadvantages in being an entrepreneur. The thesis is a Feasibility plan that familiarizes to food industry as well as organic markets and the situation in the organic food markets. The lack of organic supply and non food additive local food and the difficulty of finding these products from supermarkets massive product range lead to an idea of a store that could fill the gap in the markets.

2 Business forms

When starting a business it is important to choose the right business form that is suitable for the chosen line of business. The business forms of which to choose from are private ownership, General partnership, Limited partnership, Limited Liability Company, Cooperative society and franchising. The business form affects the company in a long term period in various ways for example to financial responsibilities, taxation, and to decision making.

There are some factors that should be considered when deciding the right business form such as the number of founders, the extend of the business and the size of the company, need of capital, risks, financial responsibilities, decision making, the division of the profits or losses. (Meretniemi & Ylönen 2009, 40-41)

2.1 General partnership

Meretniemi & co suggest that General partnership is very suitable for small or medium size company for family business. There must be at least two founders that can be natural persons or companies. The financial investments from the founders are not required. The only contribution required is to work. The capital of the company can be decided among the partners. All partners are personally liable for the debts and other obligations. (Meretniemi & Ylönen 2009, 44-45)

2.2 Limited partnership

Meretniemi & co recommends Limited partnership when company is in a need of more capital and there is a financier available who only wants to finance but not participate to the company's daily operating. As a contribution from the liable partners work is enough. The liable partners are responsible for the company's obligations by their own personal property. The silent partner is only liable for the amount invested capital. The silent partner can also work for the company but cannot participate to the administration of the company. The lim-

ited partnership must have at least two founders of which other will be liable partner and other silent partner. (Meretniemi & Ylönen 2009, 46-47)

2.3 Limited Liability Company

When the need of capital is large the right business form is limited liability company and also if there are many founders. There are two kinds of Limited liability companies. The other one is private and the other public. The Public Limited Liability Company is noted in the stock exchange.

The financial responsibility is limited to the invested capital. The partner is not liable by own personal property. Limited Liability Company must have a Board of Directors that is chosen in the annual meeting. The board of Directors and managing director are liable for their decisions. (Meretniemi & Ylönen 2009, 50-51)

2.4 Cooperative (Society)

The Cooperative society is supposed to support each member financially and by cooperating financially. The Cooperate society must have at least three founders that can be natural persons, communities, foundations or other legal entity. Each member pays a member fee that is the same for all members and it will be deposited when leaving the cooperative society.

The members of the cooperative society are financially liable for the obligations of the society by the amount of the paid fee. Cooperative society can pay salary and the profit can be divided among the members. (Meretniemi & Ylönen 2009, 48-49)

2.5 Logistics

In the grocery shop business logistics is a vital function since the business is mostly buying, warehousing and transporting. The business operations can be divided to two parts preparing the product and supporting the preparation of the product. The supporting includes purchasing, warehousing and transporting that all together can create big costs for the company. The logistics combine purchasing, production, distribution and marketing to one entity and is therefore an important part of the operations in the value chain which means the operations that company has in order to add more value to the company.

Good logistics mean that company co-operates also with suppliers and customers. All the logistic partners can be found out by understanding the whole value chain from raw-materials to end customer. In a larger perspective logistics means in addition to good transportation

also financial transactions and changing information. The logistics considers the company as a whole and therefore aims at developing the competitiveness of the whole company. Since logistics works in many operations in the company it may cause conflict. As a result the company should have a material policy that embraces the strategic aims that a company has.

Sometimes suppliers can have delivery problems due to many reasons. Warehousing is a good solution when it is possible that the material flows are not steady. The idea is that the demand can be satisfied but nothing is storage for more than necessary to avoid extra costs. (Kinkki, Isokangas 2003, 111-116)

2.6 Business idea

A business idea describes how company will succeed in a selected line of business. It defines how the income is earned by following the action plan. The business idea comprehends idea of the markets, products and the policy of the company. It describes the relative advantage and strengths compared to the competitors.

All the business ideas are processes that develop in time. The changing business environment must be recognized and adapted. The company should all the time work towards finding new ideas because very rare businesses are based on one business idea only. (Holopainen, Levonen 2013, 22-23)

The business idea is often invented to solve a problem. Problem should be carefully implemented in order to diminish the risks. Not even a well defined problem directly means success. Becoming an entrepreneur needs a business idea that is put to practice and made to work.

The developing a business idea can be separated to four parts. Reframing and defining opportunity, generating the idea, evaluation and selection of the idea and finally planning of the implementation and creating extra value for the original business idea. (Bragg & Bragg 2005, 1-4)

Defining an opportunity aims at finding gaps in the markets the company is ideally trying to enter at some point. If the opportunity is defined inadequately it may result to finding only a narrow solution to the problem and is not necessarily the best outcome.

Generating the business idea refers to process in which through different techniques and further combinations aims at developing wider range of possible solutions to the business prob-

lem. As a result all the ideas can be separated in to groups and clusters which will help in the next step of the process. (Bragg & Bragg 2005, 12-14)

Third phase in the evaluating and selecting ideas aims to recognizing the leading contender. This outcome is achieved by using criteria grids, flow charts, weighted criteria grids and the idea compatibility matrix.

