

Saimaa University of Applied Sciences
Business and Culture, Imatra
Faculty of Tourism and Hospitality
Degree Program in Hotel, Restaurant and Tourism Management

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**Vietnamese Style Café in Lappeenranta – Imatra
Region: A Business Concept Statement and
Customers' Preferences**

Thesis 2015

Abstract

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Vietnamese Style Café in Lappeenranta – Imatra Region: A Business Concept Statement and Customers' Preferences, 94 pages, 4 appendices

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The purpose of the thesis was to investigate by studying the theories of business concept statement, different forms of business and legal issues needed for opening a food establishment in Finland as well as creating a practical business concept statement for the real business idea of opening a Vietnamese café in the region Lappeenranta – Imatra of Finland. The aim of the authors was to visualize the business idea of the café for the readers through this thesis work.

The information and knowledge used in the thesis were gathered from books, the Internet and the market survey. The thesis started with the basic knowledge relating to Vietnam, Vietnamese coffee, tea and culture. The theoretical section covered the theories of the start-up process in running a business as well as the business concept statement itself. Within the theoretical part, the definition of this statement, its contents and concerns were defined clearly. Empirical work was another important part of this thesis. This part comprised a quantitative market research towards the business idea and a written business concept statement. The study was carried out in both Lappeenranta and Imatra by handing out the questionnaires to the potential customers as well as giving them the samples of possible products sold at the café for testing.

The outcome of this study acted as supportive materials for the process of creating the business concept statement. Generally, this thesis is expected to be useful for people who are interested in doing business and are looking for a potential business idea as well as for students considering writing a thesis of related topic. Further study should be implemented for the creation of a business plan from the concept statement made in this thesis work.

Key words: Business idea, business concept statement, Vietnamese style café, customers' preferences

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1 Introduction

The topic of this thesis is about presenting the business idea of a Vietnamese style café in Lappeenranta – Imatra region in the form of a written business concept statement and finding potential customers as well as proper knowledge of the market for the business idea. Starting from the enthusiasm with doing business in hospitality field and the pride in authors' own country – Vietnam, they have come up with this business idea of operating such café in the region that has a close-knit connection with them during their time studying here. Within the whole thesis work, the authors wanted to explain and clarify the business idea to the readers by forming a business concept statement. As the authors also were interested in potential customers' preferences and opinions towards such kind of a new café, the market research was carried out during the thesis process. Generally, the thesis is expected to be helpful for other students or any entrepreneurs that are interested in this topic. In this chapter, the authors emphasized the main aims and limitations of the thesis as well as a short description for the layout of this report.

1.1 Aims of the thesis

The main aim of this thesis was to study the process of creating a business concept statement for a Vietnamese café with an emphasis on the point of view of potential customers. With the aid of the theoretical knowledge, the authors would like to create a customer analysis and point out their preferences for the business idea of a Vietnamese café in Lappeenranta – Imatra region. The study also aimed at practicing doing market research and implementing quantitative data-collection method in the process to gain better understanding of the targeted market. Those methods would help examine the possibility to open such a business in the selected region from the points of view of the potential customers combined with the initial business idea.

1.2 Limitations

The thesis study involved certain limitations concerning research scale, research process, and product testing. Firstly, the research was about developing a

business idea for a Vietnamese café and visualizing the idea for readers through a business concept statement. As a matter of fact, a business concept statement was only a part of a business plan, there were many sections that were missing such as Human resources management, Financial foundation, Risk analysis and other detailed information. The detailed information about business plan and business concept statement will be clearly discussed in chapter 3. Secondly, there were certain limitations concerning the research process. During the market research survey, the authors managed to gather around 100 samples, which were still limited when it came to dividing the collected data into different groups. Additionally, due to the shortage of resources - Vietnamese food and beverages in the region, the authors were only able to test the available beverages including different types of coffee and tea; there were still some types of tea missing and no food testing which made it not possible for the authors to evaluate the interest of local residents in Vietnamese food and generate a general view of the situation. Finally, this particular business concept only applies to the case of a Vietnamese café business; other researchers who plan on doing similar business concepts will have to carefully examine and study the materials to see what may suit their needs and what are not appropriate.

1.3 Thesis report outline

This report is divided into three main parts: background information, theories and empirical work. The background information, coming at first place, presents the knowledge needed relating to the topic. In the theoretical part, the authors will focus mainly on the term “business concept statement” and other relevant issues about establishing a new business. The empirical part comprises a market survey and the written form of a business concept statement for the case of a new Vietnamese café in Lappeenranta – Imatra region.

2 An introduction to Vietnamese coffee and tea culture

It is a fact that Vietnamese tea, coffee, and drinking tea and coffee culture are not a common subject for European people. Thus, this chapter is written aiming at

providing readers with basic knowledge related to the topic of the thesis work for a better understanding.

Coffee and tea are parts of the cultures of many countries all over the world. And Vietnam is not an exception. Vietnamese people own a very special and distinguished tea and coffee culture. Generally, these cultures can truly express the characteristics of Vietnamese people and their lifestyle.

2.1 Vietnamese coffee and coffee culture

Coffee and drinking coffee have gradually become an essential part of Vietnamese people's daily lives. Dehart (2013) has commented that "Vietnam has a unique coffee culture with an alluring story." Hence, the authors will try to tell this "alluring story" behind the coffee culture in Vietnam in this section.

The story starts with the coffee beans and coffee plantation. Coffee in Vietnam did not have the origin in Vietnam. Going back in time, coffee came to Vietnam since the French invasion in 1800s. To be precise, coffee was presented to Vietnamese people in 1895. Since then the coffee plantations have started to grow in many regions of the country from Central Highlands to Coastal areas of Vietnam. It could be said that the invasion of French in Vietnam did have some positive influences, and coffee was one among them. From The French, Vietnamese people not only knew about coffee, but also learnt and developed their own unique ways of brewing and blending coffee. (Dehart 2013.) Nowadays, Vietnam has become the second strongest coffee producer in the world, only after Brazil. And the most common coffee bean cultivated in Vietnam is Robusta. (Coffeetov 2014.)

It is true that coffee in Vietnam was introduced by the French. However, after years passed by, coffee and drinking coffee have incredibly rooted in Vietnamese culture. They have become so close to and familiar with Vietnamese people. People can enjoy coffee at any time of the day, in any cafés or at home, for any purposes such as meeting with friends, while working or studying, while discussing political issues or life matters, etc.

It is not difficult to brew a cup of Vietnamese coffee. In order to make a nice and tasty cup of coffee, the most important tool needed is the “phin” drip or filter. The picture of the filter is in the figure 1 below. Vietnamese coffee is normally brewed for 3-5 minutes and served in a small coffee cup (See figure 2). For sweetening the coffee, Vietnamese people add condensed milk instead of sugar and fresh milk. The traditional forms of coffee are normal black coffee and “brown coffee” (black coffee with condensed milk). Besides, another way to enjoy coffee is with egg. This type of coffee was created in the old times when condensed milk was too expensive. The detailed information of these ways of making a cup of coffee is in the leaflet “Vietnamese coffee” attached as Appendix 2 at the end of this report.



Figure 1. The coffee filter (Phincafe 2013)



Figure 2. Steps to brew a cup of Vietnamese coffee (Caphechat 2014)

As mentioned before, the coffee culture in Vietnam is unique. Vietnamese people do not drink coffee in a rushed manner, but rather slow - slowly sip the coffee. The reasons are, firstly, it takes time to have a hot tasty cup of coffee and secondly, only when enjoying slowly the person can indulge in the full flavor of the coffee. Vietnamese coffee is not for a hurried or impatient person. Like Brault has shared in the article “Vietnamese Coffee brews global dreams” (Dehart 2013):

“In Vietnam, coffee is meant to be savored, not carried in a cup-holder to work. It’s a gourmet and relaxing experience to brew the coffee one cup at a time at your table. That’s why it is unique in the world. It isn’t just the coffee. It’s what it means to people in their lives.”

2.2 Vietnamese tea and tea drinking culture

When talking about Vietnamese culture, it will be an omission if tea culture is not mentioned. Tea has been a vital part in the culture of Vietnamese people for centuries. The tradition of drinking tea is a part of the culture and lifestyle of the Vietnamese.

There is no clear record for the appearance of tea plant in Vietnam. People did not know whether it had the origin in Vietnam or it came from some neighbor countries. They only knew that tea had been in Vietnam long time ago. Tea is considered as an important part of Vietnamese people’s daily lives because of its presence in every corner of life from home to tea shops, at any moment of life from daily moments to special occasions and celebrations.

In Vietnam, there are many types of tea available for different tastes, social classes, as well as personal characteristics (Hoang 2012). However, the three most common tea categories in Vietnam are green tea, black tea and scented tea. Green tea has become the most popular tea type among Vietnamese people. People can drink green tea during the break or after a long working day, on the streets, at home or at tea shops. And Vietnamese people prefer the original green tea to flavored green tea. In Vietnam, black tea is not as common as green tea. Today, the two brands producing black tea – Dilmah and Lipton – are well-known among youngster. (Vietnamonline 2015.) Scented tea in Vietnam means the black

tea scented with flowers' and herbs' scents. Among this tea category, lotus tea can be considered the best and the representative of Vietnamese tea because of its uniqueness and the complex process of producing the tea itself. In fact, the best lotus flowers for scenting come from the West Lake in Hanoi, Vietnam. The lotuses there are more beautiful, precious and fragrant than lotuses elsewhere in Vietnam. The tea can be scented directly inside the flower (figure 3 below) or by mixing the tea with pistils of the lotuses harvested at the dawn when they just bloom. The process of producing lotus tea requires a lot of work, time and flowers in order to give the full aroma of lotus absorbed into the tea. It is estimated that 1kg of lotus tea needs 1400 lotus flowers. That is the reason why lotus tea, especially the one produced in the traditional villages nearby the West Lake in Hanoi, has a really high value in terms of both physical and spiritual. (M.A 2013.)



Figure 3. Tea scented in a lotus (M.A 2013)

Tea culture of Vietnamese people can be as rustic as when people having a cup of tea on the street, after a hard-working day, or when inviting friends for a cup of tea during their visits. However, the tea drinking culture of Vietnamese people can also be as sophisticated and elegant as an art, especially when referring to the tea ceremony. Vietnamese tea testing ceremony is not as complex as the one from Japan, China or Korea. In fact, the tea ceremony reflects the characteristics of Vietnamese people: chastity, gracefulness and elegance. There are three phases in the tea ceremony of Vietnamese people: “Waking up teapot, tea cups and tea”, making tea and enjoying tea. In the first phase, the person who makes tea, in

Vietnamese “trà nô”, will use hot water to heat up the tea pot, tea cups and a special teapot, in Vietnamese “chuyên trà”, as well as to wash through the tea. Then, “trà nô” will put into the tea pot a suitable amount of tea and hot water and leave the tea in the pot for few minutes. Next, “trà nô” will pour the tea firstly to “chuyên trà” and then from “chuyên trà” to tea cups. When the tea is ready, “trà nô” will give people the tea with both hands. (Nguyen 2014.) The set of tools used in this tea testing ceremony are shown in the figure 4 as follows.



Figure 4. A set of tools used in Vietnamese tea ceremony (Nguyen 2014)

3 Customer orientation in business planning

Customers play an important role in the existence of any company. Without customers, the business cannot run or be maintained. Hence, during the business planning, the entrepreneur needs to take a serious consideration of consumer orientation. This chapter will contain the theory related to business planning and customer analysis. The knowledge discussed in this chapter will later on be applied to build up the business concept statement in chapter 5 to 7.

This chapter contains three main parts. In the first part, the author clarifies the matters referring to the beginning of a business, from the idea to different licenses. The second part of this chapter presents in details the further development stages

in business planning. Lastly, the theories related to customer orientation are discussed in the final section.

3.1 Starting a business

In order to do business, the businessperson should have some ideas about the business itself as well as the regulations for operating a business in a particular country, in this case, Finland. Therefore, within this section, several matters that business owners may face at the start-up stage of a business will be discussed.

3.1.1 Business idea and business opportunity

There are two ways to start a business. The first option is that the business person can build up a company before looking for the opportunities, generating the business ideas and starting the business. This is called “externally stimulated”. The other way is “internally stimulated”; in this case, the entrepreneurs realize the problems or the opportunity gap first and then do the business that can fill in the blank in the market. (Barringer and Ireland 2012.) For both ways of starting a business, generating ideas may be easier than recognizing the opportunities.

A business idea is a thought of a product or service that the company can offer for the market and earn money. Any successful business starts with a promising idea. The entrepreneurs can generate millions or billions of ideas, but not all the ideas, no matter how wonderful and glorious they are, can develop further to be profitable. Hence, an idea is simply a thought in the mind of business owners, it has opportunities to make money, but it cannot be sold. (Martins 2013.)

The term “business opportunity” refers to the idea’s chance. It is an appropriate time or situation when there appears the need for a new product or service from the market. An opportunity gap is what a businessperson is looking for because it is the chance for him/her to establish the venture or to create and offer the products that can fill in the gap. A business opportunity needs to have these four essential criteria: “Attractive”, “Timely”, “Durable” and “Anchored in a product, service, or business that creates or adds value for its buyers or end user”. (Barringer and Ireland 2012.) This is the important point explaining why

entrepreneurs need to be careful in using the business ideas, because, not all business ideas own a business opportunity.

3.1.2 Business concept statement

A business concept is a link between a business idea and a business plan. It is the step when the businessperson starts to identify and convert the business ideas of the future venture in his/her mind into the business concept before implementing those concepts with a business plan. A good way for entrepreneur to visualize the business idea is to create a written business concept statement. Preparing this statement enables businessperson to determine the key business figures and components of the ventures, to evaluate the business idea more efficiently as well as to make it easier for entrepreneur to communicate the business concept with customers, investors and suppliers. Additionally, a business concept concerns these main points: the products and services sold, the targeted market, the competitor, the marketing, and delivery methods. (Muller 2012.) As Muller (2012) and McFarlin (2015) have stated, in order to design a business concept statement, the businessperson is required to answer these questions and matters:

- Description of the business
- What are the products/services offered?
- Who will be the potential customers for those products/services?
- Why will they purchase the products/services?
- Where can the clients buy the products/services?
- How does the company promote its products/services?
- Who are the competitors of the business?
- What are the goals set for the business?

The business concept statement always comes first before business plan; it is like a stepping stone before crafting a completed business plan. This statement truly simplifies the process of writing a business plan because it is a part of the business plan and the business founder just has to adjust these components and add in other elements of a business plan.

3.1.3 Legal forms for a business

One of the first decisions for a business owner is to select and register the right legal forms of the business. There are many types of legal forms for a business, from private to co-operative. This chapter deals with the most common business forms in Finland - from definitions to their pros and cons.

In Finland, the business operations can be carried out in the following forms: Private entrepreneur, General partnership, Limited partnership, Limited company, Co-operative or branch of a foreign organization (Holopainen 2015). However, the topic of this thesis work has no relationship with a foreign enterprise or existing organization wanting to open a branch in Finland. Thus, the focus will be on the first five types of a business.

Private entrepreneurship

Private entrepreneurship, also known as “sole proprietorship”, is a form of business run by a single person. This means that the owner of private enterprise will be in charge of any decisions made, as well as the company’s losses and profits.

Any private person who is naturally a resident in the European Economic Area (EEA) can operate a new business as a sole trader according to the proper practice in Finland. A person who lives in other countries outside EEA is required to get a trade permit from The National Board of Patents and Registration (NBPR) prior to registering as a sole proprietor. (Holopainen 2015.)

Being a private entrepreneur is very simple with easy setup procedure as well as low startup costs, which make this a popular form of business. Moreover, private entrepreneurship does not require much formal paperwork or business agreements; one essential paper is the start-up notice form Y3 provided by NBPR and Taxation Administration in Finland. The business owner can start the company almost immediately after this registration process. When operating a private enterprise, the owner has the full control of every aspect of the business as well as he/she is totally independent on making business decisions. Last but not least, being a sole trader, the business manager will deal with a simpler taxation

procedure. In addition, there will be no payments for cooperate tax. (Holopainen 2015.)

However, there are disadvantages in sole proprietorship. Firstly, the private entrepreneur is responsible for unlimited liabilities from personal debts, losses to the liabilities of the company. There will be risks for the existence of the business if there are financial problems or these debts overwhelm the owner's assets. Secondly, investors do not invest money in sole proprietorship so often. Being a sole trade is stressful when all the responsibilities of the company and business decisions become burdens for the owners. (AllBusiness 2013.)

General partnership

A company is operated in general partnership form when there are at least two founders (partners) sharing the ownership of this business. To be able to carry out general partnership, at least one of the partners has to be native resident or has his/her registered office in EEA. On the other hand, if all of the founders are from outside of EEA, they should apply for a trade permit from NBPR. In order to register for a general partnership business, the owner needs to fill in Y2 notification form from NBPR and Tax Administration. (Holopainen 2015.) In a general partnership, the commitments of partnership, liabilities as well as property should be transparent between partners and each partner shares a part of responsibility for all of the debts, decisions, profits, assets, etc. while running the business.

Being in a general partnership is simpler and more flexible than creating a corporation. Simplicity here means it requires less paperwork as well as money to form general partnership. Additionally, it is flexible because founders can select either centralized management structure or decentralized one when all partners take part in the management of the company. Another benefit of forming a general partnership is that the taxation process can be simplified. In a general partnership, the business may not have to pay income tax as well as get taxed separately if each individual founder files the losses or profits on his/her own personal tax returns. Besides, when there are more than one owner, partners can combine their

resources not only money, assets but also skills, knowledge as well as contacts that can extend the possibility of success for the business. (Morrow 2009.)

The first disadvantage of establishing a general partnership is liability. Each partner is not only responsible for the business debts and liabilities but also the ones incurred by the decisions of other founders. It is because of this possible personal loan that limits the ability to increase funds as well as attract investors. Another minus point for this type of business is that it seems to be unstable because of the risk caused when one partner suddenly dies or quits the business. (Morrow 2009.)

Limited Partnership

Similar to general partnership, in limited partnership, there should be at least two founders; but one of them must be a general partner, or in other words, an active partner. And this general partner here should be a native resident, or a legitimate person that has his registered office in EEA. This means that, with other cases of person that is residing outside EEA, a trade permit should be acquired from the NBPR. The other person in this limited partnership is sleeping partner or silent partner. (Holopainen 2015.)

Also in the guide, Holopainen (2015) has stated the differences between limited partnership and general partnership. The active partner's liabilities of the debts are the same as the ones in general partnership. However, for the silent partner, his/her responsibilities for the debts are limited according to the amount of his/her investment, which has been stated in Partnership Agreement. (Holopainen 2015.)