Fourth phase planning for implementation focuses on reducing and identifying blocks such as lack of technical know-how or lack of financial knowledge. The tools to use in the fourth phase are reverse brainstorming, force-field analysis and commitment charting. At the end of the fourth phase the material can be gathered as a cohesive business plan. (Bragg & Bragg 2005, 14-15)

2.7 Business plan

Business plan is a base for the business and it is supposed to concretize the means of the business. The different parts of the business plan are the products and services, customers, course of action, vision, line of business and market situation and competitors. A good business plan guides the business. (Meretniemi & Ylönen 2009, 24-25)

The business opportunity is based on demand. The company should be able to clarify what are the products and services of the company. And what problem does the company solve. This part should also aim on understanding whether the products or services respond to customers' needs and what are the benefits from the customers' point of view. The company can either specialize or answer the demand of masses. Demand equals the amount that product or service is purchased. It is important to know how much customers are willing to pay for the product. The sales volume must be high enough because high price level alone is not enough.

About the customers an entrepreneur should know who are the key customer groups and most important clients and clarify their needs. Also should be clarified where the customers are and how to reach them. The customer groups should be recognized by age, income level, occupation, family type and hobbies. The entrepreneur must simplify why potential customers would use this particular company and what is the added value for the customer.

Course of action expresses how the products and services are marketed. The company should understand to choose such course of action that it supports the wanted image. The different companies are expected to act differently. It also expresses the way the company is organized and how it functions in terms of production, services, financials, sales and marketing.

Vision expresses where the company is in a certain period of time and what the future seems to be for the entrepreneur. The entrepreneur should be familiar with the line of business in a way that entrepreneur understands the current situation in the business and the potential customer as well as competitors and their strengths and course of action.

Situation in the markets has a significant impact on how a beginning entrepreneur succeeds. It is easier to enter the markets if they are favorable and growing. The competitive advantage can ease the entering. The entrepreneur should analyze the business situation by familiarizing companies, products, services and prices.

The competitors should be known by their strength and weaknesses. The competitors and their location, size services and marketing should also be familiarized with. (Meretniemi & Ylönen 2009, 26-31)

2.8 Entrepreneurship

Before starting a business many becoming entrepreneurs have thought about it for a long time. The first idea is vague but along the way the idea becomes more clear and realistic. The entrepreneur must have a clear idea where the income is in the business because a starting company is rarely perfect and needs a lot of work and effort in order to become the successful business idea that an entrepreneur had in mind. (Holopainen, Levonen 2003, 21)

In the year 2011 there was over 260 000 entrepreneurs in Finland. The quantity has risen from the earlier year by 7000 entrepreneurs. Most of the growth appeared in small and middle size companies. Employed entrepreneurs are approximately 10 percent of the labor force. 63 percent are one man companies and 37 percent also employ another person or many. (Elinkeinoelämän keskusliitto 2012)

Juvonen points out that our National economy increasingly invests on promoting the entrepreneurship in Finland. The entrepreneurship is considered to be a way of increasing economic growth and competitiveness as well as job creative measure. The atmosphere in the society is becoming more favorable to entrepreneurship and approach towards entrepreneurship in Finland is also more positive. (Juvonen 2002, 19)

Karlöf points out some of the main characteristics in an entrepreneur. The entrepreneur is a person who is enthusiastic and result oriented but there are other qualities that are important as well. An entrepreneur wants to decide, to take risks, see the result, have an effect on the company, see development, embrace creativity and have competent colleagues to mention few important characteristics.

Half of the founded companies in Finland will have to close the business during the next five years and half of these companies are bankrupt. Some surveys in United States of America suggest that nearly 90% of all bankruptcies are due to a bad management. According to a study regarding international business managers, Finnish appear to be one the weakest business managers in Europe. (Rissanen 2005, 206-207)

Not everyone is meant to be entrepreneurs. According to studies conducted in United States of America only approximately ten percent of the population has the right qualities of becoming an entrepreneur. A Finnish study on family business finds the most important qualities to be: ability to handle pressure, take responsibility and solve problems, self confidence, innovative and positive mind to mention few. (Rissanen 2005, 208)

Entrepreneurship is challenging financially, physically and socially. Many conflicts may cause symptoms like anxiety or exhaustion. (Rissanen 2005, 211)

3 Preparing a good business plan

A business plan aims to a comprehensive plan to a company. It analyses, defines and justifies the business idea and works as a guideline for the company. The business plan is used by the entrepreneur because it is an easy method of planning and guiding the company. Business plan is also relevant for the investors and financiers. It is needed when applying the loans, start-up money or other benefits.

The business plan should cover the business idea, products and services, customers, policy, vision, line of business, market situation, competitors and finance calculations. The possibility of business is based on demand meaning that a customer has a need or a problem that the company solves. Demand is the amount that customers will purchase a certain product or service. High price does not cover a small demand. Volume must be sufficient.

The business plan defines who are the customers and customer groups and where they are and how to get to them. When customers are happy it will bring sustainable income to the company. The image and company policy must respond to customers expectations. The customers expect different kind of service, product range and price level depending on the company.

Before setting up a business one should understand the line of business. The Statistic Finland and some societies offer information on the line of business. It is possible to find very useful information about the markets and the competitors. Understanding the markets of the area,

customer potential, the competitors and their strengths and the company policy can enhance the possibility of success. The credibility of an entrepreneur in the business can also be a factor.

The market situation affects strongly to beginning entrepreneurs possibilities to success. The growing markets are easier to enter. If the current markets have difficulties in answering the demand or they have delivery problems it can create space for new companies. A starting entrepreneur should be aware of the market situation in terms of companies, products, services and prices.

A good business plan also considers the operations of the company as well as financial aspects and accounting and insurances. A business plan informs the need of production equipment, business premises, logistic transport, accountant etc.

The business plan should define whether the company needs personnel other than the founder and in what terms personnel can be hired. In the starting point marketing is important and it should be planned well.

SWOT analysis defines the strength, weaknesses, opportunities and threats. The strengths and weaknesses often describe the internal factors of the company whereas the Opportunities and threats describe external factors influencing the company. The SWOT analysis is used for critical evaluation of the business idea and the business operating environment. If analysis is not realistic and based on little information it diminishes the value SWOT-analysis. (Meretniemi & Ylönen 2009, 24-34)

3.1 Strategy

A strategy is a complex concept. A strategy is an entity that comprehends methods, guidelines and basic solutions leading towards the set goals and aims. Strategy can be understood as a road to futures aims. (Kinkki, Isokangas 2003, 272)

Karlöf suggests that when developing the strategy there are three key components: the business concept, the objective and strategy. The business concept defines why the company exists or should exist. Uniqueness of the business concept may not be as important as sometimes is thought. Many successful companies have very similar business concept compared to their closest competitors.

The business concepts are defined by need, supply or product, the customers or markets as well as competitive situation. Important is to realize whether the supply or product or service

is correlating with the demand. The objective is set based on factors such as the vision of the owners or the management and their required standards. Also the objective can be derived from quantitative and qualitative aims.

Strategy as such guides the actions to achieve the wanted aims. Important is to what is the aim and business of the company and how and why it is achieved. Developing a strategy includes the whole process of which leads to consistent business idea. Meaning is to find competitive advantage by re-organizing companies' current functions. Vital but difficult part in the strategic planning is to be able to integrate good ideas to actual part of the companies' functions. (Karlöf 1986, 27-31)

3.2 Vision Mission and values

Vision is widely used as a business term and therefore there are many variations about its meaning. Vision is a state in which the company wants to be in a certain period of time. Good vision is easy to explain and it separates the current situation from the futures wanted situation. Vision forces the company out of its own comfort zone and question's different functions of the company.

Vision has a clear timeline, a set date, when vision should be accomplished. Vision can be transferred to practical actions through strategy. Vision has different aspects depending on what point of view is taken. Vision should cover the owners, the customers, the staff's and the company's actions point of view. (Hannus 2004, 60-62)

According to Hannus mission and values form the organizations core ideology which has in many cases been the same from the very beginning of the organization. The core ideology determines the foundation and the purpose of the business as well as creates a direction for new possibilities. It also brings steadiness and stability to the business.

Mission defines the reason of the company's existence and it illustrates the company's identity. Good mission is strong and inspiring and directed to own staff as well as external interest groups. (Hannus 2004, 31-32)

Values are the things that are thought to be important in the organization and to what are commonly believed in. Difficulty can be the implementation of the values to the everyday functions of the company. The whole organization must take part in creating and implementing the values in a way that everyone relates to the values of the company. (Hannus 2004, 33-34)

3.3 Competition

The competition in general is based on the fact that customer prefers a company or the services it provides over another competitive business. (Karlöf 1994, 121) Competition can be vital component in the success or the failure of the company. The functions affecting the success such as innovations, the company culture or execution are measured and determined by competition. (Porter 1985, 13)

Finch suggests finding out information about the existing competitors such facts as size, strengths, weaknesses and using the data to overpower the competitors. In addition to existing competitors also new entrants must be considered as there can easily be companies further away who are for example looking for expansion opportunities in other countries. In a business plan it is important to define such issues as distribution, pricing, packaging, and promotion defining how strong competitors are. These issues have a great influence on success of the company. (Finch 2001, 31-32)

3.4 Financing and accounting

The basis of business is to make investments that produce more money than cost. If the business is not profitable it consumes the entrepreneurs' resources. It is important to understand how to get profit and how to get decent priced financing. The company's income is realized in longer term and therefore can create insecurity. The price of money changes and changes the demands for investments. (Knüpfer, Puttonen 2004, 11)