One advantage for general partners to form a limited partnership is that they can have limited partners to invest in the business for a share of benefits from profits and losses but not take part in the management activities of the company. This is opposite to forming business relationship with an outside investors because they will be actually involved in the business. Another benefit is that the assets of the business can also be protected in a limited partnership. This cannot happen in a general partnership because all the contributions there become the assets of all partners. Additionally, a limited partnership has the same benefits of simple

taxation process and less formal paperwork as the ones of a general partnership. (Morrow 2009.)

The fact is that in limited partnership, the general partners take care of all the management of the business while limited partners have only limited liabilities for all the debts and obligations. Thus, the decisions made for business, debts and obligations of business can become a burden for general partners. In addition, as being in a limited partnership, the businessperson has to hold the annual meetings and to make a precise Partnership Agreement. (Allbusiness 2015.)

Limited company (Limited Liability Company – LLC)

In Finland, in order to operate a limited company, there should be one or more legal founders, and at least one of them must be a native resident or have domicile in EEA. The person who is legally unskillful or has gone bankrupt may not become a founder. There are two types of a limited company: private or public. For a private company, the share capital has to be at least 2500 euros while for a public limited company, this number amounts up to 80,000 euros. (Holopainen 2015.)

Establishing a limited company has many advantages. First benefit that is worth mentioning is the security of the owners' personal possessions. Forming a limited company means the owners' personal assets and the company's assets are separated. Thus, in the case of debts, liabilities and other problems, any private property of the owner will not be at risk. Similar to the liability of the silent partner in limited partnership, the liability of shareholders and owners in a limited company are also only restricted according to their shareholdings. Another advantage of a LLC is that its existence is infinite regardless of the retirement, death or change of Directors. Additionally, there are ways to reduce taxation as being a LLC. Comparing to a corporation, the process for the permission of operating a LLC is simpler. Nevertheless, there exists disadvantages in this type of business. First of all, for establishing this LLC, more start-up costs are required. Moreover, the owners of a limited company have less freedom comparing to a sole trader. This means that the decisions should be made for the benefits of the company but not the owners. (Cummings 2013.)

Co-operative

Co-operative is the last most common business structure in Finland. In order to operate co-operative business, the business should fill in the Y1 form and submit for registering at NBPR. The co-operative may cover individuals or an organization. The members of the co-operative are owners, and its capital is known as co-operative capital. (Holopainen 2015.)

One of the pros of forming a co-operative business is that it is easy to form. Additionally, having a co-operative business means that the business's liabilities are not burden of any single person among shareholders and members. In other words, the personal assets of shareholders and members are not at risk if the business fails. In a co-operation, the ownership is easily interchangeable. (Shepherd 2011.) Nevertheless, the co-operative business model has some disadvantages. The first minus point is the speed of decision-making process. The more people take part in the process, the more time the process requires. Additionally, with more members taking part in the management of the business, there exist more conflicts between members. Another disadvantage is that this business model may also have to face with "Ineffective Leadership" when the members elected in the Board of Directors may lack knowledge of managing the business or ignore responsibilities and focus only on their personal benefits. (Dontigney 2015.)

3.1.4 Agreement of "foodstuffs premises"

According to the section of "Legal forms of business" above, as being people from outside EEA, in order to establish a café in Finland, at least one of the owners has to apply for the trade permit in the case of forming private enterprise or partnership. Besides, an approval for premises relating to food and beverages is required in Finland. According to the definition of "foodstuff premises" of Holopainen (2003), a café is also considered as a "foodstuffs premise" because it contains professional activities of storage, producing, marketing and other handling of food and beverages. The approval is granted by the Municipal Public Health Authority.

3.2 Customer orientation

Customer orientation is an essential part of a business research. In this section, the authors will go through the study of customer behavior and customer segmentation. The theoretical findings from the studies enable the authors to gain a better understanding of the customers and how to approach them.

3.2.1 Customer behavior

The study of consumer behavior is extremely important for a business: the firm needs to know what the customers want to buy, why and where they want to buy, how much they are willing to pay for the goods (Kotler and Armstrong 2012). Research about customer's buying decision enables a firm to understand the consumer's purchasing motives and patterns, thus allowing more efficient approach and enhance efficiency of marketing.

Kotler & Armstrong (2012, p.135) suggested that consumer purchasing behaviors are influenced by four major characteristics: cultural, social, personal and psychological characteristics. The detailed explanations of these factors are as follow.

3.2.1.1 Cultural factors

Within cultural factors, there are three elements: the culture itself, subculture and social class.

Culture

Culture is the most elemental cause of human's wants, perception and behavior, most of which are learned from the surrounding environment: society, family, relatives and friends. The culture characteristics vary upon different social groups or society. Adapting to the culture is essential for efficient marketing strategies and in some cases, appropriate approach to the market. Additionally, it is important to identify and take advantage of cultural shift, which is crucial to discover new potential products or services, e.g. cultural shift towards more concern for health and fitness or sustainable development. (Kotler and Armstrong 2012.)

Subculture

Subcultures are groups of individuals who share similar value systems. Subcultures involve multiple elements: nationalities, religions, racial groups and geographic regions. Subcultures can make up important market segments, for examples: Hispanic Americans, African Americans or Asian Americans. (Kotler and Armstrong 2012.) Therefore, subcultures also require extensive marketing attention and customization to certain extents.

Social class

“Social classes are society’s relatively permanent and ordered divisions whose members share similar values, interests, and behaviors.” said Kotler and Armstrong (2012). Social class is classified based on many determinants: occupation, income, education, wealth and other factors. The understanding of social class is needed for marketing purpose as individuals within the same social class would likely perform similar purchasing behavior.

3.2.1.2 Social factors

Consumer behavior is influenced by certain social factors such as groups, family and social roles & status.

Groups and social Networks

Social groups can lay affections in a person’s behavior. Membership groups are those which the person belongs to and can directly influence his or her behavior. In contrast, reference groups are groups where the person does not belong to, but have a certain influence on the person’s behavior, lifestyle, attitudes and buying decisions. Marketers need to identify the reference group and establish relationship with the opinion leaders, who can help them to spread the knowledge about their products or services to the potential customers. Common strategies used are Word-of-mouth Marketing and Buzz Marketing (with the use of brand ambassadors and evangelists). (Kotler and Armstrong 2012.)

Alongside traditional groups, the rise of online social networks requires the attention of marketers to this particular social group. Online social networks are online platforms where people communicate and share information or opinions. This channel opens the opportunity for firms to communicate with their customers, market their products and also build relationship with the groups. (Kotler and Armstrong 2012.)

Family

Family members have a special influence on the buyer behavior. Study also indicates that family is the major consumer buying organization in the society. (Kotler and Armstrong 2012.)

Roles and status

The role and status in the society of a person are also reflected in their buying behavior. For example, an individual would purchase different clothes which are suitable for his or her different roles, being a manager at work and a father at home. (Kotler and Armstrong 2012.)

3.2.1.3 Personal factors

An individual buying behavior is largely influenced by his personal characteristics: age and life cycle, occupation, economic situation, lifestyle and personality and self-concept. (Kotler and Armstrong 2012.)

3.2.1.4 Psychological characteristics

It is shown in the study of Kotler & Armstrong (2012, p. 147) that there are four major psychological factors influencing a person's buying decision: motivation, perception, learning and beliefs & attitudes.

Motivation

Kotler & Armstrong (2012) have defined motivation as "a need that is sufficiently pressing to direct the person to seek satisfaction". As Abraham Maslow stated in

1943, human needs were arranged in a hierarchy (Ambrand 2007) as presented in the pyramid figure 5 below. He suggested that there were five levels of need: physiological needs, safety needs, social needs, esteem needs and finally self-actualization needs. An individual will try to accomplish the most crucial needs first, such as physical needs; when those needs are satisfied, the motives will stop and then the person will move on to accomplish a higher level of need. (Kotler & Armstrong 2012.)

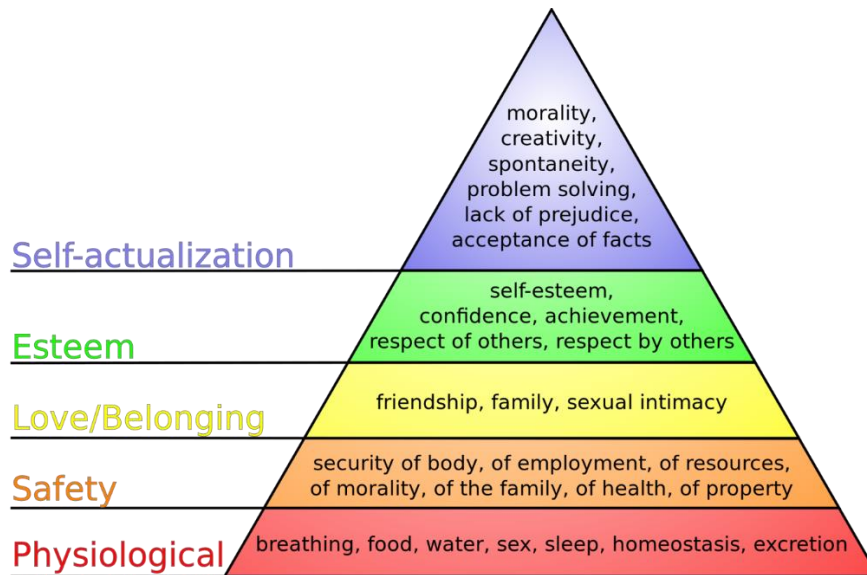


Figure 5. Maslow's hierarchy of needs (Ambrand 2007)

Perception

Kotler and Armstrong (2012, p. 148) have suggested that people can have different perceptions of the same stimulus due to three perceptual processes: selective attention, selective distortion and selective retention.

The mechanic of selective attention is that people will cross out most of the stimulus they see, and only the most attractive will be remembered. Selective distortion means that people will interpret the information that they are exposed to in the direction that suits their attitudes and beliefs. And in most cases, people will forget most of what they have learned and only remember some information that corresponds with their previous beliefs. Finally, selective retention means that consumers are likely to remember the good aspects of the brands they prefer and

forget about those of other brands. Considering all these three perceptual processes, the marketers have to work hard to communicate their messages to the customers.

Learning

Learning is referred in this situation as changes in a person's behavior in correspondence to a previous experience. According to Kotler and Armstrong (2012), the process of learning comprises many elements: drives, stimuli, cues, responses and finally reinforcement. The process starts when a drive is strong, motivating buying actions. Cues are small stimulus that may affect the response to the customer's interest in purchasing the product. And after the purchase and the experience with the products or services, the customer will reinforce his opinion and learning on that particular product. (Kotler & Armstrong 2012.)

Beliefs and attitudes

Beliefs and attitudes have a huge impact on marketing. Marketers are always concerned about what the beliefs are that customers have for their products, which will form the brand image and directly affect buying decision. If the beliefs are negative, actions are required to correct that. On the other hand, attitude is a rather consistent perspective of a person toward the products or services. Attitude is hard to be changed; therefore, it is recommended to design the products or services so that they fit with the existing attitudes.

3.2.2 Market segmentation

Customer segmentation is the process of dividing the current market into different customer groups or segments based on their characteristics, needs and wants. Identifying and focusing on the right customer segments is the essential of successful marketing.

According to Keller and Kotler (2012), a market segment consists of a group of customers who share similar needs and wants. The firm has to identify the character and number of the market segments and focus on the suitable segments.

There are four major segmentation variables discussed: geographic, demographic, psychographic and behavioral segmentation.

Geographic segmentation

Geographic segmentation divides the market into different geographical units such as nations, states, cities, regions or neighborhoods. By dividing the market, the firm can choose how and what area to focus its marketing effort on. In addition, the company can also design the marketing program to suit the special needs and wants of local customers in the selected areas. (Keller and Kotler 2012.)

There are many strategies which can be used for this kind of segmentation. One popular strategy is called grassroots marketing, which involves getting as close and personal to the individual customers as possible. A successful example of this strategy is the case of Nike with grassroots marketing efforts such as local school team sponsorship. Another strategy combines geographic data with demographic data to achieve more precise details on the customers and their neighborhoods. A successful illustration of this strategy is called PRIZM (Potential Rating Index by Zip Markets). The segmenting process is based on 39 factors of 5 categories: education and affluence, family life cycle, urbanization, race and ethnicity and mobility. This strategy helps companies figure out which geographic region contain their most valuable customers and what is the marketing penetration level on these areas, as well as many other useful marketing aspects. (Keller and Kotler 2012.)

Demographic segmentation

In the case of demographic segmentation, the market is divided based on variables such as age, family size, family life-cycle, gender, income, occupation, education, religion, race, generation, nationality and social class. This type of segmentation is popular to marketers due to its close relation to customer's needs and wants as well as being easy to be measured. (Keller and Kotler 2012.)

- *Age and life-cycle stage*: consumer needs and wants vary with age. Different products are required for different age groups.

- *Gender*: men and women have different preferences, concerns, wants and behaviors. Therefore, in some cases, it is needed to establish gender-oriented products designed for a specific gender. (Keller and Kotler 2012.)
- *Income*: income does not always equal to the best customer segment. It is more crucial to establish the right marketing strategy suitable to the income level of the market segment in order to achieve the best profits, along with many other benefits such as customer loyalty or positive brand image. (Keller and Kotler 2012.)
- *Generation*: each generation has its own environmental settings which also vary in time. These elements will have an influence on people lifestyle, perception, and preference as well as buying behaviors. Marketers approach these different generation segmentations by developing products and services that specifically meet the values and needs of the targeted generational targets. (Keller and Kotler 2012.)

Psychographic segmentation

Psychographic segmentation implements the usage of psychology and demographics to gain better understanding of consumers. Using this approach, customers are divided into different groups based on their personal traits, lifestyle or values. People within the same demographic group can possess different psychographic profiles.

One of the most common systems based on psychographic measurements is Strategic Business Insight's VALS framework, which signifies values and lifestyles. The two dimensions of the VALS segmentation theory are consumer motivation (the x-axis) and consumer resources (y-axis). Consumers are inspired by one of the three primary motivations: ideals, achievement and self-expression.

Behavioral segmentation

In behavioral segmentation, marketers divide buyers into different groups based on their knowledge, attitude or response to the products (Keller and Kotler 2012).

Needs and benefits

Customers do not share the same needs or wants of the same benefits from the products. Need-based or benefit-based segmentation is a common approach because it describes distinct market segments with clear and focused marketing implications. (Keller and Kotler 2012.)

Decision roles

Generally, there are five roles influencing the buying decision: Initiator (who starts or proposes the idea of purchasing), Influencer, Decider, Buyer and User. All of the roles are important in the buying decision process. (Keller and Kotler 2012.)

User and Usage

According to Keller and Kotler (2012), the variables, which are related to the users or their usage such as user status, user rate, buyer-readiness stage, loyalty status, are a good base for conducting market segment.

User status: there are many types of user status which are connected with a certain product – nonuser, ex-user, potential user, first-time user, and regular user. Marketers, in certain period of time, will use different approaches to target a specific type of users; for example a market-share leader tries to focus on attracting potential users while smaller companies try to attract current users to stay away from the market leader. (Keller and Kotler 2012.)

Usage rate: the users can be divided into different segments based on their usage rate. There are three levels of usage: light, medium and heavy product users (Keller and Kotler 2012).

Loyalty status: there are usually four groups of loyalty status (Keller and Kotler 2012).

- Hard-core loyals: users who are always loyal to one brand
- Split loyals: users who are loyal to two or three brands
- Shifting loyals: users who shift loyalty

- Switchers: users who show no level of loyalty

Buyer-readiness stage: The consumers can again be segmented based on their awareness of the products; some people are unaware, some are aware, some are informed about the products, some are interested or even desire the products. (Keller and Kotler 2012.)

3.3 Developing a business idea

Only some details of the business idea and customers are not enough for starting the business. Thus, of course, the entrepreneur should also develop further to be able to evaluate the business ideas more effectively. Some useful tools as well as important issues in business planning will be presented within this section.

3.3.1 Competitors' analysis

Doing business means that the owner must be eager to compete with other competitors in the marketplace. Having a promising business idea represents one advantage of the business, but without the knowledge about competitors as well as the current situation of the competition, the business can still face difficulties.

“The Art of War” is one of the most famous ancient books written by the Chinese general named Sun Tzu. The book is composed of various strategies and tactics used in military and warfare in the old times. However, nowadays, many advices in “The Art of War” have been used to apply in business world. (Bogner 2011.) In Chapter 3 of the book, Sun Tzu (1910) had noted, “It is said that if you know your enemies and know yourself, you will not be imperiled in a hundred battles. If you do not know your enemies but do know yourself, you will win one and lose one. If you do not know your enemies nor yourself, you will be imperiled in every single battle.” Applying in the business situation, this quote can be understood as one company needs to have knowledge about both competitors and the company itself in order to be successful. In order to gain better understanding of competitors, preparing a competitors' analysis seems to be one essential job of business owner, especially when he/she starts a new venture. A detailed competitors' inquiry can help the entrepreneur to acknowledge the main competitors as well as their positions in the

marketplace, at the same time, to recognize the possible opportunity for winning competitive advantages. (Barringer and Ireland 2012.)

The very first task to do in a competitors' analysis is to identify the competitors. It is important to firstly address which main competitors are in the competition in the intended marketplace, otherwise it will take a lot of time and efforts to study even the competitors who are not involved much in the competition. Additionally, determining competitors is not an easy task. According to Kotler and Armstrong (2012), there are two ways to identify competitors: from industry's point of view and from market's point of view. From industry's point of view, the competitors that can be pointed out are all the firms that offer the same products/services in the typical industry such as tourism, hospitality, pharmacy, etc. However, from the market's point of view, the range of competitors seems to be wider because the competition here is between all the companies that provide services/products that can satisfy or fulfill needs of customers such as thirst, hunger, etc.

In the book, Barringer and Ireland (2012) have defined three types of competitors that one company has to face: direct competitors, indirect competitors and future competitors. The detailed descriptions of these kinds of competitors are as follows:

- *Direct competitors* represent the firms that offer the same products/services, with the same price to the same market as the company in question. This makes these companies become the top concerns, especially with a new venture. For a new firm, it is not easy to compete with these companies because they already have loyal customers, even if the firm has better products/services. (Barringer and Ireland 2012.)
- *Indirect competitors* are all the businesses that provide the closest similar products/services to the ones the company in question sells. These companies have the products/services that can meet the same basic needs of the market which can be satisfied by the products/services of the new business. (Barringer and Ireland 2012.)
- *Future competitors* signify the companies that are neither direct competitors nor indirect competitors but have the strong potential to attack the market

and change the nature of the market itself. Here can be the competitors that entrepreneurs are unaware of. (Barringer and Ireland 2012.)