The price of money is based on supply and demand. A starting entrepreneur has a poor negotiating status due to the low warranty. An entrepreneur should avoid too much depth and be realistic in terms of the own capital invested. Offers for loans can be applied from banks, insurance companies and financing companies. For diminishing the risks it is possible to use variation of different forms of financing. The entrepreneur should have a plan of all the expenses and income. (Holopainen, Levonen 2003, 111)

Accounting liability involves all the instances that are in business or have profession activity. It means that the management is entitled to gather and store all information about monetary flows. The accounting separates income, expenses, funds and debts. It will also inform the profit or loss and other property. The accounting period is usually a year. (Holopainen, Levonen 2003, 165)

3.5 Markets

Markets as a term refers to a place where utilities are sold and bought. Sometimes the buyer and salesman meet for example in a grocery store and other times it means just information in a computer instead of an actual place. It is due to the markets that the right products are available where they are needed. (Pekkarinen, Sutela 2004, 64-65)

The larger term gathers the customers based on geographical location or the needs and demand of a certain group of interest. The markets should be narrowed down in order to understand the real needs between customers. (Karlöf 1994, 158-159)

Finch introduces an easy platform on understanding the markets in a way that it supports the particular case at hand. Important issues to define are the structure of the market, who is the customer, why do they buy and why they choose my company. Also must be aware of how the distributing works, who the competitors are and how they compete. (Finch 2001, 25)

3.6 Marketing and sales

The marketing means creating demand and it is one of the basic functions of the company among developing, production and administration. How to create demand depends widely on what services or products are to be marketed and to whom. (Karlöf 1994, 160-162)

The idea of marketing is to gather the right type of customers for the company. The aim is to have this adequate group of customers to use the utilities company offers at the certain price the company wants and at the right time from the companies' point of view. (Rissanen 2005, 325)

Karlöf defines sales to be taking in orders or conducting business. According to Rissanen sales is a natural part of the marketing and is as its best when the marketing as a whole is working.

Advertising can aim at marketing a single product which means that the advertising is direct. Other way of advertising is indirect method that promotes the company image or market awareness. Marketing can be executed by using diverse methods such as brochures, commercials on newspapers and magazines, letters, illuminated advertisements, internet, radio, television and trade fairs to mention some. (Meretniemi & Ylönen, 2009, 120)

The sales promoting can be executed in various ways such as contests, discount coupons or free gifts. It is also common to have member cards. The promoting can be also directed to the sales staff by having sales contests or giving prizes to best selling workers. (Rissanen 2005, 85-86)

3.7 Customers

A customer is a person or other group of interest who purchases the company's products regularly or more than once. Sometimes the term markets can also apply to customers. All business is based on the customers. (Karlöf 1994, 95)

Only the customers can bring the necessary money to the company in a long term perspective. On customers point of view it is important that the company benefits the customer. Gain that the customer is seeking may be based on commodity's usability and price. Price should be lower than the imaginary feeling or real cost compared to the usability of the commodity. (Rissanen 2005, 45-46)

3.8 Competitive advantage

A strategy planning should result in finding a competitive advantage. A competitive advantage should be as significant as possible, should be used fast and as long as possible in order to gain profit. Product or service itself can include a competitive advantage but often it is found from elsewhere for example the operations or functions of the company. When such competitive advantage is realized it is important to inform the customer about the product or service.

Some interesting perspectives to finding competitive advantage are asking whether the business idea has gotten old due to a changed demand, what other services could be added to the product or service, how to get more profit than the average in the business, is it possible to rearrange operations within the company, what are the essential questioned to ask that would enhance the competitiveness, can there be competitive advantage in the functions of the company. The company should also consider whether the competitive advantage is interesting or relevant to the customer. (Karlöf 1994, 122-123)

3.9 Company ethics

The ethical discussion is nowadays much wider and more discussed and it can be recognized in everyday life of many businesses. Ethics can be a helpful resource in everyone's life. In business life ethics is becoming more important. (Aaltonen, Junkkari 1999, 15-19)

The existence of ethics is often justified by assuming that good things will happen. Some studies suggest that the social responsibility and profit have a positive correlation and some studies do not. Anyhow none of the studies has resulted to negative correlation.

Good ethics can have the following effects: The work moral will rise when employees believe that they are a part of something meaningful. Also the respect towards the work community increases the work moral.

The customer wants to trust that the company is trustworthy and if the feeling is something else it will affect the customers buying behavior. The risk of getting in trouble with the law will decrease and employees can trust that the company is concentrated on developing and not on covering traces. Open environment and ability to trust to each other will create positive atmosphere.

Decrease in stress and absences when the work community is good. Job contracts will be longer when work environment is believed to be equal. And stealing as well will decrease. When the employees are happy the quality of work increases and personnel can be more focused on the job itself. (Aaltonen, Junkkari 1999, 48-51)

A social responsibility can be defined as operators' responsibility to community. Defining the social responsibility theoretically is problematic since the difference between social responsibility and other responsibilities is complex. It is a commonly expected responsibility that bases on values and policies and social life aspects.

The European Commission informs the most relevant points. A social responsibility is the company's activity that is voluntary and exceeds legal demands and is believed to have a positive influence in a long term period. It is tidily connected to the sustainable development and takes in consideration the economical, social and ecological influences. The social responsibility is not added to the company's basic operations but is the way the companies are managed.

A social responsibility has four aspects that are economical responsibility that works as a base for all other responsibilities. Juridical responsibility means following the law. Moral responsibility includes following the social values and the moral rules and the common understanding of justice. Philanthropic responsibility bases on love and promotes well-being and quality of life. (Järvinen 2004, 22-36)

3.10 Nonprofit organization

Sometimes the nonprofit organizations are measured by the financial aspects. However, it vaguest the relationship with input and output, that differs in the nonprofit organizations and the profit organizations.

An excellent organization can make visible results in a long period of time and in the business life this can be measured by profit. However in the nonprofit organizations the input must be correlated to the perform meaning how well the organization uses its resources and executes its mission.

It can be impossible to measure or calculate the results. The basic idea is to differentiate the input and the output from each other and focus on getting results even if they cannot be measured. (Collins 2006, 11-12)

4 A feasibility study for Kyläkauppa Kylmäkellari

The business idea of the Kylmäkellari is to provide fresh and reasonable price food that is either organic or without food additives preferably local food. The other services are breakfast and lunch and small café where it is possible to purchase quality teas and coffees with pastries. The common feeling reflects farm like atmosphere and fresh scents and beautiful colors will embrace the feeling. The Image and the visual appearance are important for Kylmäkellari's success.

Kylmäkellari is a grocery store for ecological people who care for their well being or people who want to eat fresh local food. The company wants to promote ecological behavior and to see customers healthy and vital.

Kylmäkellari enables an easy way of finding quality food products fast and from the same store. Kylmäkellari will have all the necessities for eating fresh and clean but the products range is mostly raw ingredients and means that a consumer is willing to put some effort on food preparation.

The business concept is to provide fresh and reasonable price food that is either organic or without food additives preferably local food. In my opinion there is a definite need for this kind of company because in supermarkets it can be hard to find the quality products among the massive product range and sometimes even impossible due to the lack in certain product selections.

Entrepreneur

The founder of Kylmäkellari is soon graduating business management student from Laurea University of Applied Sciences. The specialization is in Global service marketing. The wide work experience in many companies has provided a good insight to how companies operate. The work experience is mostly from accounting, sales, sales promotion, marketing and office

managing. The founder has a good understanding on companies operating environments that will support in understanding the problematic issues in entrepreneurship. The education and work experience supports the preparedness in becoming challenges.

The political experience from numerous position of responsibilities and trust in many fields have developed entrepreneurs negotiating skills, presentational skills, ability to produce action plans and annual reports, financial understanding as well as accuracy in detecting details.

Understanding the retail business and especially the food industry has started from own interests. Some years ago the becoming entrepreneur started eating non food additive and organic food and as a result got rid of multiple food and pollen allergies that had been medicated for over fifteen years. This was a breaking point to the entrepreneur that realized that adding chemical ingredients to food can have serious affects to sensitive people. The maintenance of the suitable diet guided to some challenges in process of acquiring the food.

Even though the founder knows the supply of organic and non food additive food in local grocery stores it has been very challenging sometimes. The organic and non food additive markets are growing and the interest of consumers is increasing but still some stores lack in basic products such as many vegetables and fruits, non homogenized organic milk, meat and flavored yoghurts. Some of the grocery stores have better selections but certain products are constantly ending a good example being non homogenized organic whole milk that is in the selection but rarely in the shelf. The founder finds a definite need for organic non food additive store that is easy to enter and the quality of products is satisfying even for a demanding customer.

The entrepreneurs skills in food preparation are from own interests that have been developing for over twenty years. Pastries and food has been served among friends and family in events that require catering and the feedback has been good and recipes have spread fast. A long term dream has been to actually be working in the food industry. Many job advertisements and educations have been interesting but not suitable for the founder for a simple reason.

Having seen many benefits and disadvantages in companies' policy and working environment and having no possibilities to change or enhance the processes that clearly have been in need lead to a conclusion of wanting to work by own terms. Many times the structure of a company is very multiple and it is hard to change even though the need would be clear. Kylmäkellari will only operate smartly and efficiently and be ready for changes if need appears in a way that is respectful for all the interest groups.

The founder has self educated and developed knowledge on the food industry and related fields. The outcome is a strong belief that good nutrition helps the people to be healthier and to feel better. The entrepreneur wants the customers to be healthy and vital and spread positive energy through positive state of mind.

When the company breaks even and starts making profit the company will offer a possibility to the founder and other possible employees to educate. The entrepreneur will participate to natural product vendor degree that will give more professional knowledge and knowhow about the products and line of business. This education enables more possibilities in changing markets.

According to the Finland's health institute Salus after graduation a person can for example work as nutrition adviser also for athletes, lecturer, and consultant in occupational healthcare. (Terveysopisto Salus)

Business form

Kylmäkellari will be started out as a Limited Liability company to get the business started and profitable. When the company is stable in terms of income and position in the markets it will be changed in to a cooperative society. This is because Kylmäkellari wants to promote a line of business that aims at reasonable economy and not limitless pursuing profit and satisfies also social and cultural needs.