3.3.2 Marketing mix

“Marketing mix” is a term that explains the set of different decisions and actions the company has made in order to promote the products as well as the firm itself to the market. The most common marketing mix, which was also known as The Four P’s (4Ps), was developed by E. J. McCarthy in 1960. (Mindtools 2015.) Later on in 1993, there appeared this alternative marketing mix to the traditional one created by Robert R. Lauterborn, named The Four C’s (4Cs) (CurveCommunications 2013). In this section, the authors will give information of these two different types of marketing mix.

The Four Ps

The Four Ps indicates the four varieties of marketing mix: Product, Price, Place and Promotions (Figure 6).



Figure 6. The Four P’s marketing mix (Marketing Coffee 2014)

- *Product* is one of the key variables in a marketing mix. According to Kotler and Armstrong (2012), product is defined as “anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need”. This means that Product is not restricted to only tangible and physical objects. Services, events, ideas, organizations, events, or the combinations of these are also considered as Product. Generally, Product interprets the collection of goods and services offered to the targeted market by the company. (Kotler and Armstrong 2012.)
- *Price* represents the total of all the values of products/services that the customers have exchanged for their own benefits and satisfactions from using that product or service. In short, Price is the amount of money that the consumers have to pay when purchasing a product or service. (Kotler and Armstrong 2012.) The considerations of Price include pricing strategies, discounts, profit margin, financing, etc.
- *Place* refers to the activities the company has made in order to move the product from producers to the targeted market (Kotler and Armstrong 2012). In other words, Place represents the channels of distribution from which the products/services can be purchased by the intended customers. This means that Place includes all aspects relating to distribution channels, inventory, transportation, locations, etc.
- *Promotion* relates to the ways the company chooses to inform the customers about their existence as well as their products (Pejak 2014). It is the method for the firm to communicate with the targeted market. The decisions of Promotion involve features such as advertising, Sales promotion, etc. The aim of Promotion is not only to make customers know about the firm and products but also increase the brand awareness among the targeted market which can lead to a growth in sales as well as brand loyalty.

Over the years, this traditional marketing mix had also been developed and extended. In 1981, Bernard H. Booms and Mary J. Bitner proposed the theories of additional elements for this marketing mix. This extension, called The Seven P’s (7Ps), has three new factors added: People, Processes and Physical Evidence. To

be precise, “People” refers to personnel working in the company; “Process” is about the way to deliver the products/services to customers; and “Physical Evidence” is in relationship with physical sides of services. Hence, it is possible to consider that 7Ps consist of not only physical products but also intangible ones, in other words, services. (ProfessionalAcademy 2015.) However, in terms of the scale for this thesis work, the authors will focus on the traditional 4Ps marketing mix.

The Four Cs

Unlike the 4Ps model, which is a sell-oriented one, the 4Cs is a customer-oriented approach. The Four Cs by Robert F. Lauterborn (CurveCommunications 2013) includes four elements: Consumer Wants and Needs, Convenience, Communication and Customer Cost (See figure 7).



Figure 7. The Four Cs – Alternative marketing mix (McClellan 2012)

- *Consumer Wants and Needs* replace Product in the 4Ps. In this model, instead of focusing on Product, the first “C” about Customers has become the key variable. Customers and targeted market needs to be studied first before promoting the product for them. Once the wants and needs of consumers have been acknowledged, the company can develop the suitable products and services that fit those desires well. (McClellan 2012.)

- *Communication* is equivalent to Promotion in the traditional marketing mix. While Promotion in The Four Ps is from the Seller, Communication in the 4Cs is a two-way street. This means that there is a give and take relationship between customers and the company. (McClellan 2012.) The customers get the products they want, enjoy the benefits and satisfactions from those products or services while the company can make successful transactions with consumers. This can be done only when there is communication between firm and customers, when the firm can listen to customers' needs and wants, and when it has the ability to fulfill those requirements. Communication helps the company to build up the image as well as brand loyalty.
- *Cost* is put in the place of Price in the 4Ps. Cost has a great impact on the consumer decision-making process; therefore, in The Four Cs, it has a special attention. According to this model, the cost decisions will depend on customers, not product. The cost here is the cost to satisfy. It does not only contain the purchasing price of a product/service but it also takes into account the cost of time customers spent for buying that good/service, the ownership cost, "cost of conscience" for the feelings of guilty when buying a product. (Pejak 2014.)
- *Convenience* is equivalent to Place. In the traditional marketing mix, the considerations of Place are mainly about where to sell or which retail establishments used for selling the products. Convenience in the 4Cs is a little bit different from Place when it also enables company to evaluate the different places and channels and to consider among those possible places, which one will be most convenient for customers to purchase the products offered or which one consumers prefer the most to access to the products of the company. (Pejak 2014.)

In reality, there are differences when using different marketing mix for different firms. The selection of the approach depends on the business concept, company's strategy, resources, market conditions, and the changes in needs of customers in the markets towards that firm. The company needs a closer consideration whether it is worth to choose a more product – oriented model or a more customer –

oriented one or to combine the two approaches to suit with the business and maximize the possibility of success.

3.3.3 SWOT analysis

SWOT is an abbreviation of Strengths, Weakness, Opportunities and Threats. SWOT analysis is a tool which allows business to identify, analyze as well as evaluate all internal and external factors, key issues that may have influences on the business strategy, the actions, decision-making process or the initiative of company. In other words, SWOT analysis helps the organization examine its current situation and it plays an important role in project management and strategic planning. (Goodrich 2013.)

Referring to the elements of a SWOT analysis, Goodrich (2013) noted that Strengths (S) and Weaknesses (W) are internal factors; on the other hand, Opportunities (O) and Threats (T) are external factors. In particular, according to Kotler and Armstrong (2012, p.53), Strengths are the favorable side of a company including available resources, abilities and experiences; meanwhile, Weaknesses are all unfavorable factors and internal restrictions and limitations that may prevent the business's development and performance. Opportunities represent the positive effects or trends from outside that the company needs to take notice of for exploitation. Last but not least, Threats refers to all the negative factors of surrounding environment that can be a challenge or danger for the company. (Kotler and Armstrong, 2012, p.53 – 54.) The figure 8 below indicates a sample of a SWOT Analysis.



Figure 8. A SWOT Analysis example (ConceptDraw 2015)

Preparing a SWOT analysis is one way to help the business manager have a better knowledge of the present situation of the company on the market. By knowing the Strengths, the company can focus on its strong points and extend the percentage of success; meanwhile, acknowledgement of weak points will help in the improvement of business for better efficiency. Recognition of Opportunities will be useful especially in this current competitive market; whether the business can be outstanding or not depends on how to use possible strengths in order to take advantage of the available opportunities. Finally, when the threats are pointed out, suitable strategies can be made in order to reduce the threats' impacts on the performance of the business.

3.3.4 Five forces framework

Porter's five forces analysis is a model for analyzing an industry created by Michael E. Porter from the Harvard Business School. This framework helps businessperson analyze the market situation based on five competitive forces that influence the competitive intensity and attractiveness of a market. "The collective strength of

these forces determines the ultimate profit potential of an industry,” wrote Porter (Myers 2013).

Five forces analysis assists firms in understanding the factors affecting profitability in a specific industry, which can affect strategic decision-making process and help develop better strategies. The framework is also important to a business owner trying to determine how to gain competitive advantages within an industry or to any entrepreneurs considering a venture into an industry from which they want to understand the industry dynamics. (Myers 2013.)

The five forces, which influence an industry scenario, defined by M. Porter are (Myers 2013): Threat of new entrants, Bargaining power of suppliers, Bargaining power of buyers, Threat of substitutes, Industry rivalry (See figure 9 below).

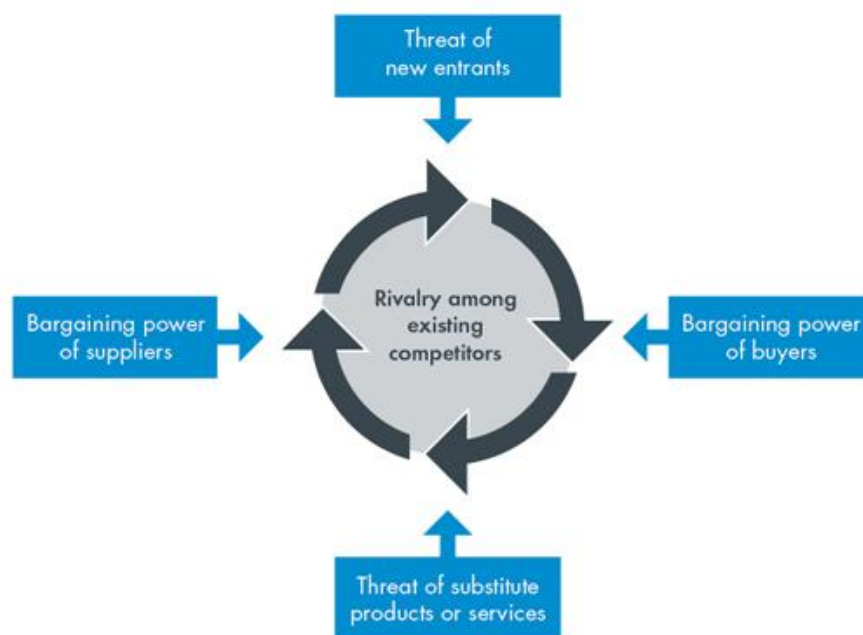


Figure 9. Porter's five-force model (Myers 2013)

Threat of substitutes

According to Porter's framework, substitute products or services are those belonging to another industry. The existence of these outside products or services poses the threat of customers having the option to choose from the alternatives.

The competition from alternatives affects a product's price elasticity and limits the firm's ability to set up the desired price. (QuickMBA 1999a.)

Potential factors that have an effect on threat of substitutes include: relative price/ performance attribute of substitute, number of available products/ service, buyer switching costs and availability of substitute.

Bargaining power of buyers

Bargaining power of buyers is the impact that the customers have on the firm. Bargaining power of buyers is strong when there are multiple suppliers with limited buyers or when there are many competitors providing abundant alternatives to choose from. Power of buyers is low when the customers act individually or when there are limited options. Generally, when the buyers possess high power, the firm will encounter difficulty in setting up prices and vice versa. (QuickMBA 1999a.) There are many factors that influence bargaining power of buyers such as switching costs, buyer price sensitivity, bargaining skills and differential advantages of products.

Bargaining power of suppliers

In order to produce products or services, resources such as raw materials, labors, components and other supplies are needed. Therefore, there exists the relationship between the product/ service companies and the suppliers. Similar to the case of customers (buyers), suppliers also have a certain power over the firms. When there is a limited amount of suppliers or products available, the suppliers have more bargaining power. Additionally, when switching cost is considerable, the suppliers also have more power. In these cases, the suppliers have more control in setting up the prices to their desire. The power of suppliers is weak when there are many suppliers or when the products are standardized. (QuickMBA 1999a.) Factors which affect bargaining power of suppliers include: bargaining leverage, price sensitivity, competitive advantage and availability of alternative suppliers.

Threat of new entrants

When the market is highly profitable, it will become appealing to new players who want to join the industry. However, new entrants pose threats to the current market situation by affecting market equilibrium status and decreasing the profitability of the existing firms in the industry. Therefore, in order to control entrance into the market, barriers to entry are created to maintain the industry equilibrium. Entry barriers are unique to each different industry; they are also constantly changing to suit the market current situation. (QuickMBA 1999a.) Factors that influence new entrants include: barriers to entry, government policy, capital requirements and industry appeal (competitiveness, profitability).

Rivalry among existing competitors

The rivalry between existing players in the market forms the competitiveness of the industry. The intensity level of rivalry among companies varies across industries.

Rivalry is measured by industry concentration. If most of the market shares are held by the largest firms, the market has a high concentration ratio. In this case, the market's competitiveness is low. In contrary, a market in which there are many players holding insignificant market shares indicates a low concentration ratio. These markets are also called fragmented markets, and they are more competitive due to the absence of giant player. (QuickMBA 1999a.)

So as to establish competitive advantage over its competitors, a firm can choose from these strategies: Price adjustment, Product differentiation, Creative usage of distribution channel, Exploiting relationships with suppliers. Factors that influence industrial rivalry are: number of competitors, market growth rate, concentration ratio and competitive strategies.

3.3.5 Ansoff matrix

Ansoff Matrix, which is also known as the Ansoff product and market growth matrix, is a strategic planning tool that aids a business in determining the development strategy based on two factors: product and market. The concept of the matrix was

developed by H. Igor Ansoff, also known as the father of Strategic management (Ansoffmatrix 2009).

The Ansoff Matrix, also called Product-Market Expansion grid, introduces four market strategies, which are demonstrated in the Figure 10 below.

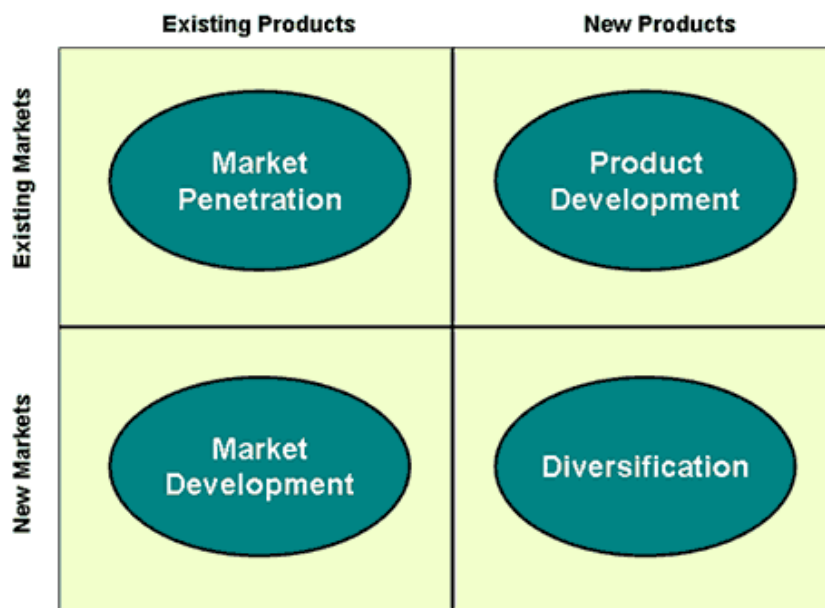


Figure 10. Ansoff's Product-Market expansion grid (Riley 2012)

Market penetration

Using market penetration, the company will try to grow by using its existing products for the existing markets. The increase in market share in the present market scenario is desired. The result can be achieved by either enhancing the usage of promotional methods and pricing strategies which may attract more customers or offering extensive distribution and service touch points.

This approach involves the least amount of risks because the products have already been familiar to the customers and the target market has already been defined. However, there are limits to this strategy as when the target market reaches its saturation status, it is very likely that another strategy must be addressed to continue motivating the growth within the organization.

Market development

In market development strategy, the organization extends the range of its target market by approaching either new market segments or geographical regions, using its current products and service offerings. There are several approaches to this strategy including new geographical markets, new distribution channels, new product packaging and different pricing policies. (Ansoffmatrix 2009.) Due to the extension into new markets, this strategy possesses more potential risks than market penetration strategy (QuickMBA 1999b).

Product development

Product development strategy means that the company tries to develop or create new products for its current customers. Product development can be either the creation of a new product or the modification of an existing product. Product development is necessary to increase the attractiveness of the products towards the customers. Similar to market development strategy, product development strategy implies more risks than market penetration (QuickMBA 1999b).

Diversification

Diversification strategy is the last alternative among the four growth strategies suggested by I. Ansoff. This strategy involves the introduction of new products to new markets simultaneously. Diversification strategy requires careful consideration from the organization as it is the most risky strategy due to the involvement of two unknown factors: new product and new market. There are, however, advantages to this strategy. Firstly, due to the equality between risk and reward, this strategy can yield very rewarding result (QuickMBA 1999b). Secondly, if the particular segment of the business involved in the process of diversification is negatively affected, the other segments of the organization will not be harmed (Ansoffmatrix 2009).

There are two forms of diversification: related diversification and unrelated diversification. In related diversification, the firm still expands within the same industry. While in unrelated diversification, the firm expands into a completely new industry and market. (Ansoffmatrix 2009.)

3.3.6 Pricing

Pricing is another important stage in developing a business idea. The definition of Price has been once mentioned before in the section 3.3.2 *Marketing mix* above. According to Kotler & Armstrong (2012), price is the only element in the marketing mix which can generate income and profit. In addition, it is also one of the most flexible marketing mix elements.

Pricing plays a vital role in the success of a business, especially by providing the income for the firm as well as acting as a strategic tool for positioning and marketing purposes. In the past, price was the most influencing factor that shaped the consumers' buying decision; nowadays, price remains among the major factors which determine a firm's profitability and market share (Kotler and Armstrong 2012). Pricing strategies and behaviors also affect customer satisfaction, demand and loyalty, which may lay an effect on the long-term profit potential of the company (Looy, Dierdonck & Gemmel 1998). In order to develop an effective pricing decision, the product or service provider should consider the whole process of pricing, which is described in the Figure 11 below.

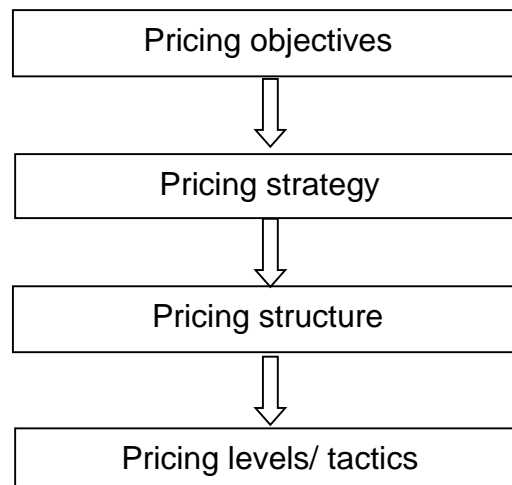


Figure 11. Process of pricing (modified from Looy et al 1998)

In this section, the pricing strategy will be the main focus and will be explained in detail below. In addition, the theory about pricing strategy will be implemented in empirical work later in chapter 7.

The second step of the pricing process is to select the desired pricing strategy. There are three determinants that create a base for the pricing strategies: cost, competitor and customer. These strategies are cost-based strategies, customer-based strategies and competition-based strategies. Each of the strategy has its own strengths and weaknesses which should be studied and considered carefully. (Looy et al 1998.)

Cost-based strategies

Similar to the name, the firm's cost is the most important element in this strategy. Cost-based pricing derives from the cost of producing, distributing and selling of the products or services plus a fair rate of return to cover the costs, risks and profit. (Kotler and Armstrong 2012.) Mark-up pricing and target return pricing are the most common cost-based pricing strategies.

Mark-up pricing is the most basic method for cost-based strategy, in which a fixed margin is added to the total costs of the products or services in order to determine the final price. (Looy et al 1998.) Meanwhile, target return pricing is developed based on the desired return on investment (ROI).

Cost-based pricing strategies have the advantages of being fast and easy to set up because it does not rely on other factors apart from the costs of the products or services. Cost-based strategies yield a stable income since they focus on the minimum price level which is needed for the firms to remain profitable.

Besides the advantages, this pricing approach has its downsides:

- The pricing objective is limited to reaching a certain profit level
- Not counting other determinants that affect the price in the equation such as: elasticity of demand, variation in efficiency and market consideration
- The cost of services are hard to measure due to their nature of being intangible

(Looy et al 1998.)

Customer-based strategies

In contrary to Cost-based approaches, customer-based pricing strategies put the emphasis on the market and the customers. As described by Kotler & Armstrong (2012), customer-based pricing is based on the consumers' value perception as the key to setting up prices. Looy, Dierdonck & Gemmel (1998, p.108) defined perceived value as: "the consumer's overall assessment of the utility of a service, based on perceptions of what is received and what is given".

The price is determined in accordance with all other variables in the marketing mix before the establishment of the marketing program. In the end, the customers are the ones to judge the fairness of the prices and it is crucial in this approach that values are promised to the buyers (Looy, Dierdonck & Gemmel 1998). In general, the key goal is to determine the perceived value of the service to the customers and then set the price accordingly. It is important to note that great value does not always come in cheap price as there are other elements that influence the value of the products or services such as: quality, brand equity, design and features.

Kotler & Armstrong (2012, p.292) have discussed two types of value-based pricing: good-value pricing and value-added pricing.

- *Good value pricing* is defined as a combination of quality and good service at a fair price. A common type of good value pricing at the retail level is "everyday low pricing", in which the firms charge a constant low daily price with very few temporary discounts. By contrast, another common tactic is high-low pricing where higher prices are applied on a daily basis but there are frequent promotions and discounts to lower the prices on specific items. In some other cases, good value pricing applies in the introduction of less-expensive versions of well established brands, offering still good quality product at a more affordable price for the consumers. Using this strategy, firms are able to approach wider range of customers. An example for this strategy is the renowned fashion brand Armani introducing its less

expensive, more casual Armani Exchange product line. (Kotler and Armstrong 2012.)

- *Value-added pricing*: Instead of lowering the price, firms can apply value-added pricing by attaching added values or features in the total package so as to differentiate their offers and justify the higher price.

Competition-based strategies

Kotler & Armstrong (2012, p.299) defined competition-based pricing as setting the price level based on competitors' strategies, costs, prices and market offerings. The major goal for this strategy is to achieve a desirable position within the competitive market. Looy, Dierdonck & Gemmel (1998) examined the following strategies: experience-curve pricing, going-rate pricing, price signaling, and price leadership.

Experience-curve pricing is described as aggressively setting the prices at or below current costs to encourage consumers to switch brand, thus increase sales and gain experience faster. Experience-curve pricing is applied under the following situations:

- Experience effects are strong
- The company has more experience than its competitors
- Consumers are sensitive to changes in prices

(Looy et al 1998.)

Going-rate pricing: Using this strategy, the firm charges the most prevalent price in the market. This approach is implemented when the market is highly price-sensitive which would affect sales if there is price differentiation. There are two types of going-rate pricing: 'naïve' and 'sophisticated' going-rate pricing. In naïve going-rate pricing, a firm follows the trend of market and price at the same level as its competitors without analyzing costs and demand. In sophisticated going-rate pricing, a firm follows the pricing decision of the market leader. Going-rate pricing has its advantages: prices are simple to set up, prevention of price wars. (Looy et al 1998.)

Price leadership: A price leader initiates the market pricing trend, either by increasing or decreasing prices. The price leader is usually the market leader, or among the market leaders who have great influence over the market, thus allowing in the firm to initiate price change. Characteristics of the price leader are: superior financial resources, strong distribution channels and recognition of being a technical frontier. (Looy et al 1998.)

4 Research method

In this chapter, the authors discussed the research method used within this thesis work. A short introduction for general information about the chosen method will be given before the detailed description of this method.

4.1 Introduction

Quantitative research method was the main research methodology. Quantitative approach was chosen because it provided a reliable and clear image of the research population with a large sample size. The data collected would assist the authors in understanding the market preference and shaped their initial business concept to fit the needs of the market.

In order to apply quantitative research method, the authors used survey in the form of questionnaire inquiry in combination with product testing to collect data from the population. The collected data was then analyzed with the help of data analysis programs such as SPSS and Excel.

4.2 Quantitative research method

Aliaga & Gunderson (2002) defined quantitative research method as “Explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)”. From another point of view, Boutellier, Gassmann, Raeder & Zeschky (2013) described quantitative research as a cause-effect relationship, which aimed at searching for standardization, reproducibility and measurability.

Quantitative research is more suitable for larger scale research or when the authors require big sample size from the population. In the case of this research, the authors want to gain a precise picture of the target market; therefore, sufficient sample size is crucial to justify the relevance of the data collected. Additionally, quantitative research is especially useful for conducting audience segmentation. In this case, quantitative research is applied by dividing the population into groups whose members share the same characteristics. Quantitative method is suitable to quantify opinions, attitudes and behaviors of the whole population about certain issues, which is a crucial part to provide understanding and perception of the local market. (Sukamolson 2007.)

In fact, there are many quantitative data-collection methods available; common approaches to Quantitative research are: surveys, correlation research, trend analysis and descriptive research. In the case of this thesis study, the authors would focus on the use of survey as the main method for collecting data. Sukamolson (2007) has defined Survey research as “the systematic gathering of information from respondents for the purpose of understanding and predicting some aspects of the behavior of the population of interest. The survey research is concerned with sampling, questionnaire design, questionnaire administration and data analysis.”

5 Clarification of the business idea for a Vietnamese style café – The first part of business concept statement

This chapter is the beginning of one of the most important parts of this thesis work – the business concept statement. This chapter will help visualize the basic ideas of the authors about the café. The ideas described in this chapter will be the foundation for the market research of this thesis as well as further developments of the business concept after analyzing the results of the research. Thus, the details for the first part of business concept statement are described clearly as follow.

5.1 About the company

This Vietnamese café is going to be a new business in the form of general partnership opened in the region of Lappeenranta and Imatra. The café brings out the vibrant culture and exotic food and beverages of Vietnam to the local residence. The highlights of the café include the famous Vietnamese coffee brand Trung Nguyen, the unique traditional lotus tea and delicious Vietnamese dishes.

The mission of the company is to communicate not only the fine products of Vietnam to the local customers but also the hospitality and beautiful culture of the nation to foreign friends. The vision of the company is to become a well-known destination for relaxation and enjoyment for the local residence and visitors. It is also important that the company can establish a nice relationship with local businesses and expand its business with the opening of more stores in the future.

5.2 Main theme, uniforms for staffs and symbol of the café

The theme of the café that the authors want to describe refers to the design as well as the concept for the design of the café. The chosen theme for this café is elegant and simple, owning the unique details of Vietnam style. The preferable tone of color is white demonstrating purity and elegance. The example for the selected theme is in figure 12. This chosen theme is not aimed at having too many details in decoration or interior design. However, the theme requires the perfection and carefulness in every single detail. Additionally, each detail, from flowers, pictures to interior design of tables and chairs, will manifest the beauty of Vietnamese culture. The reason why the authors are careful about the theme and design of the café is that besides friendly staff and good food and drinks, these small things such as the appearance of the café are one essential part of the success of the café. This café is expected to give the good first impression for customers. Thus, even if clients just come once, they will never forget this Vietnamese café.



Figure 12. Example of the design and theme for Vietnamese Café (TheLostguides 2015)

The uniforms chosen for female staff are Vietnamese traditional dress “Áo dài”. The color of the dress is in relationship with the color of the café. The picture of this special uniform is in the figure 13 below.



Figure 13. Vietnamese traditional dress “Áo dài” (PNVN 2011)

As being a Vietnamese café, it will use “Lotus” as the symbol (see figure 14 below). There are many reasons why this flower is selected. The first and main reason is the recognition of the flower as the national flower of Vietnam. The second reason is because of its pure and vibrant beauty and scent. And the third reason is its vitality. In fact, lotus flowers live in lakes or ponds. Although the plants are surrounded by mud and murky water of the lakes, they can still survive, grow and bloom miraculously with vibrant and beautiful flowers. This image of lotus flowers does have a strong affection on the authors because it reflects a lot the characteristics of Vietnamese people: hospitality, kindness and optimism.



Figure 14. Lotus (Phan 2014)

5.3 Products and services

The products of the café include drinks (tea and coffee) and accompaniment food. Exclusively, the coffee used at the café will be Trung Nguyen coffee (See figure 15 below). This coffee will be made and served in four different ways: normal black coffee, brown coffee, milk coffee and egg coffee; which are presented in details in the Coffee leaflet (See Appendix 2). The coffee is meant to be freshly made for customers when they order, which ensures the ultimate quality. In addition, the customers can order hot or iced coffee according to their preferences.



Figure 15. Trung Nguyen Gourmet blend Coffee (Trung-Nguyen-Online 2005)

In terms of tea, the types of tea served at the café are Vietnamese tea of various flavors: plain black tea, green tea, jasmine tea, oolong tea, and lotus tea. These kinds of tea can be representatives of Vietnamese tea, especially the lotus tea. The menu for tea can be expanded depending on the wholesalers importing Vietnamese tea from which the café owners buy tea. The tea will be sold by teapot, not by cup. The picture of the example set teapot and teacup is in figure 4 above in section 2.2 *Vietnamese tea and tea drinking culture*. There is only one size for the pot; however, the amount of tea depends on how many customers there are. In this case, the barista needs to follow the rules of the store to make sure that each client gets the correct amount of tea for the money spent. The tea can be served hot or iced based on orders. Moreover, besides having the tea made already inside the bar, the customers can also ask for the demonstration of Vietnamese tea ceremony, which has already been described in section 2.2 *Vietnamese tea and tea drinking culture* above, at the table by the staff.

Food is one important part in the menu of the café because many people visit a café not only for drinks. The authors want to introduce many wonderful Vietnamese dishes to foreign friends. However due to the costs of the ingredients as well as the high requirement and difficulties of the dishes, the menu of the café includes dishes that are not only very traditional but also easy to make with affordable prices. This rule is applied for both sweet refreshments and other savory dishes in the menu. Like many other cafés in the area, this Vietnamese café will also offer

food products which can be served as breakfast or lunch meal. Some typical food products which are possible to sell at the café are: “Phở” – traditional Vietnamese noodle soup which can be served with beef or chicken, Vietnamese summer rolls – the simple starter with fresh herbs, pork, shrimp and noodles rolled in rice paper, dried nuts and fruits (jackfruit, ginger, persimmon, etc.), sweetened soup using beans (green beans, black beans or red beans) or fruits (mango, banana, etc.), homemade ice-cream, etc.

Besides buying refreshments and drinks separately, the café will also offer combo, which includes both food and beverages as a product, for customers to purchase with cheaper price. These additional combos are expected to increase sales for the café.

Last but not least, the café applies table service as café service. It means that the customers coming to the café are served and assisted by the waitresses/waiters. There are menus available on each table, the staffs will take orders from customers at the table. When the food and drinks are ready, the staff will bring those orders back for customers. At this café, each client would be treated with high respect and receive good care from the well-trained employees.

5.4 Lappeenranta – Imatra as a potential intended market

In this section, a picture of the Lappeenranta – Imatra region will be drawn out. The authors will not only describe the region itself, but also mention how Finnish and Russian love coffee and tea through secondary statistical database.

5.4.1 The region Lappeenranta – Imatra

Lappeenranta and Imatra region consists of many small municipalities in addition to the towns of Lappeenranta and Imatra. Particularly, the Lappeenranta region includes the municipalities of Luumäki, Taipalsaari, Lemi, Savitaipale and Suomenniemi; the region of Imatra also consists of the municipalities of Ruokolahti, Rautjärvi and Parikkala. (Gosaimaa 2015a.)

Lappeenranta – Imatra region is located in the southeast of Finland, in the South Karelia region. Lappeenranta, which is the closest town to Imatra, is 40 km away (Gosaimaa 2015a). This region is close to Russia, especially, the Imatra town. In fact, Imatra is considered a border town because it is only 5 km from the Russian border (Finhockey 2014). Due to the close proximity to Russian, the region enjoys a considerable amount of visits from Russian tourists, which are mostly for shopping and relaxation. In 2010, it was reported that Russian tourists spent 62.5 million and 196.7 million euros in Imatra and Lappeenranta respectively (Jakosuo 2011). Additionally, Imatra was the more popular destination for overnight stays among the two: 97,427 stays in Imatra compared to 39,286 in Lappeenranta in 2009 (MEK 2009). However, the current political situation between Russia and Europe has affected Russian economic and tourism, which has certain effect on the amount of Russian tourists coming to this area. Latest statistics from VisitFinland (2015) indicated a severe deduction of around 170,000 in the number of Russian tourists coming to Finland.

The local cooking is called Karelian gastronomy, which is a unique blend of Finnish and Russian kitchens. Signature dishes of the region include Karelian pies, barley bread 'rieska' and 'Lemin Särä', "a mutton roast cooked in a wooden trough", wrote Finhockey (2014).

Coffee drinking is an essence of Finnish culture in general and of the regional culture as well. People enjoy either drinking coffee alone or coffee with other accompaniments such as cakes or savory pies. There are many café in the Saimaa region, namely the old charming Majurska Café, Violet Caffé, Coffee house Lappeenranta in the Lappeenranta region or Elegant Café, Café Akseli G. and Konditoria Imatrankoski in the Imatra region (Gosaimaa 2015b).

5.4.2 Finnish market

During the 20th century, Finland was one among the world's largest coffee-consuming countries. Moving on to the 21st century, Finland has maintained its coffee consumption among the greatest in the world at the rate of 1.85 cups per

day, only after Netherlands which has an average capita coffee consumption of 2.41 cups per day (Lee-Woolf 2015).

Coffee has become an essential part of Finnish culture. In fact, coffee demand in Finland has remained stable to an extent that it is hardly affected by income level, prices or other factors (Ojaniemi 2010).

On average, a Finn can consume approximately 4-5 cups of coffee per day (Ojaniemi 2010). Coffee is served either in a mug or in a cup with the exception of espresso-based coffees. It is traditional for Finnish family to own a set of special coffee dishes and cups, which are used for special occasion or when guests arrive.

Sweet buns have been a traditional accompaniment for coffee in Finland. It is common to have coffee with those pastries served as accompanied food. In fact, dipping the bun into the coffee is how most Finns try coffee for the first time. This habit is now becoming less and less common due to the adaptation of international coffee drinking culture. Additionally, there is another drinking habit seen among elderly Finns in which they would enjoy coffee by pouring from the cup into the saucer. In this way, the coffee is enjoyed faster while it is hot. Young Finns, however, almost never drink coffee from the saucer.

Due to the effect of internalization, there has been a growing popularity of various flavored coffee drinks and coffee take-away. This change plays a vital part in the perception of the younger generation towards coffee tastes and drinking habits. As a result, the younger generations in Finland are very open to experiencing new drinks and beverages made from coffee.

Coffee drinking in Finland nowadays is not limited to home, coffee shop or workplace anymore. Thanks to the introduction of take-away concept, people can now take their coffees to school, outside trips or meetings with friends or co-workers.

In contrary to the drinking habit of younger generation, middle-aged Finns still prefer to drink traditional light roast filter coffee instead of newly introduced coffee with various flavors. An average middle-aged Finn would prefer to drink most

coffee at home or during statutory coffee breaks at work. These breaks are important social events that maintain the employees' working morale and group spirit (Ojaniemi 2010).

5.4.3 Russian market

Russia is among the global leaders in terms of tea consumption (ranking fifth in 2011 after India, China, Turkey, and the UK). According to KPMG analysts, an average Russian drinks around two cups of coffee and more than 3.5 cups of tea daily. (Kuzmin and Fedotova 2012.)

Russian tea marginally declined in volume terms in 2013, but value sales increased in line with the growth in global tea prices. Russia imported about 98% of its total tea volume; therefore, it is highly dependent on the world's tea prices. Russia's tea consumption habits remained quite traditional. Despite the growth in coffee and other hot drinks segments, tea remained its most popular hot beverage. However, tea has reached maturity and significant volume growth is not expected in future.

Russians evaluate the company of their co-drinkers the most. Russian tea drinking focuses more on the enjoyment of people sitting together, the conversations and the interactions between people.

In the previous time, black tea was the most preferred flavor by Russians. Nowadays, traditional black tea is accompanied with many other types of tea: green tea and various other flavored teas. Despite the difference, all the teas in Russia are served and drunk hot. Traditionally, a "samovar", which is a kind of kettle for boiling and keeping the water warm, along with special glasses were used to serve hot tea.

Traditional Russian tea is rather simple without any added flavors (Lexio Philes 2008). Tea is usually accompanied with other sweets such as cookies, candies, traditional pancakes and pies. In addition to sweets, tea is also drunk with jam, honey or condensed milk. A spoon, which is an essential tool of Russian tea drinking culture, is used for blending the jam or honey with tea and also for tasting.

6 Market research for acknowledgement of potential clients of the café

Market research is one of the most important parts of this thesis because it acts as an answer to the research problem on finding the potential customers for this business idea. In fact, this market research has helped the authors gather practical data for customer analysis process in chapter 7 and gave a realistic view of the local market. This market research contains two main stages: doing a survey among the market by handing out questionnaire and analyzing statistical data by using quantitative method.

6.1 Survey process

According to Birn (1994), there are two types of market survey: User and attitude survey; Awareness and attitude survey. User and attitudes survey, also known as “U&A survey”, is the one conducted among users of products offered. In these surveys, customers will be asked questions relating to their profiles and questions requiring them to tell their opinions towards the mentioned products. On the other hand, the second type of survey – awareness and attitude one – focusing on finding out consumers’ awareness of a brand or a manufacture together with concerns about customers’ attitudes of products: whether they like or dislike them. (Birn 1994.) For the case of this thesis, the first type of survey is more suitable with the topic of the thesis work. After the survey, the authors would expect to know who would be potential clients for such business idea and their assessment on the products which would be introduced and sold at the café as well as the business idea itself.