This change demands at least three members that will become equal members in the company and due to taxation reasons they should be able to commit for a longer period of time preferably five to ten years in order to support all the members financially.

Products

The product range does not contain long processed groceries. The company prefers Finnish suppliers but some of the product will also come from abroad if comparable products are not produced in Finland. The assortment includes fresh vegetables, fruits, herbs, spices, sweets, teas and coffees, flours, seeds, nuts, meat, eggs, milk and milk products such as cheese, yoghurt and sour cream. In addition the grocery store will have basic hygiene products and if due to the law possible also organic beers and tobacco.

Having beer and tobacco in the selection is important due to the fact that almost all grocery stores have these products in their selection. The lack of these products may complicate the

competition and cause losing customers that regularly purchase these products. The idea is to get everything from the same store.

The assortment in the café will be the breakfast, lunch and café services. Two different breakfast choices daily that are prepared from grocery stores own selection. The two daily changing lunches are served of which the other one is vegetarian choice as well prepared from stores own selection. The café will have quality teas, coffees and hot chocolates and some pastries. Most of the sold organic products in 2009 were milk and vegetables.

Kylmäkellari will have a good selection of vegetables and milk from raw milk to non homogenized milk. The meat selection will be as broad as possible since the organic meat is still difficult to find. If the supply of meat is occasional or seasonal it can be sold from the freezer where it stays good for longer.

Kylmäkellari wants to also offer such products that are not available in regular markets like variety of yoghurts that are prepared from non homogenized milk and flavored organic yoghurts. If a supplier is found Kylmäkellari wants to offer also other milk products prepared from raw milk or non homogenized milk.

Suppliers and logistics

The suppliers are in an important role in this line of business. Since the organic markets are in every aspect poorly organized the products will be gathered from many different suppliers. It is likely that there will be numerous suppliers and the volume of the purchased products depends on Kylmäkellari's demand. The products that are not available from Finland will be purchased from the bigger suppliers such as Veikko Laine and Heimon Tukku. The challenge is to have a steady product flow and have wide selection of goods at all times not depending on single supplier's delivery problems.

Logistics is especially in the beginning very difficult, time consuming and expensive. The first priority for the company after starting is to rationalize all deliveries to be as ecological, simple and inexpensive as possible. The company will purchase or lease a van that is suitable for shipping of products in case that some smaller local suppliers don't have a functioning delivery system in addition local delivery companies will be used if necessary.

Premises

This grocery store will be established in Järvenpää. The ideal location is in the Centrum. For the convenience of the customers some parking space is needed which can restrain finding

business premises. The premises will be searched from the internet pages that offer business premises in Järvenpää. Such websites are <http://www.jarvenpaantoimitilat.info>, toimitilat.kauppalehti.fi, <http://asunnot.oikotie.fi/vuokrattavat-toimitilat>.

Marketing

The marketing and the advertising for Kylmäkellari must be efficient since the existing target market is small. The pressure is to get also the customers that are ignorant to organic and non food additive food but value fresh and good quality food or prefer shopping in a smaller store with a warm and welcoming atmosphere.

Obviously the largest target market is young, single and parents of small children. In addition Kylmäkellari wants to focus on the older singles who are the biggest group of regular buyers. To the possible customers that are ignorant to the organic and the non food additive the company wants to offer a positive shopping experience in a farm like atmosphere with good customer service and a reasonable price.

Before the company opens there will be an announcement of some kind in a newspaper. The ideal situation is that a journalist writes a story about the new opening store. It may be difficult to arrange but anyhow very possible with right contacts.

Before the opening certain people will be invited to celebrate the opening and to explore the store, products and services. Tastings will be served all day and special offers from interesting products. The lunch and breakfast will be half priced to appeal especially employees of nearby companies who are possible futures clients. The invitations will be sent to the family, friends, and the organic food circles and the nearby companies.

One of the significant target markets is the parents of young children. For this reason constant poster advertising is done in the day care centers, family clubs and the library. The posters will be spread also in the public notice boards in Järvenpää. In the front of the store will be posters stand where special offers are informed. These offers are chosen to be interesting and the aim is to get people visit the store. The word of mouth will be an important factor due to the size of the town. Interesting news spread fast.

Since the organic food is becoming more recognized and suppliers are increasing it is a possibility for Kylmäkellari to succeed. Because the price and quality are competitive it will be very appealing for the customers.

Vision mission

In three years from setting up the business the company has achieved a stable market share and will be an important even though a small part of the local grocery markets in Järvenpää. Kylmäkellari will be well recognized and known among the citizens of Järvenpää, Kerava, Tuusula, Kirkkonummi and Mäntsälä. Kylmäkellari will work towards solutions that will increase the amount of the customers from nearby towns.

Kylmäkellari will offer internship possibilities for the students and possibilities for the middle schools to familiarize with fresh food products. This way the company wants to promote the common food related knowledge among young people. The profit will be used for the education of the staff and the owner as well as investments that support the success of the company. All that is not necessary will be used for promoting common good in the near society.