The plan for arrangement of the market research was built up about one month before the actual date. In that time, the writers had to prepare everything ready for the survey from the products for testing, to questionnaires and leaflets, etc. In this market survey, the authors would hand out the questionnaires together giving samples of possible products for testing for the targeted group which included local people, Russian tourists and other foreign people in the region. As a matter of fact a sufficient amount of respondents was needed for a valid and reliable result of the

research, the authors had come up with the idea to give samples of possible Vietnamese tea and coffee for participations together with the questionnaire in order to solve the problem. Additionally, giving samples of the products for testing would also help the participants to have clearer ideas of the products sold at the café. Besides, materials such as self-designed leaflets were used as supportive tools for the survey.

The survey was carried out at two different places in Lappeenranta and in Imatra. The first one was done on 12 March, 2015 in Medis Mama Africa shop in Lappeenranta. The second one was done on 21 March, 2015 on Pedestrian Street in Imatra. Thanks to the help of Mediatrice – owner of Medis Mama Africa shop and Ms. Liisa from Imitsi (an Association in charge of Imatra town center) that the authors could have a nice spot for the survey days. The products used for testing were: Vietnamese Trung Nguyen Blend coffee, Vietnamese Oolong tea and Vietnamese artichoke tea.

After having arranged the location for the survey and sampling, the two authors asked friends for help on the survey day. Not only Vietnamese friends but also Finnish and Russian ones were asked to join the team as assistants and translators.

6.2 Research methods

This market research was accomplished with a quantitative inquiry. The questionnaire contains 12 questions which focus on these main topics: basic data of the customers (question 1 and 2), habits of participations towards drinking coffee or tea and café going (question 3 to 5), customers' preferences (question 6 to 9), the assessment and evaluation towards the business idea as well as the products they have tested (question 10 to 12). The inquiry was translated from English into two other languages Russian and Finnish in order to reach the targeted market. The detailed questionnaire is Appendix 1.

The questionnaires were directly given and explained to the customers by the authors and their team. This method was chosen instead of leaving the survey at

some shops or grocery stores. Firstly, there were samples of the products for tasting which needed to be made freshly and given to the clients. Secondly the authors wanted to be available to assist the customers as well as the team in critical moments.

With the help of the team as well as good locations, the authors have received altogether 101 answers from both places.

6.3 Research results

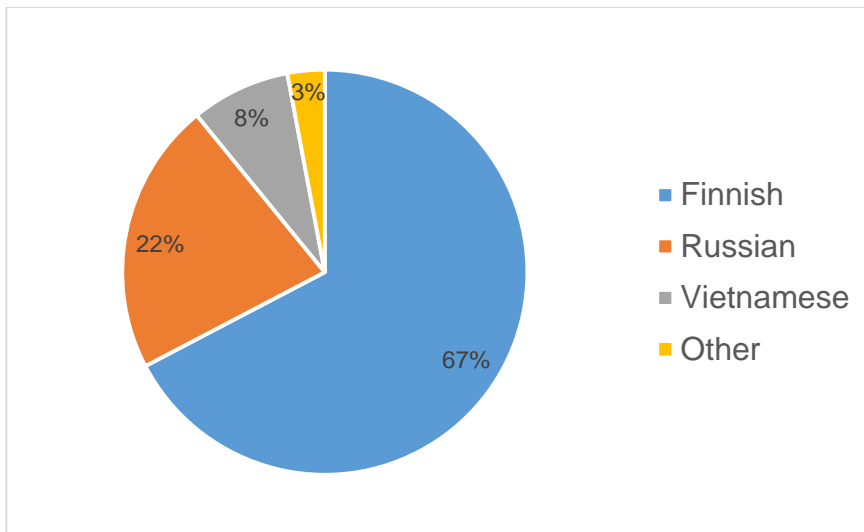
As having mentioned above, the survey is a combination of four question groups: questions for basic information, questions for habits of clients, questions for customers' preferences and questions for evaluation statement. Within this section, the authors will show the results collected from the market research in accordance with these three groups of questions.

6.3.1 Questions concerning basic information

The first and second question focused on the nationality and age - basic data of customers. The information of these matters was needed and might have effect on the possibility of operating such business.

Question 1: Nationality of respondents

This question aimed at finding out the main nationalities within the region. This question was available in the questionnaire because people from different countries might have different habits as well as opinions towards the topics. Having knowledge of nationalities of potential customers could help the owners to avoid cultural differences while operating the business. Additionally, the authors used this question as a tool to segment the customers for analyzing results of other questions in the survey. The most frequent country was Finland with 68 respondents (67%). The following one was Russia with 22 answers (22%). The group of 8 Vietnamese people made up 8% of all respondents. The rest of people taking part in the survey (3 people - 3%) were from countries such as Iran and Venezuela belonging to the group "Other". (See Graph 1 below.)



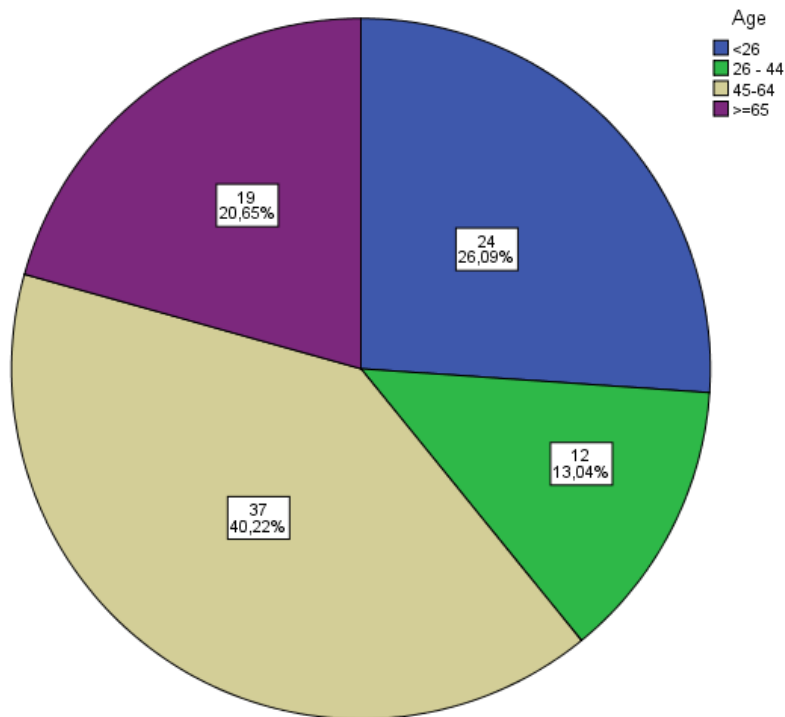
Graph 1. Nationalities of potential customers

In the beginning, based on the knowledge of drinking tea and coffee habits of potential intended market, the authors had discussed to separate the results into Finnish, Russian and “other” groups for analyzing other questions. However, according to the results shown above, the size of Russian, Vietnamese and “other” groups were much smaller than the Finnish one if comparing separately. Thus, the authors had decided to combine these three groups of nationality as one segment, named “International group” for later comparison and analysis of the following questions from 3 to 9. Overall, there were 68 respondents in Finnish Group and 33 participations in International Group.

Question 2: Age groups of respondents

The list of ages ranged from as young as 17 to as old as 86. In order to provide ease in analysis of this very large range of age, the authors decided to divide the participants into four categories in terms of age:

- Youngster: <26 years old
- Adult: 26 to 44 years old
- Middle age: 45 to 64 years old
- Elderly: \geq 65 years old



Graph 2. The divisions of respondents in accordance with age group

According to the pie chart (Graph 2) above, a significant part of the population belonged to the middle aged group, which accounted for approximately 40% of the total population of the survey. Youngsters and elderly stood as second and third with 26.09% and 20.65% respectively while Adult group only took up 13.04% of the total population.

6.3.2 Questions concerning habits of drinking coffee, tea and going to a café

In order to provide a different perspective on the result analysis of questions 2, 3, 4 and 5 on the questionnaire, the authors decided to analyze the data of the participants based on their age and habits. This method pointed out the hidden patterns in the habits of the participants and allowed the authors to segment the targeted market more easily in later parts.

Daily coffee consumption

			cups.of.coffee.per.day					Total
			0 cup	1-2 cups	3-4 cups	5-6 cups	> 6 cups	
Age	Youngster	Count	7	12	5	0	0	24
		% of Age group	29.2%	50.0%	20.8%	0.0%	0.0%	100.0%
	Adult	Count	2	7	3	0	0	12
		% of Age group	16.7%	58.3%	25.0%	0.0%	0.0%	100.0%
	Middle-age	Count	2	12	15	4	3	36
		% of Age group	5.6%	33.3%	41.7%	11.1%	8.3%	100.0%
	Elderly	Count	1	11	7	0	1	20
		% of Age group	5.0%	55.0%	35.0%	0.0%	5.0%	100.0%
Total		Count	12	42	30	4	4	92
		% of Age group	13.0%	45.7%	32.6%	4.3%	4.3%	100.0%

Table 1. Daily coffee consumption in terms of age

The table 1 above demonstrated the daily coffee consumption of different ages of the participants. From the table, it could be seen that the middle-age group generally presented the highest daily coffee consumption. The majority of this group (41.7%) consumed 3 to 4 cups of coffee per day. In addition, 19.4% of the participants of the same group drank more than 5 cups of coffee per day. There were only 2 participants in this group who did not drink coffee at all. In contrast, the youngster group displayed the lowest rate of coffee consumption with 29.2% of the participants from this group answering that they did not drink any coffee. However, there were 50% of participants who answered that they drank 1 to 2 cups of coffee daily along with 20.8% selected the '3-4 cups' option. The elderly group also showed a high daily consumption rate of coffee with 55% of the participants who drank 1-2 cups of coffee along with 35% who drank 3-4 cups of coffee per day. There were two exceptions in the group: one elderly (5%) who drank more than 6 cups of coffee per day and another who did not drink coffee at all. The adult group also illustrated an average rate of daily coffee consumption with the majority of the group (58.3%) drinking 1 to 2 cups of coffee per day along with 25% who drank 3 to 4 cups per day.

Overall, the results above concluded that the majority of the participants (78.3%) had the average daily coffee consumption of 1 to 4 cups. The middle-age group (45 to 64 years old) represented the highest coffee consumption and the youngster group (< 26 years old) had the lowest daily coffee consumption among the age groups.

Daily tea consumption

			cups.of.tea.per.day					Total
			0 cup	1-2 cups	3-4 cups	5-6 cups	> 6 cups	
Age	Youngster	Count	4	11	7	2	0	24
		% of Age group	16.7%	45.8%	29.2%	8.3%	0.0%	100.0%
	Adult	Count	2	4	4	1	1	12
		% of Age group	16.7%	33.3%	33.3%	8.3%	8.3%	100.0%
	Middle-age	Count	11	16	4	2	2	35
		% of Age group	31.4%	45.7%	11.4%	5.7%	5.7%	100.0%
	Elderly	Count	6	9	2	0	1	18
		% of Age group	33.3%	50.0%	11.1%	0.0%	5.6%	100.0%
Total		Count	23	40	17	5	4	89
		% of Age group	25.8%	44.9%	19.1%	5.6%	4.5%	100.0%

Table 2. Daily tea consumption in terms of age

The table 2 above demonstrated the daily tea consumption habit of the participants based on ages. Statistics showed that the younger groups tended to consume more tea than the older groups: the youngster and adult group had only 16.7% of participants who did not drink tea while the percentages of that among middle-age and elderly group were much higher at 31.4% and 33.3% respectively. The numbers for the middle-age group and the elderly group were highly similar to each other with the trend leaning towards an average daily consumption of 1 to 2 cups of tea. The younger groups, including the youngsters and adults, indicated a stronger tea drinking habit with the majority of the samples falling in the 1 to 4 cups range. Statistics illustrated that the adult group had the highest daily tea consumption with 66.6% of the participants answering that they drank 1 to 4 cups a day. The youngster group had slightly lower tea consumption with a lesser percentage of participants drinking 3-4 cups a day compared to the adult group.

In contrast to the daily coffee consumption presented above, the result of the tea consumption based on various age groups presented a different finding. In general, younger groups tended to drink more tea than coffee compared to the older groups. According to the survey result, the adult group responded with the highest interest in tea drinking, followed closely by the youngster group. The average daily consumption of the participants fell in the 1 to 2 cups category. Additionally, the percentage of people who did not drink tea was also higher than that with coffee, indicating a preference for coffee among the participants.

Café going habit

			cafe.trips.per.week				Total
			0 time	1-2 times	3-4 times	> 4 times	
Age	Youngster	Count	10	8	6	0	24
		% of Age group	41.7%	33.3%	25.0%	0.0%	100.0%
	Adult	Count	0	11	1	0	12
		% of Age group	0.0%	91.7%	8.3%	0.0%	100.0%
	Middle-age	Count	6	21	2	6	35
		% of Age group	17.1%	60.0%	5.7%	17.1%	100.0%
	Elderly	Count	4	11	1	3	19
		% of Age group	21.1%	57.9%	5.3%	15.8%	100.0%
Total		Count	20	51	10	9	90
		% of Age group	22.2%	56.7%	11.1%	10.0%	100.0%

Table 3. Café going habit in terms of age

Table 3 demonstrated the café going habit of the participants divided by different age groups. Among the age groups, the adult group presented a remarkable figure of 91.7% respondents who went to a café 1 to 2 times per week. This group had the highest certainty of going to a café. The middle-age group accounting for the largest amount of participants also possessed a high frequency of café going with a total of 82.9% of the respondents answering that they went to a café at least once a week. The majority of the participants in this group (60%) responded that they went to a café 1 to 2 times per week while there were an equal amount of 17.1% of participants who did not go to a café and who went to a café more than 4 times per week. The elderly group also had a considerable café going frequency

with 78.9% of the respondents in this group answering that they went to a café at least once a week. Finally, the youngster group was the group with the highest uncertainty for going to a café with 41.7% of the participants from this group responded that they did not go to a café. However, 58.3% of youngsters replied that they went to a café at least once a week; 33% of which went to a café 1-2 times per week and the rest went to a café 3-4 times per week.

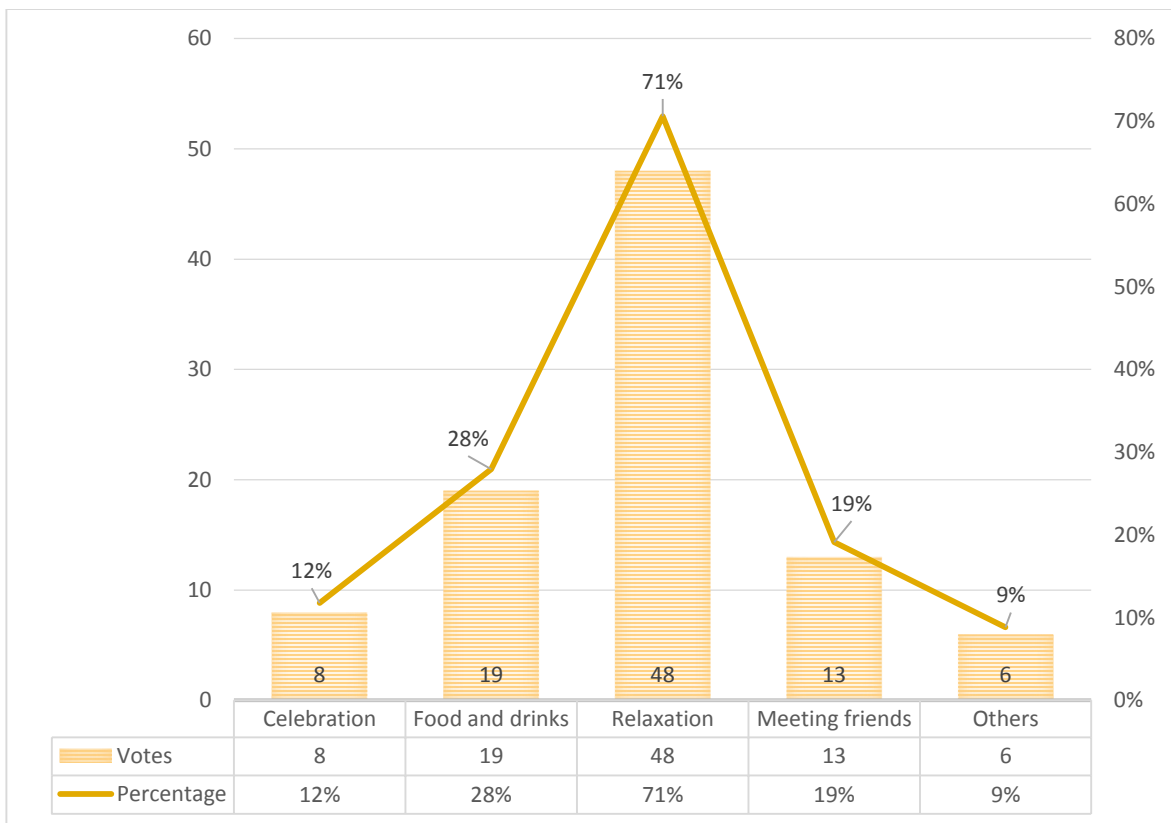
In general, the results above showed that the local residents liked going to cafés with 77.8% of the participants responding that they went to a café at least once a week; among which 21.1% went to a café at least 3 times per week which was a very good figure. The only group which displayed the low interest in going to a café was the youngster group.

6.3.3 Questions concerning customers' preferences

This section contains the results of questions 6 to 9, which highlight patterns in the preferences of the participants. The results in this section were separated based on the perspectives of Finnish and international groups.