Mission is to ensure that the customers will get the best food available in the terms of quality, purity and nature's point of view as well as being a good employer and a strong operator in the near society.

Values and ethics

The company values are important for Kylmäkellari because the meaning is not only to provide quality food but also promote the business environment that everyone can affect and that is fair and equal to all the employees as well as the customers. As a company Kylmäkellari wants to promote a good customer service and a good working environment and good overall atmosphere.

In addition one significant factor is recycling meaning that not only garbage's and packaging material is recycled but everything from food to knowledge will be forwarded according to needs of the near society. This means that all that is not necessary for the company and the employees will be given to people who are in the need. The decisions will be made by the owner and the staff and later on it will hopefully become the company's unwritten policy. The company wants to support things that promote the ecological and the ethical behavior of the society.

Competition

The competition must be divided to two different sectors. Kylmäkellari offers such grocery store products that compete with the other grocery stores and services that compete with the companies offering café services, meals or pastries.

The competitive situation in Järvenpää is mainly based on the supply of the supermarkets and in the marketplace at a fair. None of them alone offers all that a demanding customer needs. None of the breakfast or lunch restaurants in Järvenpää offer dishes that are fully without food additives and/or organic. Therefore the competition is between Kylmäkellari and all the cafes and the lunch restaurants in Järvenpää. Some of the customers may appreciate the organic food but the competition will anyhow be tough and in Kylmäkellari's point of view based on the tasty food, drinks, pastries and the relaxing atmosphere.

The competition in Järvenpää is mainly the large markets that have relatively large organic product range. These are the large markets that can compete with the price. The big markets have also a vast product range. It can be easier for the consumer to find everything that is needed from the supermarket after all Kylmäkellari mainly focuses on food products. There can also be a downside. Supermarkets are big and it can be time consuming and frustrating to try to find the quality food products.

It is likely that similar businesses will start as the amount of demanding and the quality understanding customers grows. They will be serious competitors and the company must all the time develop in order to stay in the changing markets.

The futures interests in possibly expanding the business or due to a change in the markets are inside gardening basic products to support the organic life style. Such products are mould, fertilizers, lamps and seeds. In addition all kinds of organic products from hygiene products to cosmetics and clothing can be a possibility in the future to some extent. Also the range of the café products can be expanded. The idea is to have a successful business that can offer clients such products and services that they want.

The competitive advantage is that all food products a household needs will be easily found from one store. Store that ideally by splendid customer service and sensual stimulants such as colors and scents offers customer a pleasant shopping experience. Quality of the products is one of the most important factors. The food products will always be fresh, well preserved and smartly priced. All the products are organic or non food additive preferably local food. And the store is furthermore ecologically and ethically a trustworthy choice.

Internet shopping

Kylmäkellari will have a website where all vital information can be found in addition to the products that can be also purchased from the internet. Home delivery is a possibility in the future but in the beginning only website order and reclaim from store. Website will reflect the stores farm like feeling.

The idea is that the products can be ordered beforehand from the internet and they can be picked up easy and fast from the store already packed and paid. This may easier the shopping for busy people or people living outside Järvenpää who are often passing by and want to get the shopping done fast and effectively.

Financial aspects

Founding the company means founding expenses due to legal demands on setting up a company but also acquiring the needed equipments and furniture. Needed equipments are the cash register, a payment terminal, a computer, a car, a mobile phone, refrigerators, freezers, stove and oven, dishwasher, shelves, tables, stools and other smaller miscellaneous material. Monthly costs consist mainly of the salary, rent, transportation, storage and acquiring the goods for sale.

The grocery stores profitability can be weak in the beginning and therefore Kylmäkellari will invest on selling breakfast and lunch services where the profitability is better. The competitive advantages are the quality raw ingredients, parking space and fast delivery of the food. These are lacking in many lunch restaurants in Järvenpää. The profitability of the grocery store will be enhanced by making smart decisions on the ordering schedule and streamlining the logistics when all the contracted suppliers are known. The equipments are purchased used and this way company wants to promote the ecological behavior and save money.

Need of capital

Equipments	14 900 €
Renovation	5000 €
Working capital	10 000 €
Total need	29 900 €

Table 1: Need of Capital

The equipments include a computer, a car, a phone, refrigerators, freezers, shelves, scales, food preparation equipments, register etc. A renovation is probably needed but aim is to get renovation done by the owner and directly transferred to rent that is like free loan. The working capital is needed to get the store full of products to sell.

Budget

Cost	month
Entrepreneurs salary	1800 €
Transportation	1000 €
Premises	3000 €
Marketing	100 €
Office equipment	150 €
Loans	500 €
Costs equals	6550 €

Table 2: Budget

The entrepreneurs' salary includes all other necessary payments and is quite small in the beginning. The transportation expenses can probably be lowered in time when logistics start working effectively. The marketing is done in traditional methods for example sharing posters and especially in the beginning by using additional family work force for roll-in.