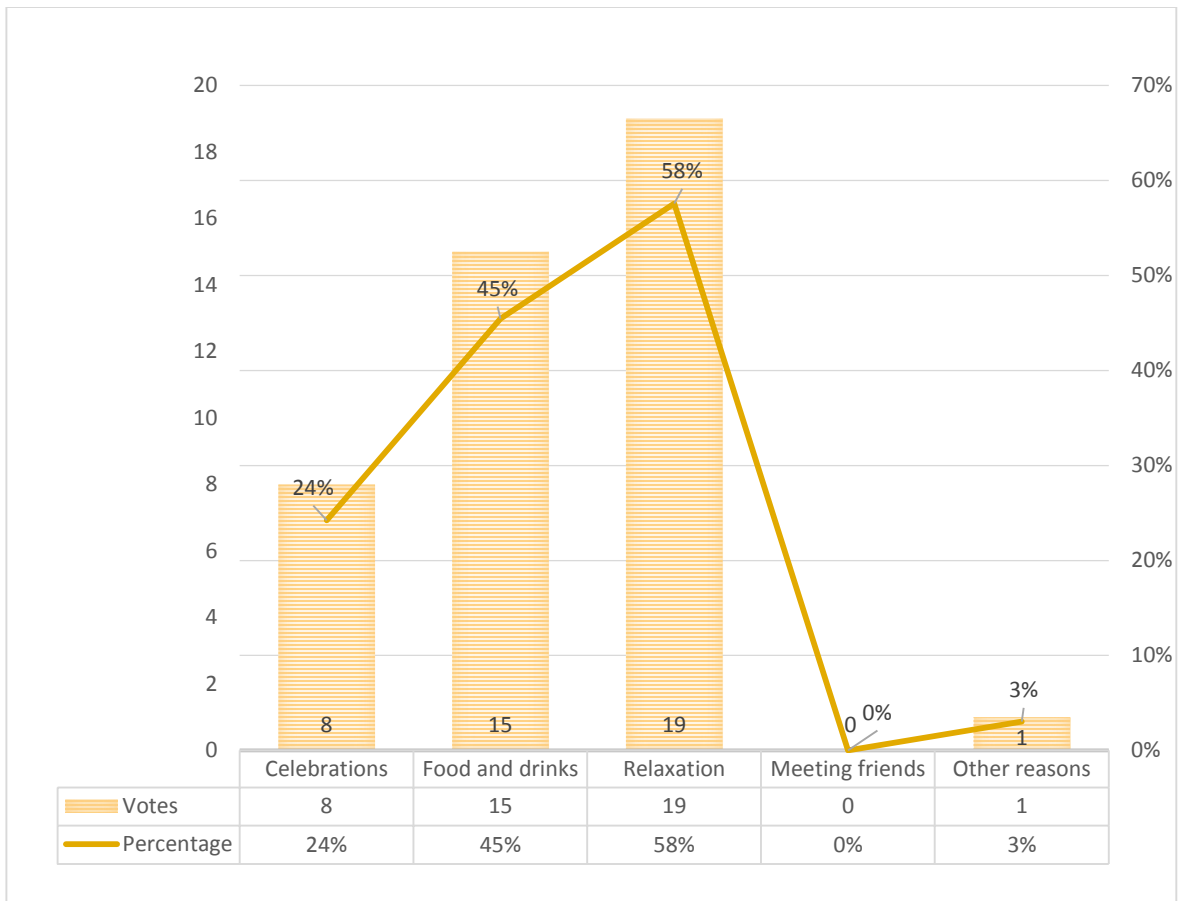
Question 6: The purpose for going to a café

According to the graph 3 below, the most significant reason for Finnish people to go to a café was for relaxation with 71% of the total votes. This reason came out as a surprise for the authors since it had received even more than double the votes compared to the option of Food and drink. It was both interesting and vital to learn that Finns prefer to find relaxation more than enjoying the drink and food when going to a café. Food and drink received the second highest amount of votes which represented 28% of the total votes. Meeting friends was also one of the most popular reasons why Finnish people decided to go to a café. This reason accounted for 13 votes of the total 68 votes. The rest of the options represented less important reasons through small number of votes for each option.



Graph 3. Motivations to visit a café – Finnish Group

For International Group, the reasons for going to a café also varied. As it is clearly shown in the graph 4 below, the two most frequent purposes for paying a visit to a café were “Relaxation” and “Food and Drinks”. Out of 33 votes for each reason, finding relaxation at a café had got 19 votes (58%) while enjoying food and drinks got 15 votes (45%). This had no difference comparing to the most important motivations of Finnish people to go to a café. Not many people of this group went to a café for celebrations of any occasions because only 8 people (19%) voted for this reason. Besides, there was 1 vote (2%) for other reasons which was “to taste something new”. One interesting point was that unlike Finnish group, the motivation “meeting friends” was not a significant reason for people to pay a visit to a café within this group.



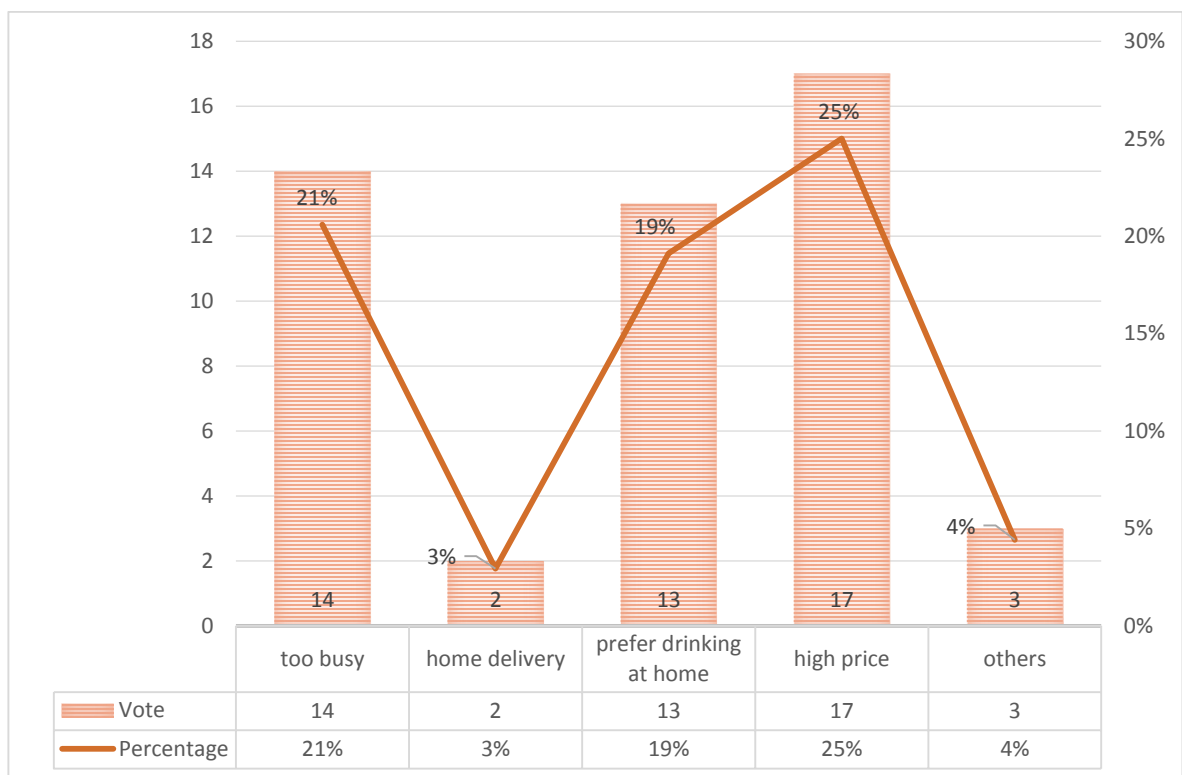
Graph 4. Motivations to visit a café - International Group

The results from the two groups indicate that it is very important to have such a café where people can relax elsewhere apart from home as well as enjoy good food and drinks. For Finns, it is also vital if the café has enough area for meeting friends. Thus, from the results, the business owner should consider about the total area of the café, opening hours as well as the menu of the café in order to meet these demands. The area should be large enough so that customers can arrange meeting friends without annoying other clients coming to the café for relaxation. Additionally, the consideration about long opening hours in the evening should be taken into account. According to the results, having good food and drinks will be a big advantage. Hence, the menu of the café must be varied based on the special food and beverages from Vietnam in order to satisfy even the most difficult clients.

Question 7: The reasons for not going to a café

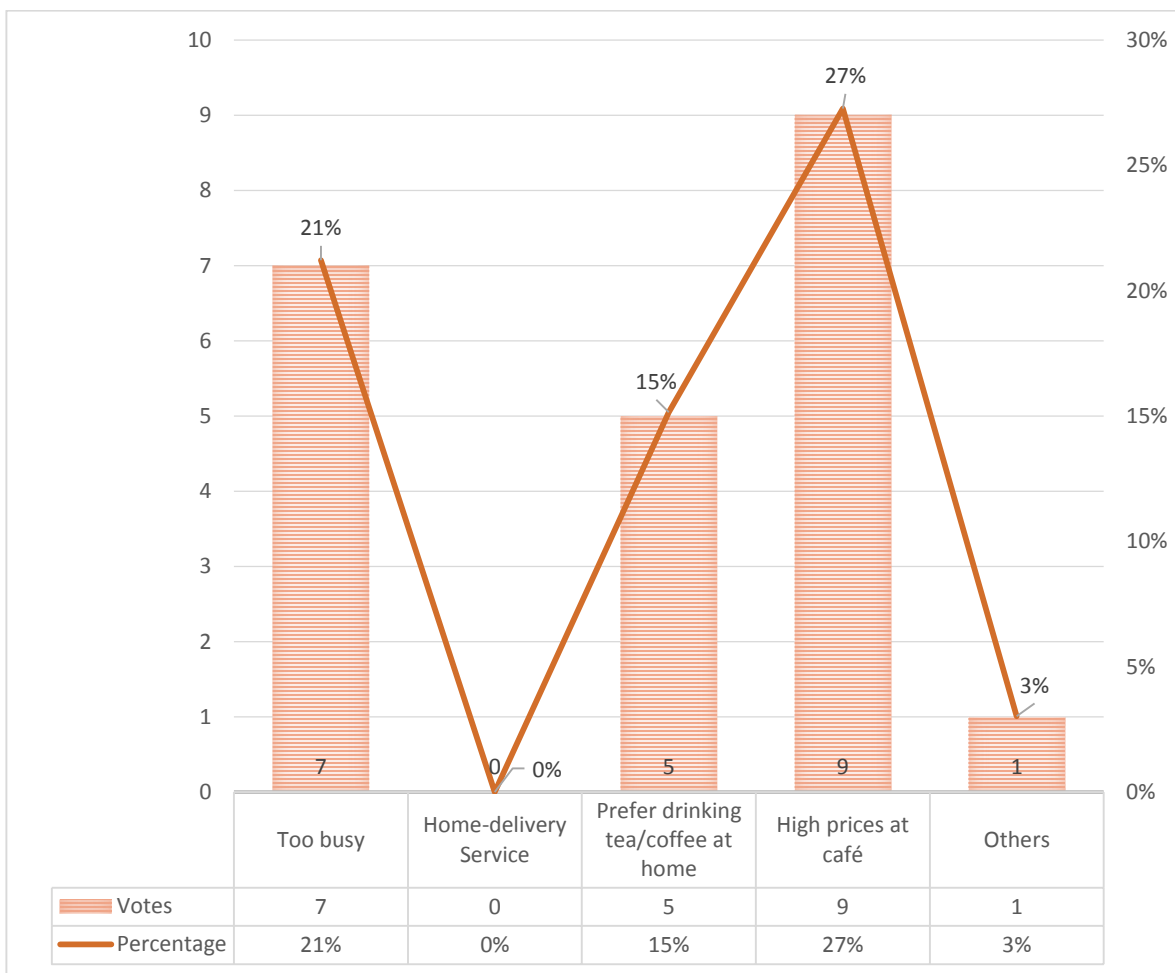
Besides reasons for going to a café, there existed reasons for not visiting a café. However, from the results collected, there were many people that had no reasons for not paying a visit to a café. This was a good sign for the researchers because it meant that this business idea of a café had potential customers who were willing to visit the café.

As it is shown in the graph 5 below, the most significant reason which demotivated Finnish people from going to a café was high price. There were 25% of the respondents who opted for this option, indicating a high concern in price sensitivity. The second major demotivation was the fact that Finnish people were being too busy to spend time going to a café. This reason could be explained by the majority of the survey population belonging to the middle-age group who were busy at work. Besides the previously mentioned reasons, there was a clear trail showing that Finns prefer drinking coffee or tea at home rather than going to a café.



Graph 5. Reasons for not going to a café – Finnish Group

The graph 6 below illustrated the results of this question for International group. There were 9 votes (27%) for the reason “High prices at café”, making this the most significant excuse for rejecting a visit to a café. In comparison to the results of Finnish group, there was also a high concern for prices within people of International Group. The demotivation ranked second was “Too busy” with 7 votes (21%). Moreover, 5 out of 33 respondents (15%) agreed that “Prefer drinking tea/coffee at home” was one among the most common reasons preventing them from going to a café.



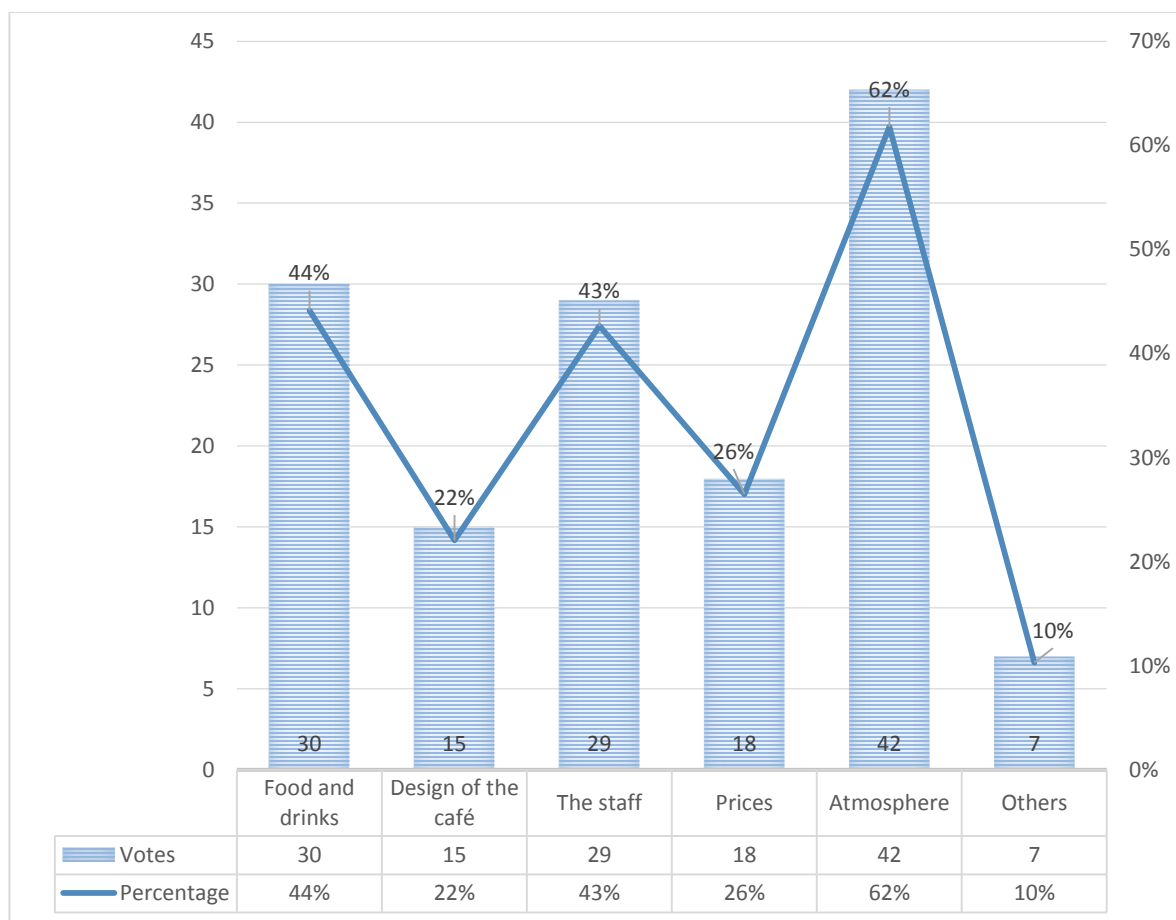
Graph 6. Reasons for not going to a café - International Group

Overall, International Group shares the same results as Finnish group. Price is the biggest reason that prevents customers from going to the café; hence, the entrepreneur should build up a suitable pricing strategy for the products and

services offered. Additionally, many people also have a busy timetable and prefer enjoying tea/coffee at home. Therefore, the home-delivery service may be taken into consideration as there seems to be a huge demand for it. However, there should be a detailed plan for offering this service; otherwise, there can be a decrease in number of customers on premises.

Question 8: The reasons for visiting a café again

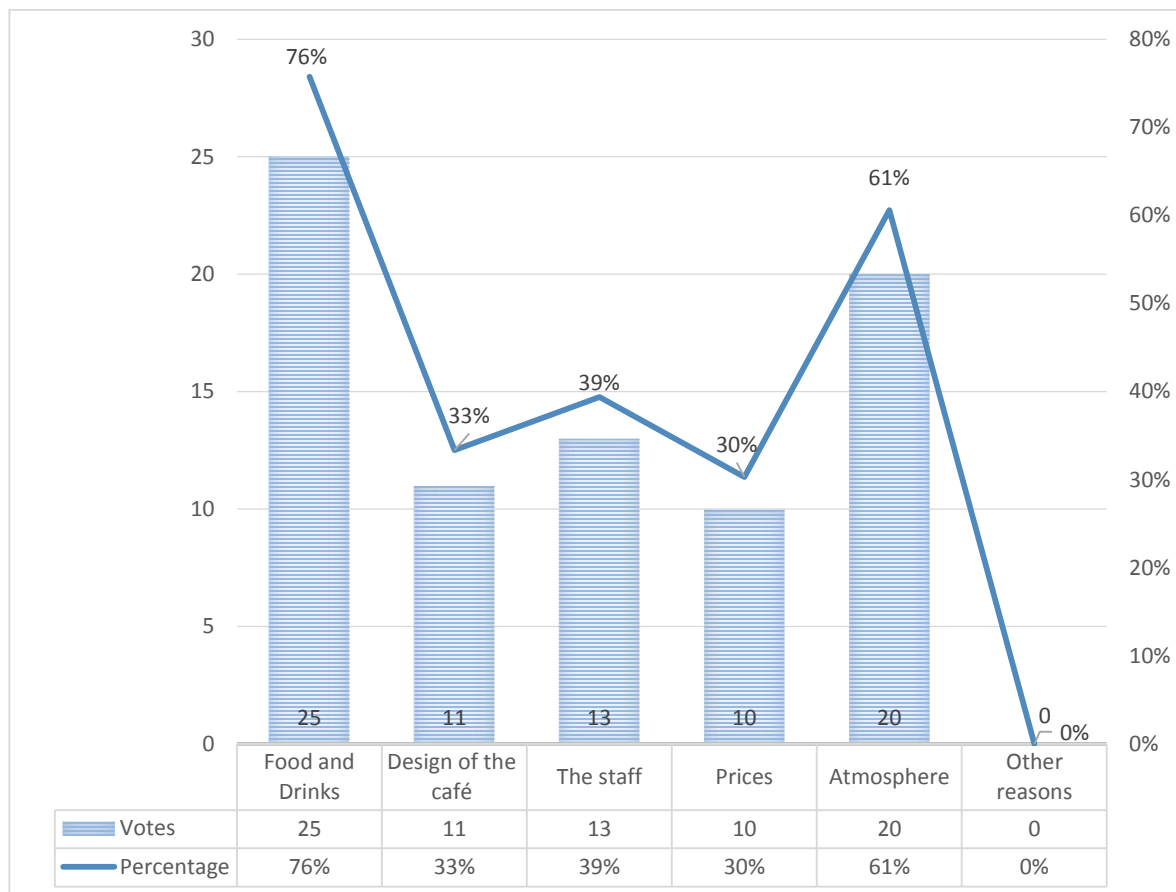
Maintaining customer loyalty is a very important aspect of a business. Therefore, through this question, the authors would like to find out the various reasons for customers to return to a café.