Sales

Product	month
Shopping baskets	3000 €
Lunch and breakfast	3025 €
Pastries	275 €
coffee or tea	330 €
Income equals	6630 €

Table 3: Sales

The calculations on shopping baskets are based on average shopping basket. The average value per shopping basket in 2012 was 21 euro. (Hyrylä 2012) In order to reach this income Kylmäkellari needs to sell 11, 5 baskets per day. Lunch and breakfast must be sold 27, 5 each day. Pastries must be sold 5 per day and coffee or tea 15 per day. Idea is to get customers to stay for a coffee after shopping or buy ready dessert to go from cafeteria. This will increase the sales that are calculated very cautiously.

5 SWOT Analysis

This SWOT Analysis considers the strengths and weaknesses of the company Kylmäkellari. This analysis is mostly based on the theoretical part of the study. The Analysis was prepared in order to better understand the reality of the grocery store and the operating environment. Opportunities and threats are matters that may affect the company from the outside and therefore important to realize in order to be prepared for the possible changes in the line of business. It is vital for the survival of Kylmäkellari to be ready to change and respond to the changes in the markets and business situations.

<p>Strengths</p> <ul style="list-style-type: none"> Expected growth in local food consumption Growing interest towards organic and local food Governments interests to grow the organic area of cultivation Diversifying the supply of domestic organic food and quantity Interest quality food Location of the store Lunch and breakfast from organic and non food additive ingredients Good and knowledgeable customer service Ecological company policy 	<p>Weaknesses</p> <ul style="list-style-type: none"> Small amount of active and users Availability of the products and suppliers Poor financial situation First time entrepreneur Lack of long processed food Difficult transport due to many suppliers and fast food decay
<p>Opportunities</p> <ul style="list-style-type: none"> Growing interest for organic and local food Increase in local and organic food suppliers National aims in increasing organic production and supporting growth Governmental aims to develop the collecting and distribution of organic food Increasing use of organic food in professional kitchens 	<p>Threats</p> <ul style="list-style-type: none"> Big supermarkets growing organic selection Decrease in economy Problems in the availability of the products and suppliers New regulations for organic farming

Table 4: SWOT Analysis

Strengths

The following is mentioned earlier in the theory base of the study. Interest in organic and local food is increasing and the growth of local food consumption is expected. The organic markets aim to triple the markets between the years 2011-2015. The government plans that the organic area under cultivation should grow to 20 percent until the year 2020. And the goal is also to diversifying the supply of domestic organic food. The media's and consumers interest to quality food has increased which can be seen in the growth of food supervision.

Weaknesses

The amount of active and regular users of organic food is still small and the money spent is a small percentage of the whole consumption. Since at the moment demand for the local and organic food is bigger than supply it is possible that the problems will arise when trying to find regular suppliers.

Opportunities

The national aims are to increase the organic production and support growth. The government also aims developing new methods for the collecting and distribution of the organic food. At this point the use of the organic food in the professional kitchens is small but increasing use of the organic food in the professional kitchens may broaden the market opportunities.

Threats

The European Union is at the moment planning greenhouse regulations that would end the year round farming from Finland. (Luomuliitto 2012) Big supermarkets might grow the organic selection in order to answer the growing demand.

6 Conclusion

The subject of this thesis was to prepare a feasibility study for an organic and local grocery store. The research was executed as a desk research by collecting information about the process of founding a company and the market situation. The objective to this study was to prepare a comprehensive feasibility study and understand how to establish a grocery store. The other essential interest was to understand the entrepreneurship and the reality of it in terms of benefits and disadvantages. The feasibility plan familiarizes to the food industry as well as the organic markets and the situation in the organic food markets. The idea of founding a

company to the field of the organic food markets was based on realizing the lack in the supermarkets supply in the organic and non food additive and local food as well as the difficulty of finding them among a vast range of different products.

The feasibility study expresses the company's goals strategic point of view as well as explains the company policy. The thesis focuses on the process of founding a company. The theoretical background explains the need of the business idea and business plan and other planning in the process such as strategy planning, vision, mission and values. On the other hand thesis familiarizes to the competitive situation, the food industry and the customers in the markets. The feasibility plan could be enhanced later on by adding a market research in which case the plan can also work as a business plan.

The validity of the thesis is good and it is based on various information sources of which some are very old but due to the fact that they have already been used for decades as a theory base and are still used in the business world gives a reason to believe that the validness is good. Internet sources are mostly governmental directions or internet sites of unions and therefore quite trustworthy.

Based on the study the company is possible to establish but it demands a lot of effort before it will begin producing profit. There are various challenges in having many suppliers and cost-ly delivering for a small grocery store. The fixed costs are high and therefore customer base should be steady from the very beginning of the company. That can only be achieved through lot of marketing and impeccable services and products.

For a small grocery store entering today's market situation is difficult due to the fact that the largest market chains have an enormous share in the grocery markets. Furthermore there is a definite gap for a company like Kylmäkellari that could be filled successfully if planning and investments are done carefully although in addition some luck may be needed.

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