Graph 7. Reasons for returning to a café – Finnish Group

The above chart (graph 7) expresses the most influencing factor making Finnish people return to a café to be the atmosphere. Moreover, beverages & food along

with Staff were equally important comeback motivation for the Finnish participants. Price was another influencing factor for people to consider. Additionally, people also return to a café because of the design and the quality of the drink and service in general.



Graph 8. Reasons for returning to a café - International Group

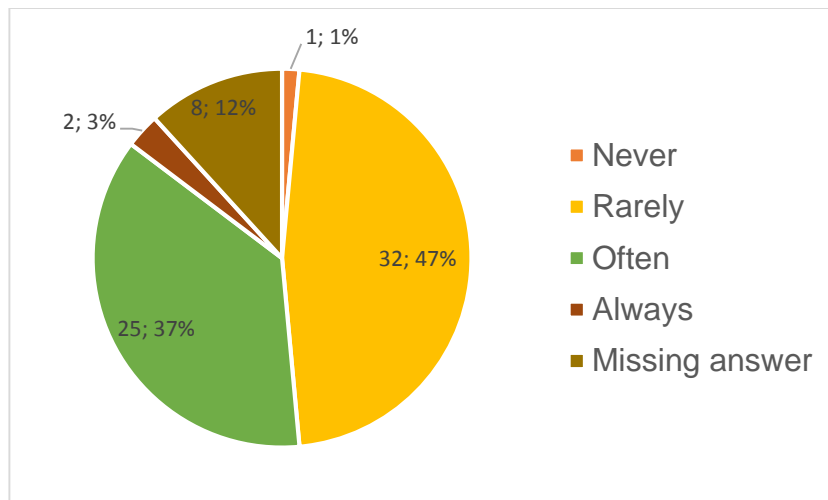
Meanwhile, the bar chart in graph 8 shows that the most noticeable motivation for people of International Group to visit a café for second time was “Food and Drink”, with 25 out of 33 people agreed. The second major reason was the atmosphere at the café. Besides, the consideration of this group towards the design, staff and prices of a café were quite high and equal.

Once again, the importance of the menu as well as quality of food and drinks are emphasized in the answers to this question. They are among not only the main aspects of the café but also the most vital factors that affect the decisions of the

clients to go and to return to a café. Hence, the café owner should really pay attention to this aspect. The atmosphere of the café has also become one critical element for such café because the potential customers of this business idea care much about the atmosphere for relaxation or enjoying food and drinks, etc. And other factors such as design, staff and prices play a small but essential role in the success of the business.

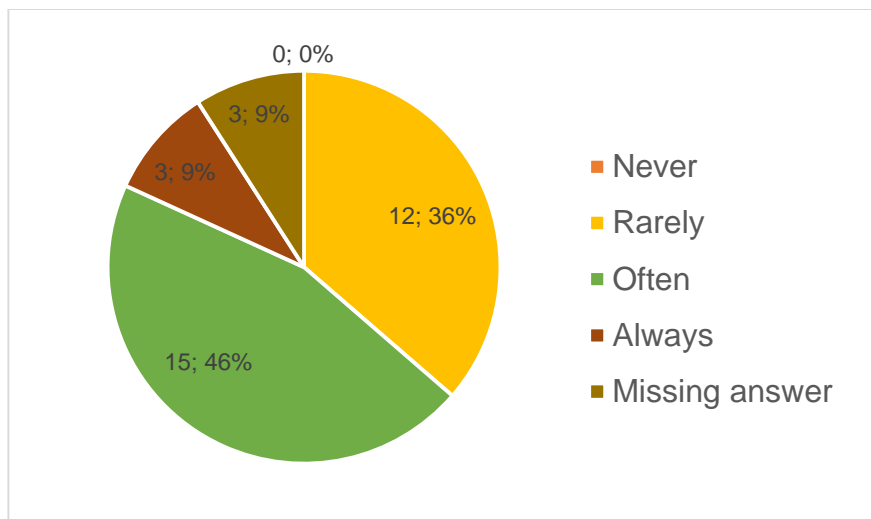
Question 9: The tendency of buying accompaniment food with tea/coffee

Accompaniment food or snack is necessary for many people when they drink tea/coffee. The responses to this question help the authors to understand the demands of customers for accompaniment food with tea/coffee.



Graph 9. Frequency of buying snacks with tea/coffee - Finnish Group

It was found out in the graph 9 above that 37% of the Finnish participants often enjoyed their drinks with other food accompaniments. 47% of the respondents replied that they rarely had food accompaniments with their drinks. Finally, there was only a minority of the Finnish respondents who either always or never have the drinks accompanied with food.



Graph 10. Frequency of buying snacks with tea/coffee - International Group

According to the graph 16 above, there were 3 people who did not give answers for this question. The majority of people in this International Group either rarely (36%) or often (46%) bought snacks with the drinks. There were also a minor number of people that always bought something to eat when buying tea/coffee. Overall, there existed a need for food at the café.

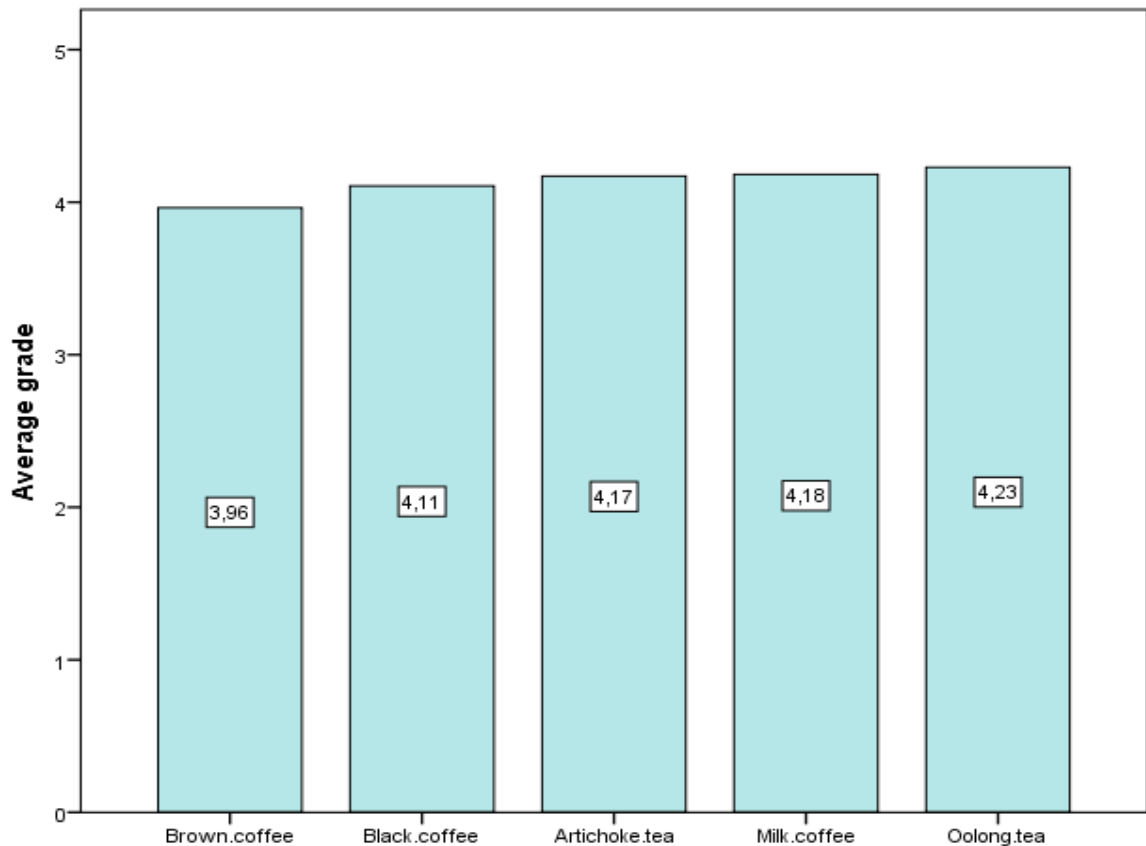
6.3.4 Questions for evaluation statement

The questions of this group concerned the customers' preferences and opinions towards the business idea as well as the products tested. The aim of these question was to find out if the opening of this café would have support from potential customers or not, as well as whether these kind of products available for testing would be profitable for the café or not.

Question 10: Evaluation for drinks tasted

The question 10 asked for participants' evaluations for the drinks they had tried on the survey day. These drinks represented the possible products which would be sold at the café. With five options of products available, the respondents were required to rate the drink on a scale from 1 – "Terrible" to 5 – "Excellent" after having tested them. The graph 11 below illustrates the average point each objects

had earned from the participants. In general, all the products offered were ranked at 4, on average.



Graph 11. Average grade for each tested object

The results have proved that the decisions for the selection of drinks sold at the café, which were mentioned in section 5.3 *Products and Services*, are positive. This means that if these drinks are offered, for sure they will be supported and accepted by potential clients.

Question 11: Amount of money one would be willing to pay for these products

The purpose of this question was to define the range of prices that customers are willing to pay for the products available for testing as well as the ones that would be offered at the café. However, as having mentioned before in section 1.2 *Limitations*, there was a shortage in the products for testing comparing to the possible products sold at the café. Thus, the results of this question could only give the estimation price range for the drinks tested, not all the products and services

offered. In addition, the products tried on the survey day were served in a different way in comparison with the intended services offered at the café. Overall, the answers to this question analyzed below could only act as a supportive idea for entrepreneurs in building up pricing strategy but not a decision of price of products and services offered at the café.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Average.expected.pay	97	96.0%	4	4.0%	101	100.0%

Table 4. Summary of results of question 11

The table 4 above is a summary about number of respondents to this question. As it is clearly shown, there were 4 people out of 101 people of the whole population that did not give any answers to question 11.

		Statistic
Average.expected.pay	Mean	2.40
	95% Confidence Interval for Lower Bound	2.24
	Mean Upper Bound	2.56

Table 5. Average price range for products

The table 5 inserted above illustrates the average amount of money that potential customers were willing to pay for the drinks offered at the café. According to the results, the average expected payment for a drink at the café was €2.4. In addition, there was also a price range from €2.24 to €2.56 presented in the table. This range was selected by 95% of the respondents, or “95% Confidence Interval” as presented in table 5, of this question.

Question 12: Evaluation for the theme chosen for the café

The theme chosen for the café having been presented above in chapter 5 section 5.3 Main theme, uniforms and symbol of the café. Although the ideas for the theme were totally original from the authors, this question was asked because the authors wanted to know the customers’ opinions about it. If there were more agrees than

disagrees, it meant that the theme would be widely accepted by customers. If not, there would be a lot of changes for this theme.

Once again in this question, participants were asked to rate the selected theme on a scale from 1 – “I hate” to 5 – “I love” according to their opinions towards the theme. The authors also printed out the pictures illustrating the ideal theme, uniforms and symbol, which were also the figure 12, 13, 14 presented in section 5.3 *Main theme, uniforms and symbol of the café*, to show to customers. This way made it easier for them to visualize what the real café would be like.

Although there were 6 missing answers, the average grade for the theme that the researchers received was 4.12/5 (See table 3 below). This meant that the majority of participants liked the selected theme. Thus, the café owner could apply this theme, uniforms and symbol to the café without many changes.

Statistics

Theme.evaluation

N	Valid	95
	Missing	6
Mean		4.12

Table 6. Evaluation of theme chosen

7 Further development of the business concept based on market research

The first few elements of the business concept statement such as the products and services sold and targeted market had been dealt within the chapter 5. This chapter included other issues that are needed to be available in the business concept statement. The results of the study acted as an important supportive role in this chapter.

7.1 Market analysis

In this section, the authors will present their analysis of the market from the results of the study above. This chapter deals with the two points of the analysis: segmentation of the market and the description of potential customers for the café.

7.1.1 Market segmentation

Based on the result analysis of the questionnaire survey, the authors found out at least three ways to segment the customers: geographic, demographic and psychographic. From the result of question 1 about nationalities of respondents in the survey, the authors have realized that the main possible geographic segmentations were only Finnish, Russian and a small amount of international students and people living here, which might have no effect on the whole population. In addition, according to the research results, the Finnish and Russian did not have many differences in habits, preferences as well as opinions towards this business idea, except for the fact that Finnish people consumed more coffee while Russian people drunk more tea. Moreover, the products offered at the café included tea and coffee as the main items on the menu. Therefore, it was not really necessary to segment the potential customers in terms of geography. On the other hand, the authors decided to use demographic and psychographic segmentation to divide the population of potential customers into different focus groups. Market segmentation is going to help the business in designing customized packages to each group.

Concerning demographic segmentation, the customers were divided into age groups. There are going to be four age groups:

- Youngster: < 26 years old
- Adult: 26 to 44 years old
- Middle-age: 45 to 64 years old
- Elderly: > 65 years old

Each age group had its own characteristics. For example, the survey result indicated that the youngster group was more interested in tea as opposed to

coffee, which was reflected on the group's coffee and tea consumption, and had a low frequency of going to cafés as compared to other age groups. The adult and middle-age groups displayed a more promising interest in going to cafés. Thus, these groups would be the main demographic segments of this business.

Regarding the application of psychographic segmentation, the customers would be divided based on their personality traits, interests and values. For example, couples valued privacy and romanticism while family groups had high expectation on special family combos along with a relaxed environment. Psychographic segmentation would help customize different approaches to each group of customers.

7.1.2 Description of typical customer for the café

From the results collected in the previous chapter, the authors can easily draw out an image of typical customer supporting this business. This person will be either Finnish or Russian, either young or middle aged. If this person is a Finn, the typical drink he/she may order will be a cup of coffee. On the other hand, if this person is a Russian, his/her more preferable order will be tea. This person wants to find relaxation or enjoy food and drinks at the café. Thus, the demands for space, cozy atmosphere and good food and beverages are high. This person will not be so strict and difficult, especially with a café that offeres products which are unique among the market because he/she seems to be quite happy with any products sold as well as the selected theme for the café. If the café can meet the demands of this typical customer, especially about the atmosphere, there will be a high probability that he/she will visit the café another time.

7.2 Competitor analysis

Lappeenranta – Imatra region is not a very big area. However, this business idea of a Vietnamese café still has many competitors to take care of and the competition is not very easy. The business has to face with the three types of competitors in accordance with the theory about competitors mentioned in section 3.2.1 *Competitors' analysis*.

7.2.1 Direct competitors

First of all, the direct competitors of this café are other café premises that offer the same products as in the café: coffee, tea and snacks. These opponents are the main concern of the business. Some strong direct contestants within this region that worth mentioning here are Caffè Violet, Coffee House Lappeenranta, Elegant café, Konditoria Imatrankoski, and Café Julia. For a new business, all these direct opponents have some similar points. Therefore, the author will make a general SWOT analysis of these main competitors in order to understand the situation of competition better. This SWOT analysis is made from the points of view in relationship with the future Vietnamese café. The SWOT competitors' analysis is presented in table 7 below.

Strengths	Weaknesses
<ul style="list-style-type: none">- Reputation- Loyal customers- Good location- Familiar products	<ul style="list-style-type: none">- Similarity in products and services
Opportunities	Threats
<ul style="list-style-type: none">- Sufficient capital to invest in the business- Extensive experience on the market to expand the café	<ul style="list-style-type: none">- A new competitor on the market- Appearance of new foreign products' brands- Saturation of the café market

Table 7. General SWOT analysis of direct competitors

From the table above, the authors have found out that the most significant strengths of the competitors come from their reputation and fixed customers. As they opened before this Vietnamese café, they had enough time to gain reputation and get their own fixed loyal customers coming to the café. Additionally, these cafés offer the familiar products to the market such as tea bags, Finnish coffee,

bakery stuffs, etc. This means that it can be easier for them to attract customers, especially in Finnish market like this. Besides, these cafés have very good locations; most of them are located in the town centers where there is the gathering of most local residents as well as tourists. However, the weakness of these cafés is the similarity in the products and services. Every café have the same categories of products such as tea, cake, sandwiches, etc. as well as the same way of operation. This can make the customers feel bored and want to try something new and exotic. Thus, this weakness of the competitors can turn out to be an opportunity for the Vietnamese café.

These contestants, on the other hand, have enough capital to invest in and make the business bigger and better. Having been on the market for a while, they can earn enough money for future development plan of their business. With this money, they are able to invest in new profitable product lines. Additionally, they also have gained enough experience of the industry as well as the experience of being entrepreneurs. Therefore, they have more chance to expand their business either in this Lappeenranta – Imatra region or in other towns of Finland.

However, they also have to face with many threats while running the business. The first threat for them is the appearance of a new café. No matter what kind of café the new one is, the more cafés appear, the harder the competition is. In addition, the weakness of lacking uniqueness among the industrial players within the area makes the market reach a saturation point where the customers become more difficult to satisfy. Finally, the existence of foreign brands like this Vietnamese café can also be a threat for their businesses.

7.2.2 Indirect competitors

The second type of contestant in the competition is indirect competitors. These might include other food premises offering tea/coffee and desserts as an addition to their main menu. The authors can determine some indirect competitors such as Rosso restaurant, Butenhoff restaurant, Wolkoff Restaurant, Café and Bar Lumo etc. However, with this restaurant, their main focus will be on the main menu of main course or wine menu, not on the tea/coffee or desserts offered. Even though,

with a cheap price set for these additional products, they still have a chance to attract the customers of the café. Thus, these food establishments will still be kept an eye on.

7.2.3 Future competitors

The competitors belonging to this group are not really controllable by the owner. These are also unexpected opponents. The authors can define these future competitors as replacement products which are sold a lot in supermarkets or grocery stores. The situation when people choose to buy a cake or canned coffee instead of visiting a café can happen. Therefore, it is important for the future Vietnamese café to set a goal on emphasizing the products and services offered, making the customers understand that they cannot find these products elsewhere but this establishment. The café should also be regarded as not only a simple café where people go for tea/coffee and cake but also a special place where customers can indulge in the open atmosphere and the beauty of Vietnamese culture whenever the customers come to the store.

7.3 Marketing Mix

The marketing mix used for this business concept will be a mixture of 4Ps and 4Cs theory. The reason for this decision is that using either of the marketing mixes solely cannot transmit comprehensively the business concept. To be precise, the authors use 4Ps approach in order to promote the unique product lines and café concept to the targeted market. On the other hands, the 4Cs theory is used to emphasize the customer side of the business. This means that the business focuses on the products offered but does not forget the services and the care for its customers.

As having mentioned in section *7.2.1 Direct competitors* the market is coming to a saturation point and the customers are more difficult to satisfy. By only offering the single products of tea/coffee and snack cannot help the business to make customers happy as well as to increase number of customers to the store. Thus, this café will try to characterize the products according to the customers' needs

and wants. For example, if the customer wants to learn about the culture of Vietnam, the café can also offer a short demonstration of tea ceremony. The communication between the businessperson and customers will always be taken care of. By doing this, the customers can understand the message from the business concept as well as the products and services offered and the entrepreneur can always be up-to-date with the customers' wishes in order to improve the business in a better way.

In terms of pricing of products and services available at the café, the business owner will set up different pricing strategies to cater to the wants and needs of different customer groups. This explains the reason why there is a question relating to price in the questionnaire. The business sets up price not only based on the situation of the market but also on the costs that customers are willing to pay.

For the perspective of place and location of the café, the owner will have a list of preferable possible locations for the café. However, the final decision about locations of the café will also be affected by the ability and convenience of the customers to access to the premise.

Last but not least, the business also tries to build up a two-way communication with customers and promote the image of the Vietnamese café in adaption to the Finnish and Russian culture. For example, every marketing message or campaign will be translated into two other languages – Finnish and Russian – in order to reach the intended customers of the business. The marketing actions of the business will also be made to be suitable with each typical culture where the café is located. This means that with the same products, the marketers can promote in different manner that matches the marketing types of Finnish and Russian markets. Additionally, the two-way communication here means that within the business, it is not only about how sellers communicate with customers but also about how customers can reach the entrepreneurs. In this case, the café will vary the communication channels for promoting products and services as well as for communicating with clients.

7.4 SWOT analysis

According to Goodrich (2013), SWOT can be used to find out the potential of a new product or a new business as it can be helpful in determining the possible risks and profits. Therefore, it is crucial for the authors to make an analysis for the café using SWOT analysis tool. The table 8 below is the SWOT analysis of this Vietnamese café.

Strengths	Weaknesses
<ul style="list-style-type: none"> - The first and only Vietnamese café in the area - Unique style and theme for a café - Unique and high quality products of coffee and tea - Unique service offered in a café - Cozy atmosphere - Nicely decorated coffee, demonstrating very well the Vietnamese style in each detail in the store. 	<ul style="list-style-type: none"> - Entrepreneurs - Cultural differences - Insufficient funds
Opportunities	Threats
<ul style="list-style-type: none"> - The curiosity of customers - The growth in number of Vietnamese people in the Lappeenranta – Imatra region - The increasing interest of Finnish and Russian people in Vietnamese cuisines and cultures 	<ul style="list-style-type: none"> - A tough competition, especially for such new café - The stagnation in development of European economy - Wholesalers - High costs

Table 8. SWOT analysis of Vietnamese café

In general, the main strengths as well as competitive advantages of this café come from its newness and uniqueness, the uniqueness in style, theme, concept, products and services of the café. As being a new café in the region with special

product lines that nobody else offers, the café has the opportunity to attract customers based on their curiosity for such a new recreation place in town. If this business concept could turn out to be a real Vietnamese café, this café would become the first and only Vietnamese café in the region. Thus, the café will be considered as a monopoly company in the market, which can bring back a lot of opportunities for building up as well as expanding the brand and the business in the near future. Especially after the small market research above, the authors as well as future owner can be more confident that the products the café offers will satisfy many potential customers. Overall, this Vietnamese café has created a competitive advantage with the products and services offered.

On the other hand, the weakness of the café can come from its entrepreneurs. In particular, it is not easy to find a suitable entrepreneur for this business concept. The ideal owner should have enthusiasm for doing business, sufficient funding for investment, knowledge about Vietnam as well as experiences in operating and managing such business in Finland. If the café is owned by a young person, he/she will have the enthusiasm but may lack experience in the industry as well as being an entrepreneur. If the café is owned by a Finn or a Russian, he/she may be deficient in knowledge of Vietnam, the Vietnamese culture and cultural differences which can lead to the misunderstanding of this business concept. Besides, the cultural differences between the Vietnamese and the Finns as well as the Russians can be another weakness. The differences can be about the opening hours, the consuming behaviors, etc. The café owner should determine the way to adapt to some aspects of these differences in order to survive on the market. Another weakness of the company can be the funds for operating the business. In order to avoid this situation, the owner has to prepare a detailed statement about the possible budget for the café.

However, there are still opportunities for the café to succeed. Normally, when there is a new store open, many people come there for a visit to satisfy their curiosity. Thus, at the beginning, the café can have a number of guests coming for this reason. And it is the job of manager and marketer of the café to use suitable strategy to make these customers return or spread good word about the café. The

increase in amount of Vietnamese people in the region and the rising interest of foreign people towards Vietnamese cuisines are also opportunities for the café.

Nevertheless, the owner of the café should also pay attention to the threats that may affect the performance of the business. The first threat comes from the costs in establishing, rent, materials, etc. The second threat comes from tough competition on the market. For a new business, the competition will become even harder. Another risk is from the wholesalers. Buying products from the wholesalers means that the café is not active in controlling the resources. If the wholesalers have problems in importing particular products for the café, then the business will be in trouble as well. In addition, there are a limit number of wholesalers in Finland that import Vietnamese products. As a result, the amount of products is limited and their prices can be very high. Therefore, the businessperson needs to be flexible in this issue to figure out other solutions in order to maintain a stable resource for the business. Lastly, the development of European economy has been stagnant recently, which also may affect the business of the café.

7.5 Porter's five forces application

The five forces application to the business in research is described as follows.

Industry rivalry is determined by the competitiveness level between the existing businesses in the industry. Regarding café business in the region of Imatra and Lappeenranta, the number of existing businesses is considerable, for example. But at the same time, the current market is fragmented, meaning that there is no industrial leader and the market shares are divided among many industrial players. The current market scenario opens the opportunities for new businesses to be opened and compete with the established businesses.

Bargaining power of suppliers: Suppliers' power is among the important factors which has an influential impact on the business. The bargaining power of the suppliers depends on the number size of the suppliers; in this case, due to the limited amount of Asian supply and the lack of authentic Vietnamese ingredients in the region, the list of available suppliers for the café is severely limited; therefore,

the bargaining power of suppliers is strong. This fact would pose a threat for the business because the business will become more dependent on the suppliers and face the risk of shortage on supply.

Bargaining power of buyers is the impact that consumers have on the firm. In the case of this Vietnamese café, the customers will have less bargaining power due to the fact that there is no other café or coffee shop in the region of Imatra or Lappeenranta offering authentic Vietnamese coffee and food, making the business unique and special. In general, the bargaining power of buyers towards the business ranks from medium to low level.

Threat of substitutes is defined by the ease of customers being able to find alternatives to the products or services. As having mentioned in the SWOT analysis of the café above in section *8.3 SWOT Analysis*, this business has the strength of being unique with exotic products and special theme design. However, there exist other strong direct competitors and indirect competitors, which have already been described clearly in section *8.1 Competitor Analysis*. Thus, the authors assess the threat of substitutes for this café is medium to low.

Threat of new entrants: The current café market in the Lappeenranta and Imatra region has already involved many industrial businesses. In addition, the current political situation between Russia and Europe has affected the Russian tourists coming to the region; thus, decreasing the amount of customers especially in off-season periods. With a decline in number of customers along with a decent amount of established players in the market, the chance for new entrants is low.

7.6 Pricing strategy

This café business concept will employ customer-based strategies as its pricing strategies. Customer-based pricing put emphasis on the customers and markets. The key factor in this approach is customer value; consumer's value perception is the main influencer in setting up prices. In order to communicate the pricing to the customers, it is vital that values and benefits are highlighted and clearly presented.

The elements that determine the value of the products and services are: quality, brand equity, design and features.

This business is going to implement two value-based pricing strategies: good-value pricing and value-added pricing. To be particular, good-value pricing is described as a combination of good quality products and good services at a fair price. High-low pricing is a common method of good-value pricing which is going to be used in this business. The prices are going to be set at a level that justifies the high quality of the products and services at the café: exotic Vietnamese products and good table services. Higher prices not only allow the firm to make profit and reach break-even point faster but also they will act as an indicator of high quality. Despite the rather high daily prices, this Vietnamese café will run frequent promotions and discounts to lower the prices on certain items. An illustration of this tactic is 'dish of the day': everyday there will be a special dish which will be discounted which the customers are going to see easily at the front counter.

Value-added pricing is defined as adding values or features to the total packages to increase the attractiveness of the packages and increase sales without having to lower the prices. In order to implement this method into practice, the café will introduce different combo packs with special combined prices to encourage customers to buy more product packages in addition to individual items. There will be special lunch combos, normal combos and family combos. A basic combo will contain a drink and food accompaniment.

7.7 Goals achievement

In the future, this Vietnamese café will benefit from the use of Ansoff's expansion strategies. During the introduction stage of the business, the suitable strategy is Market penetration. The goal of this strategy is to increase market share of the company in the present market. In order to achieve market growth, promotional methods are going to be implemented to attract even more attention from local residents. In the long term, giving sufficient resources and financial support, the business can even consider opening new branches in different location to increase capacity and offer more service touch points to the customers.

Beyond the introduction stage, the company will consider both Product development and Market development as viable strategies for future development and expansion. There are a lot of other exquisite Vietnamese products which can be introduced to the current product offerings of this Vietnamese café establishment.

8 Conclusion

The thesis dealt with two main points: the creation and presentation of a business concept statement for a new business of Vietnamese café in the region of Lappenranta – Imatra and the market research towards this new business idea. The authors divided the whole contents of the thesis into three major parts: background information, theoretical and empirical work. The background information section gives reader the knowledge relating to the issues in research, in this case, Vietnamese coffee and tea culture. The theory in this thesis concerned subjects relating to the start of a business, business concept statement: how to form it, its contents, and different tools used in the business concept statement and the research method used within the thesis. The empirical part focuses mainly on the market research, and the application of the theory in building up a written business concept statement.

In general, with the studied theories, the authors have realized that the terms of business idea, business concept and business plan are different from each other. The business concept statement can be understood as the written form of a business idea. A business concept statement acts as a tool for businessperson to communicate with partners, sponsors or suppliers. Besides, this statement is a foundation for forming a business plan later because it has several points that are also in a business plan. The business concept statement describes the business ideas concerning mainly these issues: the products-services offered, the targeted market of the business, the way to promote the products-services for this market, the competitors and the goals of the business. Because the scale of this thesis work is small, the authors had decided to write a business concept statement but not a business plan. In order to create this business concept statement of the

business idea in this research, the authors have applied some possible tools such as SWOT analysis, Porter's five forces framework, and Ansoff matrix. Within this thesis work, the business concept statement is divided into two phases: the starting phase and the development phase after the research market.

The business idea from the authors of this thesis is to establish a Vietnamese style café in Lappeenranta – Imatra region. The authors have come up with this ideas based on their own enthusiasm in doing business after graduation as well as the pride in the country and culture, especially tea and coffee culture. Thus, with the empirical work, the authors have tried to build up a detailed business concept statement for this idea and carry out a market research within the targeted market from which the results are used as supportive data in forming this statement. After the research market and products testing, the authors have got not only a better understanding of the potential customers of the café but also their opinions and evaluation for the business idea. Overall, the business idea has got really good feedback and encouragement from the potential market which increases the possibility of success and makes the authors more confident about their idea. In addition, the authors realize the contribution of this thesis study as the foundation for a great business idea as well as the limitation regarding the scale of the market research and the current shortage in products for testing; the results of this research requires extensive research for further development. If there are any entrepreneurs that are interested in this business idea, the authors can now confirm a promising future for the business. However, the authors would like to suggest future owner to make a bigger scale research with more various types of products for testing for essential information and assessment before building the business plan. Additionally, the business plan should consist of details relating to financial, human resources, etc. if he/she would like to turn the business plan into a real business and enter the market.

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Customer preferences for a Vietnamese café in Lappeenranta – Imatra region

Dear participants,

We are third-year students from Saimaa University of Applied Sciences and we are doing this questionnaire as a part of the market research for our thesis work. Our topic is a business idea for a Vietnamese café in Lappeenranta – Imatra region. The purpose of this survey is collecting your opinions for our business idea. We hope you enjoy the coffee & tea and spend some time to fill out this questionnaire.

1. What is your nationality?
 Finnish Russian Asian Other:

2. How old are you?
3. How many cups of coffee do you drink per day?
 0 1-2 cups 3-4 cups 5-6 cups > 6 cups
4. How many cups of tea do you drink per day?
 0 1-2 cups 3-4 cups 5-6 cups > 6 cups
5. How often do you go to a café per week?
 0 1-2 times 3-4 times >4 times
6. What is your purpose for going to a café?
Please tick (x) to the answers of your choice. You can tick more than one answer.
 Celebrations
 Because of the food and drinks
 Family/friends gathering
 Other reason:
7. Do you recommend or give feedback to your friends or relatives about a café?
 Yes No
8. What makes you come to a café again?
Please tick (x) to the answers of your choice. You can tick more than one answer.
 The food and drinks The design of the café The staff
 Prices The atmosphere
 All of the reasons above
 Other reason (Please specify):

9. How often do you buy accompaniment food with your coffee/ tea?

- Never Rarely Often Always

10. How do you evaluate the drinks you have tasted?

Ranking is from 1- "Bad" to 5- "Excellent"

- | | | | | | |
|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Black coffee | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |
| Brown coffee | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |
| Milk coffee | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |
| Oolong tea | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |
| Artichoke tea | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |

11. Besides, we also have other products that are not available for the test today. Which of these would interest you? (The pictures of the products are on the table)

Please tick (x) to the answers of your choice. You can tick more than one answer.

- Lotus tea
 Egg coffee
 Bubble tea

12. How much are you willing to pay on average for these products (per one cup)?

- 0 - 1€ >1-2€ >2€ - 3€ >3€ - 5€ >5€

13. How do you evaluate the theme we chose for the café?

(Pictures are on the tables)

Ranking is from 1- "I hate it" to 5- "I love it"

- 1 2 3 4 5

Other comments:

.....

Thank you for your participation!



Nowadays, Vietnam is known as the second largest exporter of coffee in the world. Since introduction by French in 19th century, and thanks to the gift of Nature for the country, Vietnam has built up a strong history of coffee cultivation. Many types of coffee beans are grown in mountainous regions and altitudes of Vietnam, but the most commonly used one is Robusta. However, it is a unique roasting technique that gives the wonderful flavors for a Vietnamese cup of coffee.



"Black coffee" - a traditional way to enjoy Vietnamese coffee. This can be served hot or cold!

Drinking coffee also gradually becomes an essential part of Vietnamese culture. Vietnamese people drink coffee in the early morning before work, at lunch time for boosting energy or in the evening while hanging out with friends. As a result, coffee shops have become a vital part in daily life of every Vietnamese person.

There are 4 ways to enjoy Vietnamese coffee. No matter which one you choose, it is an irresistible treat for any coffee lovers.



"Brown coffee" - Instead of using cream, milk and sugar, condensed milk is used for the sweetness.



"Bạc xỉu" - "Milk coffee" - the lightest version. One cup contains little coffee, condensed milk and fresh milk. This cup of coffee is suitable for children and person who cannot drink much coffee. (Hot/cold).



"Egg coffee" - contains a layer of black coffee and a fluffy layer of well-whisked mixture of egg yolk, condensed milk and brewed coffee. The cup is put in a bowl with hot water to keep the temperature.



Vietnamese tea

Tea, known as “trà” in Vietnamese, plays an important role in Vietnamese culture. It is consumed daily, either by youngsters or elderly, either on the street stalls or in exquisite tea house; be it lotus or jasmine flavor, tea has rooted itself in the heart of the Vietnamese. Vietnamese people are proud of their tea, some of which is among the oldest in the world, along with the unique culture that surrounds it.

Lam Dong and Thai Nguyen province are two of the renowned tea making regions of Vietnam. Green tea, Lotus tea, jasmine tea, and artichoke tea are some of the popular teas in Vietnam. Each has its own unique aroma and taste that would embrace the characteristic of the tea. Every cup of natural flower-scented tea captures a fraction of Vietnam’s rich and vibrant culture.

Green tea (trà xanh) must always be the first to be mentioned whenever one talks about Vietnamese tea. Easy in preparing and serving, green tea is drunk everywhere. The image of people gathering around in the small stall near the village gate, chatting merrily while drinking green tea served in porcelain bowls is a typical picture describing the lifestyle of countryside Vietnamese.



The unique and exquisite Lotus tea (“Trà sen”) is a specialty product of the Vietnamese tea industry. High-quality green tea leaves are placed within lotus flowers for a day to acquire the scent, the tea leaves are then removed and packaged. The lotus is seen as a pure and serene flower that gathers the essence of heaven and earth in its scent.

Jasmine tea (trà nhài) is made from green tea leaves scented with jasmine flowers. Jasmine flowers are harvested during the day and stored in a cool place until nightfall to preserve their full fragrance. They are then layered over green tea leaves and the whole scenting process is done by hand. Jasmine tea has a more profound aroma than lotus tea.



Artichoke tea is made from the whole Artichoke plant. This traditional herbal tea is a Vietnamese favorite, and has a smooth and naturally sweet flavor, rich mouthfeel, and surprising aroma reminiscent of vanilla or Cadbury’s chocolate. When iced, its flavor shifts towards licorice and the aroma is less pronounced, producing an entirely different, refreshing drink.